The following individuals certify that they have read, and recommend to the Faculty of Graduate and Postdoctoral Studies for acceptance, a thesis entitled:

Mining revenues shared with First Nations in British Columbia

submitted by Aligermaa Bayarsaikhan in partial fulfillment of the requirements for
the degree of Master of Applied Science
in Mining Engineering

Examinig Committee:

Dirk van Zyl, Mining Engineering
Supervisor

Bern Klein, Mining Engineering
Supervisory Committee Member

Andre Xavier, Mining Engineering
Additional Examiner
Abstract

In Canada the sharing of the government (public) revenues generated from natural resource extraction or use with Indigenous communities is evolving in different formats - some provinces approach it through modern treaties, others through non-treaty, policy-based agreements and some do not have a resource revenue sharing mechanism in place. In addition to government arrangements, companies have been proactive in sharing economic benefits with local and Indigenous communities through signing an impact and benefit agreements (IBAs) or other agreements (e.g. community participation agreements) over the last decade, some of which also include financial provisions to share revenue with Indigenous communities.

Both practices have been studied well, but with limited data published on the actual implementation. Using the case of British Columbia, this research attempts to add some insight into it using the reports published online under Extractive Sector Transparency Measures Act and First Nations Financial Transparency Act. The study conducted semi-structured interview with government and industry representatives to further understand the challenges associated with both practices.

Overall, the mining share constituted for less than ten percent in select First Nations annual budgets, but together with other natural resource revenue from forestry, clean energy and natural gas sectors under the province’s revenue-sharing agreements with First Nations it could serve as a major source of funding for these communities. The challenges identified within the industry through semi-structured interviews pointed to the lack of clarity and guidance from government
on the engagement and consultation processes with Indigenous Peoples affected by their operations, which may significantly delay the projects or lead to undesired outcomes.

Given the focus on social issues from investors within the changing landscape of investment practices that incorporate environmental, social and governance (ESG) factors in the investment decision-making, the research also looked into investors’ perspective on what their expectations are for mining companies on the community engagement and benefit-sharing. The study revealed that a growing trend of responsible investing has a potential to impact the performance of mining companies to ensure that local and Indigenous communities have an opportunity to engage in resource development planning and receive a fair share of benefits.
Lay Summary

This research reviews two distinct channels of mining revenue stream to First Nations using a case of British Columbia. Government’s revenue-sharing agreements with First Nations and industry’s resource agreements are well documented in the academic literature, yet some knowledge gap still exists in the actual implementation and impact of these mechanisms, mostly due to the confidentiality aspects in both agreements.

Using a small sample of data available under the Extractive Sector Transparency Measures Act and First Nations Financial Transparency Act, the study gives an insight to the amounts and share of revenue streams in the operating budgets of First Nations. Further understanding on challenges and what has worked well in both arrangements have been sought through semi-structured interviews with experts from industry and government. The study also covered perspectives of investors to illustrate a broader focus on social issues when considering environmental, social and governance factors in the investment decision-making.
Preface

This study is the original, unpublished work of the author, A. Bayarsaikhan. All research design, data collection and analyses are the independent work of the author. The findings were presented during the Student Poster Session at CIM Convention 2019. The qualitative data collection methods for this research were approved by the UBC’s Behavioral Research Ethics Board, certificate number: H19-00187.
Table of Contents

Abstract .................................................................................................................................................. iii
Lay Summary ........................................................................................................................................ v
Preface .................................................................................................................................................... vi
Table of Contents ................................................................................................................................... vii
List of Tables .......................................................................................................................................... xi
List of Figures ......................................................................................................................................... xii
List of Acronyms ................................................................................................................................. xiv
Glossary .................................................................................................................................................. xv
Acknowledgements ............................................................................................................................. xvi

Chapter 1: Introduction .......................................................................................................................... 1
  1.1 Overview .......................................................................................................................................... 1
  1.2 Research Questions and Objectives ............................................................................................... 3
  1.3 Thesis Outline ................................................................................................................................. 5

Chapter 2: Literature Review .................................................................................................................. 6
  2.1 Broad Review of International Context ......................................................................................... 6
      2.1.1 Resource Revenues: Characteristics and Challenges .......................................................... 6
      2.1.2 The Significance of Resource Benefit-Sharing with Local Communities ....................... 10
  2.2 Discussion around Resource Revenue Sharing ............................................................................. 13
      2.2.1 Government: Resource Revenue Sharing ............................................................................. 15
      2.2.2 Industry: Financial Provisions in Resource Agreements .................................................... 17
      2.2.3 Responsible Investors: Engaging with Industry on ESG Risks ........................................ 18
5.3.1 Good Practice ................................................................. 63
5.3.2 Challenges ................................................................. 67
5.3.3 Opportunities ............................................................. 70
5.4 Responsible Investors ..................................................... 71
  5.4.1 Integrating ESG Issues into the Investment Processes .......... 72
  5.4.2 Perspectives on Community Engagement ............................ 74
  5.4.3 Towards New Models of Resource-Revenue Sharing with Communities .......... 76
5.5 Summary ............................................................................ 78

Chapter 6: Discussion .................................................................. 82
  6.1 Research Question 1 .......................................................... 82
  6.2 Research Question 2 .......................................................... 85
  6.3 Research Question 3 .......................................................... 90

Chapter 7: Conclusions, Study Limitations and Recommendations for Future Work ........... 93
  7.1 Conclusions .................................................................... 93
  7.2 Research Limitations ......................................................... 95
  7.3 Recommendations for Future Work ...................................... 96

References .................................................................................. 97

Appendices .................................................................................. 106
  Appendix A List of First Nations with Economic and Community Development Agreements with British Columbia ................................................................. 106
  Appendix B Introductory Letter .................................................. 108
  Appendix C Interview Consent Form .......................................... 109
  Appendix D Research Participants ............................................. 111
Appendix E NVivo Coding Chart........................................................................................................................................ 112

List of Tables

Table 1. Government resource-revenue sharing agreements with Indigenous communities (Pendakur and Fiser 2017)................................................................. 22

Table 2. List of select companies studied in this section with relevant information (continued in Table 3).......................................................................................................................... 46

Table 3. List of select companies studied in this section with relevant information.................. 50

Table 4. Summary of key characteristics identified in the study on revenue streams under IBAs and ECDAs ................................................................. 83

Table 5. Findings and relevance to the literature on the challenges and good practices around the topic......................................................................................................................... 85
List of Figures

Figure 1. Characteristics of resource revenues ................................................................. 9
Figure 2. Community related incidents grouped by level of complexity (K. Marshall et al. 2015a) .......................................................................................................................................................................................... 19
Figure 3. Interactive map of Indigenous mining agreements (NRC, 2018) ...................... 28
Figure 4. Key characteristics of IBAs (derived from McKnight, Bruce 2018) ............... 29
Figure 5. Evolution of British Columbia's resource revenue sharing with First Nations .......... 33
Figure 6. Diagrammatic representation of grounded theory analysis (Punch 2005) ......... 35
Figure 7. Interview participants’ representation ................................................................. 38
Figure 8. Interview data word cloud ................................................................................... 39
Figure 9. Revenue sources for an average First Nation community with signed ECDAs (Pendakur and Fiser 2017) ................................................................................................................................. 43
Figure 10. Company payments by projects and communities in 2017 and 2018 in thousands of $ (derived from Natural Resources Canada, ESTMA Reports 2019) ........................................................................................................ 47
Figure 11. Company payments by projects and communities in 2017 and 2018 in thousands of $ (derived from Natural Resources Canada, ESTMA Reports 2019) ........................................................................................................ 49
Figure 13. Broad categories of expenditures among the four select First Nations (derived from Government of Canada - Indigenous Affairs Canada, First Nations Financial Transparency Act 2019) .................................................................................................................................................. 52
Figure 14. Annual revenue of select First Nations and funds received in respect to Mount Polley mine in thousands of $ (derived from Government of Canada - Indigenous Affairs Canada, First Nations Financial Transparency Act 2019) ................................................................. 53
Figure 15. Tahltan First Nation’s proposed distribution of resource revenues (derived from Community Engagement Report of Talhtan Nation 2010)................................................................. 88
Figure 16. CWB component score and gaps between First Nations and non-Indigenous communities, 2016 (derived from Statistics Canada 2016) ................................................................. 89
### List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMEBC</td>
<td>Association for Mineral Exploration British Columbia</td>
</tr>
<tr>
<td>BC</td>
<td>British Columbia</td>
</tr>
<tr>
<td>BREB</td>
<td>Behavioral Research Ethics Board</td>
</tr>
<tr>
<td>CDA</td>
<td>Community Development Agreement</td>
</tr>
<tr>
<td>CIM</td>
<td>Canadian Institute for Mining, Metallurgy, and Petroleum</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>ECDA</td>
<td>Economic and Community Development Agreement</td>
</tr>
<tr>
<td>ESTMA</td>
<td>Extractive Sector Transparency Measures Act</td>
</tr>
<tr>
<td>FPIC</td>
<td>Free Prior and Informed Consent</td>
</tr>
<tr>
<td>FNFTA</td>
<td>First Nations Financial Transparency Act</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IBA</td>
<td>Impact and Benefit Agreement</td>
</tr>
<tr>
<td>ICMM</td>
<td>International Council on Mining &amp; Metals</td>
</tr>
<tr>
<td>MEM</td>
<td>Ministry of Energy and Mines</td>
</tr>
<tr>
<td>MMSD</td>
<td>Mining, Minerals and Sustainable Development</td>
</tr>
<tr>
<td>NRCAN</td>
<td>Natural Resources Canada</td>
</tr>
<tr>
<td>PDAC</td>
<td>Prospectors &amp; Developers Association of Canada</td>
</tr>
<tr>
<td>UNDRIP</td>
<td>The United Nations Declaration on the Rights of Indigenous Peoples</td>
</tr>
</tbody>
</table>
Glossary

First Nation(s) - is a term used to describe Indigenous Peoples of Canada who are neither Métis nor Inuit.

Free, prior and informed consent (FPIC) – “a legal condition whereby a person or community can be said to have given consent to an action prior to its commencement, based upon a clear appreciation and understanding of the facts, implications and future consequences of that action, and the possession of all relevant facts at the time when consent is given. Free, prior and informed consent includes the right to grant, modify, withhold or withdraw approval” (FSC 2012).

Indigenous Peoples – a term used to collectively identify a variety of Aboriginal groups, including First Nations, Inuit, and Métis peoples (Indigenous Corporate Training Inc. 2016). In the United Nations, “Indigenous” is “used to refer broadly to peoples of long settlement and connection to specific lands who have been adversely affected by incursions by industrial economies, displacement, and settlement of their traditional territories by others” (First Nations and Indigenous Studies n.d.).

Local communities – communities of any size living in a particular geographical area at a given time, irrespective of their origin and may be sharing or having some common interests in the area.

The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) – is a document that “describes both individual and collective rights of Indigenous peoples around the world. It offers guidance on cooperative relationships with Indigenous peoples to states, the United Nations, and other international organizations based on the principles of equality, partnership, good faith and mutual respect” (United Nations 2008, 2017).
Acknowledgements

Thank you to my supervisor Dr. Dirk van Zyl for helping me to get here.

Special thanks to C3 Alliance Corporation and Mitacs for supporting this research project through the Mitacs Accelerate program.

I would like to acknowledge the Canadian International Resources and Development Institute for providing me with an opportunity to pursue higher education in Canada.
Chapter 1: Introduction

1.1 Overview

Revenues generated from non-renewable natural resources are finite and volatile, thus pose a number of challenges for governments to distribute and manage them for the benefit of the future and current generations. Among current generation a greater focus is devoted to local and Indigenous communities situated on or near the areas where natural resources are extracted. Globally, sharing revenues with affected communities has become a common model used by governments to compensate communities located near by the resource development projects for the potential impact on the environment, as well as to create opportunities for their social and economic development.

Canada’s natural resource projects under construction or planned until 2028 have a potential to generate capital investment worth $585 billion (Energy and Mines Ministers’ Conference 2018). The challenge comes when these projects are expected to situate close to the traditional territories of 1,200 Indigenous communities across the country (Kielland 2015). If these projects can develop into mines and generate revenues and other economic benefits in the areas they operate, this could become an additional source of income for local and Indigenous communities with a potential to improve their standards of living and reduce poverty levels.

However, the manner in how the provinces in Canada approach resource revenue sharing with Indigenous communities varies considerably. Some provinces approach it through modern treaties, others through non-treaty, policy-based agreements, while some still continue to be opposed to the idea of resource revenue sharing with Indigenous communities.
Apart from government arrangements, local and Indigenous communities can also benefit through resource agreements negotiated with companies. In Canada, signing impact and benefit agreements with local and Indigenous communities affected by the resource development projects has become a common practice in the past decade. These agreements contain provisions on employment, contracting opportunities, training and education, as well as financial and economic clauses to provide payments to communities according to chosen financial models. Legally binding commitments to share benefits with communities encourages the latter to participate in natural resource sector and recognizes the rights of Indigenous and non-Indigenous Peoples to receive a fair share of economic value from the extraction of non-renewable resources.

In Canada, resource revenue sharing with local and Indigenous communities has evolved from both government and industry basis, bringing a clearer answer to whether these communities benefit from projects occurring on or near their lands. Yet, the actual implementation of these agreements has not been well understood leaving a room to examine some of the key questions, such as the size of payments, potential impact on communities, along with insights to what works well and what does not.

The corporate benefit-sharing mechanisms with local communities are also becoming one of the social factors of environmental, social and governance considerations in the investment analysis as well as opportunities for responsible investment community, that is growing rapidly in the 21st century. The discussion of investors’ perspective on how they promote responsible investing across their portfolio of extractive companies and their view on community participation in resource projects is under great attention. This is because the changing landscape of investment practices can contribute to the improved industry performance, and through collaboration with
policy makers and regulators could inform a broader change in the traditional way of benefit sharing with affected communities, enhancing participation of local and Indigenous Peoples in the development of resource projects.

This study will look into a specific example of British Columbia’s approach to implementing a revenue-sharing mechanism with First Nations together with some industry practice. It will then consider investors’ perspective to summarize the future trends in the evolving topic and identify the areas for improvement. As noted by Abouchar and McKay (2018), sharing the revenues generated from natural resource extraction with the local community is one of the important ways to strengthen relationships between the stakeholders. A statement made by Descôtéaux on a benefit-sharing model in another jurisdiction in Canada, yet relevant to this context says, “This development model, in which the economic incentives of all of the parties are aligned [emphasis added], holds much promise for the future” (2015).

1.2 Research Questions and Objectives

The research study aimed to answer the following questions:

1. What are the characteristics of financial provisions of two distinct agreements signed by the government and mining companies with First Nations in respect to mining projects in British Columbia?

2. What are good practices and challenges identified in the implementation of both arrangements?
3. How could the increased consideration of environmental, social and governance issues in the investment analysis and decision-making processes influence the company’s community engagement strategies?

As noted, the research focuses specifically on British Columbia’s case of mining revenue sharing agreements with First Nations and financial provisions of impact and benefit agreements (IBAs) or similar type of agreements negotiated between the company and communities. Review of investors’ perspective included in the study reflect the positions of selected investors with over one hundred mining companies in their portfolios and who are the signatories to the United Nations-backed Principles for Responsible Investment.

The objectives of this research are:

- To collect information on the financial benefits/payments in respect to mining projects made to select First Nations in British Columbia by provincial government and mining companies;
- To identify good practices and challenges in both industry and government arrangements;
- To review common engagement strategies used by investors in the ESG related due diligence for mining companies and their positions on engaging with affected communities, including topics on revenue-sharing;
- To summarize main areas where the investment practices could be improved to better tackle community related incidents and promote local and Indigenous community engagement in resource development planning.
1.3 Thesis Outline

Chapter Two provides a literature review that includes a review of special characteristics of resource revenues, evolution of industry and government revenue-sharing mechanisms with local communities and increased practice of responsible investing that incorporates environmental, social and governance data in the investment analysis.

Chapter Three describes the research methodology used to collect data and analyze interviews conducted with representatives from industry, government and investors.

Chapter Four provides an overview of the desktop analysis of industry and government arrangements in British Columbia.

Chapter Five presents the results from semi-structured interviews with sub-themes emerged from discussions with each stakeholder group and supported by direct quotes from participants.

Chapter Six discusses main findings and provides a summary of responses, where applicable to research questions.

Chapter Seven concludes the research by presenting a conclusion, stating study limitations and making recommendations for future work.

List of references cited in this work and appendices containing details regarding data used in the study are provided at the end of the thesis.
Chapter 2: Literature Review

2.1 Broad Review of International Context

The rapid economic growth in China and other emerging-market economies have lifted prices across commodities in the beginning of 2000s, which led to significant revenue surge in commodity producer and exporter countries (Ebert and La Menza 2015). The rise of commodity prices has renewed the interest of researchers in how the revenue streams from mining is managed by governments of resource-rich countries; how it is shared among different levels of government, the company and local communities. Before discussing the options for sharing natural resource revenues from different stakeholders’ perspectives, it is important to understand what makes resource revenues different from other types of government revenues, and some of its challenges.

2.1.1 Resource Revenues: Characteristics and Challenges

The resource revenues generated from the mining sector – taxes, royalties and other earnings – can be translated into sustainable development benefits (Gankhuyag and Gregoire 2018a). However, the characteristics of resource revenue, including volatility and temporariness, make it economically challenging for governments to manage them in a long run. In addition, a sizeable share of resource revenue in the total fiscal revenues in some mineral-rich countries may have adverse effects on their performance. This so-called “natural resource curse” phenomenon has been explained in the literature as a negative relation between natural resource exploitation and growth (Sachs, J., Warner 1995; Auty 2001; Neumayer 2004). In general, rent seeking behavior, corruption and misappropriation of revenues can be the cause for a slower-rate of growth in resource rich developing economies (Ebert and La Menza 2015). It is worth noting that some
authors (Alexeev and Conrad 2009; Daniel Lederman and William F. Maloney 2009) do not find empirical evidence to support that case. Nevertheless, some negative effects associated to the heavy inflow of resource revenues in the economy has been well documented: Dutch disease phenomenon and rent seizing, among others (Van Der Ploeg 2011).

Mongolia is a recent case of resource revenue mismanagement, where a country dependent on mining overspent during resource booms and borrowed against future resource revenues (Van Der Ploeg and Poelhekke 2009). While enjoying a double-digit economic growth during the recent mining boom, Mongolia has increased its expenditures unsustainably. The country’s fiscal deficit grew to 17 percent of GDP in 2016 followed by the drop in mineral prices and faced with debt obligations in 2017, Mongolia received emergency financing from the IMF (Gankhuyag and Gregoire 2018b).

The negative effects associated to dramatic increases in resource revenues continue at the level of subnational governments. During the recent mining boom, subnational governments in Peru and Brazil have been allocated between 60% and 70% of fiscal revenue from nonrenewable resources (Morgandi 2008). A municipality in Colombia has seen its fiscal revenues increase hundred times in a few years in the early 2010s (Gankhuyag and Gregoire 2018b). Empirical findings suggest that dramatic increase of revenue windfalls in local budgets tends to decrease the efficiency of public spending and raises the incidence of local corruption (Ardanaz and Tolsa Caballero 2016).

Additionally, increased resource revenues in the economy may contribute to income concentration (Estrades et al. 2016), where certain elites seek control over the right to allocate income for their
own benefit and create ambiguous development programs (Ross 2001). Such negative effect is referred as “rent-seizing”, and could be discouraged by strong institutions (Van Der Ploeg 2011).

The revenues generated from exploitation of nonrenewable natural resources, when not managed properly, may also exacerbate violent conflicts. Conflicts tend to generate at the local level, where resources are being developed in more isolated areas with lack of effective regulation. These may be triggered by the way revenues being distributed to local communities or as a result of competition for control of these revenues (Mauricio o. Rios, Florian Bruyas 2015). Corruption is a major contributor to resource-revenue related conflicts among stakeholders and political factions.

Since exploitation of nonrenewable natural resource leads to depletion, another challenge faced by current policymakers is balancing the use of the resource between present and future generations (Estrades et al. 2016). Some countries illustrate good practices in this sense, including Norway, Chile and Botswana (Stevens and Dietsche 2008). Creation of government funds to save revenues generated by exploitation of natural resources can address the effect of “Dutch disease”, which refers to a phenomenon whereby a resource boom can lead to an appreciation of a country’s currency and a subsequent decline of its manufacturing sector by making it less competitive. Chile stands as an effective example of its resource revenue management (Ebert and La Menza 2015). The country was successful at holding resource revenues in offshore sovereign wealth funds, thereby mitigating Dutch disease effects and ensuring an equitable balance between consuming resources today and saving them for future generations. Much of the success has been attributed to the country’s strong institutions (The African Development Bank 2016).
Figure 1. Characteristics of resource revenues

The summary of some challenges related to special qualities of resource revenues discussed by various authors is presented in Figure 1. These challenges affect the economies of resource-rich countries in many ways and pose various policy questions, as: Where to allocate the revenues? How to strike a right balance between spending now and saving for future generations? An example of one country with appropriate balance between spending and saving is different from another and this depends on a number of factors, including the development challenges confronting the country, the level of absorptive capacity, debt levels, and risk of Dutch disease among others. The research does not study the structures of revenue distribution arrangements or an effective level of spending and saving. Rather it will discuss some instruments used by different stakeholders to share a portion of resource revenues with Indigenous communities.
2.1.2 The Significance of Resource Benefit-Sharing with Local Communities

The potential of resource projects to contribute to economic development in the region is an important factor in the relations between the industry and local community (Söderholm and Svahn 2015a). Yet, the mining sector is often associated with issues relating to the inadequate distribution of such economic benefits among different stakeholder groups (Esteves 2008).

At a macro level, central governments can take different approaches as to how the local communities receive the benefits from natural resource development projects. This include priority financing (using royalties and other resource revenues) of public services or infrastructure development in the region, intergovernmental transfers and special funds designated to invest in the social and economic development of the community. In some countries, such as Canada and Australia, some responsibilities of benefit-sharing with local communities are levied to subnational governments (i.e. fiscal decentralization).

Local communities can also benefit from socio-economic contributions made by mining companies through mandatory or voluntary initiatives to support the community development. Some benefits such as employment, procurement and skills development opportunities are an integral part of the whole benefit-sharing package (Wall and Pelon 2011a).

The recognition of communities as significant actors and the role of community investments around mining projects have developed rapidly in the past twenty years (Hira and Busumtwi - Sam 2018). As Danielson (2006) points out, it is no longer possible for mining companies to proceed with new projects without earning local community support, considering the potential risk of a blockade of a mine development. Community relations can lead to costly conflicts for companies
and other types of business risks for investors (Söderholm and Svahn 2015b). The growing number of local opposition to mining projects (World Economic Forum 2013) made the community relations a strategic consideration for mining companies. Creating positive opportunities from mining operations is a critical component of the broader approval and acceptance of communities towards these developments (Söderholm and Svahn 2015a).

The growing emphasis on the benefit-sharing at the local level has also been attributed by increased concern over the negative environmental effects. Affected local communities demand for sufficient benefits and a fair share of resource revenues to ensure an adequate compensation for potential negative impacts on their livelihoods and increased socio-economic costs (Esteves 2008).

The emerging concerns associated with lack of benefits accruing to the producing regions and affected communities and sustainability issues after mine closure have attributed towards greater pressure on governments to share resource revenues with local communities (Boscio 2010).

The trend of benefit sharing with local communities evolved so rapidly in recent years, that the industry’s position on benefit-sharing has evolved to creating long-term sustainable development. In fact, investors and companies increasingly demonstrate the ability of mining to act as an engine of community development (Esteves 2008).

Although the trend encourages tripartite discussions and partnerships among local communities, governments and investors, there is still skepticism on the results of negotiations of benefits with local communities by mining companies and governments as noted in a study of mining community benefits in Ghana (Hira and Busumtwi - Sam 2018). This note supports an argument of benefit-sharing in developing countries noted by Wall and Pelon (2011), that “companies and
governments are under great scrutiny” to ensure that benefits create a positive contribution to the local development and is not limited to compensation for potential negative effects.

The role of benefit-sharing with local communities has been contributed to several developments in the industry trends (Wall and Pelon 2011a):

- **Sectoral changes.** Technological improvements are reducing the human needs in mining projects, therefore, diminishing the traditional benefits received by local communities. A new benefit-sharing mechanism, notably, revenue sharing or equity stakes in the project are becoming an alternative community investment.

- **Operational drivers.** Rapid expansion of access to communication worldwide has improved sharing of information and experiences between communities; raised their expectations for community investments.

- **Global initiatives.** Growth of global initiatives promoting sustainable development, Corporate Social Responsibility along with increased peer performance across the industry have encouraged companies to invest on social initiatives and promoted more “strategic and effective community investment with a long-term view of sustainable development” (ICMM 2015).

- **Recognition of rights of Indigenous groups.** United Nations Declaration on the Rights of Indigenous Peoples on the recognition of aboriginal land rights prompted companies and governments to engage directly with Indigenous communities and respect the environment and specific context of different communities (Harvey and Nish 2005).
An important component of benefit-sharing includes the financial payments or resource revenues shared with local communities, which can be achieved in various manners based on the different priorities among stakeholders. Governments and mining companies often share a portion of resource revenues with affected communities through an establishment of a revenue-sharing mechanism or an instrument dedicated for that purpose (Wall and Pelon 2011a). From a government perspective, resource revenue, or financial benefits derived from exploitation of nonrenewable natural resources, if managed properly can become a financial source to support sustainable economic development in the producing region. From a company perspective, financial payments in the basket of benefits are often negotiated with communities in scope of community benefit agreements or impact and benefit agreements (Hira and Busumtwi-Sam 2018). Discussion around resource-revenue sharing based on a thematic review followed by some of the challenges and positions associated with government and industry approaches will be discussed in the following sections.

2.2 Discussion around Resource Revenue Sharing

Over the past 20 years, the term resource revenue sharing has become increasingly widespread in the mining industry. It has been used in different ways to describe the formal or informal arrangements and mechanisms of sharing the financial benefits from the resource extraction between different levels of government (e.g. national and local governments), among the industry, government and the community, or sharing among individuals (which in principle includes sharing between different generations) (Nguyen, Tran-Nam, and Grewal 2012). Those arrangements have taken different forms in resource-rich countries based on the vision and objectives and are further advancing with a greater focus on the local community.
Although there is a greater acknowledgment of revenue sharing from the private companies and governments around the world, it was not until recently when the focus has shifted to a clearer discussion of partnership between the stakeholders. The literature since 1990s suggests different themes framing the discussion of the topic over time following the mineral resource sector development.

1. Discussion around the governance of resource revenue sharing at a macro level. The term resource curse was mentioned frequently in relation to the resource-rich countries, which have failed to benefit from their resource wealth. Early literature from 1990s discussed the revenues generated from the extractive sector in the scope of the management of the nation’s resource wealth as a whole. The focus was given on the public policies, economic and institutional challenges of managing the revenues and saving the revenues for the future generation.

2. Discussion around the corporate benefit-sharing agreements and specific mechanisms to share resource revenues at a micro level. The commodity price boom in early 2000s and the growth of Corporate Social Responsibility (CSR) brought the focus on community investments and revenue sharing with producing regions and affected communities. The increased mineral prices led the governments to review and improve the existing mechanisms to share excessive windfall profits with regional governments.

3. Discussion around human rights and the so-called “social license to operate” in scope of resource revenue sharing. Improved communication and increase of advocacy groups in the mining sector around the world in recent years have raised the expectations of the community from the mining development. Companies are establishing resource
agreements with host communities to obtain the “social license to operate” (Woodward & Company, n.d.). The United Nations Declaration on the Rights of Indigenous Peoples has promoted recognition of a constructive dialogue between the States and Indigenous Peoples on lands, territories and resources.

For the purposes of this research, the term resource revenue sharing (RRS) will be viewed as any formal arrangement or mechanism of sharing of revenues generated from resource extraction or use between the government, company and the community. The term will be discussed in the scope of sharing direct mineral tax revenue by a government with First Nation communities as well as privately negotiated financial provisions between First Nations and industry under impact and benefit agreements or other similar resource agreements.

2.2.1 Government: Resource Revenue Sharing

Governments were under pressure to implement an effective policy and mechanisms to capture the large windfall of natural resource revenue during the period of commodity price supercycle in the beginning of 2000s and meet the expectations from their communities. Given the specific nature of the mineral resource revenues (e.g. volatile and finite) designing an efficient policy around revenue management that would align with the particular economic, political and institutional capacity of the country has been a challenging task (Mauricio o. Rios, Florian Bruyas 2015).

International institutions and initiatives, including the Natural Resource Governance Institute, Columbia Center for Sustainable Development, World Bank and Extractive Industries Transparent Initiatives have published case studies, sourcebooks and reports providing recommendations and guidance for resource-rich developing countries on the management of the wealth from their
extractive sectors (World Bank 2008; Wall and Pelon 2011b; Bauer et al. 2016). Several jurisdictions around the world, including Norway, Botswana and Chile have successfully converted the revenues into a sustained prosperity, while Mongolia spent the resource revenues in cash-handouts translating the wealth into debt to the future (Ebert and La Menza 2015).

While Governments take steps to establish revenue management and distribution schemes at the national level, often the communities directly affected by mining operations were left with a little attention (International Finance Corporation 2015). The recent developments in the recognition of the Indigenous Peoples rights as owners of the land or local communities as an equal stakeholder in the project development has shifted the approach to resource revenue sharing. Intergovernmental transfers, economic development programs and local funds have all been implemented as a mechanism to share the resource revenue with the affected communities in different jurisdictions (Markey et al. 2019).

Sharing the revenues generated from natural resource extraction with the local community is one of the important ways to strengthen relationships between the stakeholders and in some cases play a key role in unlocking stalled major projects (Abouchar 2018). Yet, the opinion on the fair revenue sharing among the industry and government ranges significantly. For instance, still in a number of jurisdictions in Canada (PDAC 2014) governments propose the industry itself to arrange benefit-sharing agreements with the community and contribute funds, which by some companies viewed as a “double taxation” who already pay taxes and fees to the government (Abouchar 2018). Various scales of mining revenues shared by industry with affected communities across Canada along with positions of some governments to impose the full responsibility on the industry continue to create uncertainty and lessen community support for projects.
2.2.2 Industry: Financial Provisions in Resource Agreements

Despite the growing trend of the importance of revenue sharing within the stakeholders in the mining industry and a positive approach towards building an effective partnership in recent years, the increasing number of strong local resistance against exploration activity, joint actions of the community and NGOs against issuing mining licenses and anti-mining views in the number of developing countries continue to raise concerns within the industry (Bauer et al. 2016).

While different legal jurisdictions have regulations on sharing the resource benefits at the local level, in practice it is common when the mining revenues are not redistributed to the host communities that bear most of the negative impact of mining operations (Dalupan 2015). Instead, the central budget accumulates all major taxes leaving the local communities with limited benefits from the mining development in place, which becomes a source of conflicts in the mining sector. As per the study published by Centre for Social Responsibility in Mining (Franks et al. 2014) conflicts with local communities can cost companies up to $20 million a week in delayed production.

The industry has taken up initiatives to address the revenue sharing arrangements with local communities where such were not in place. Private companies have accepted the fact that the financial compensation for the affected communities is a cost of doing business (Abouchar 2018) and include financial provisions in the resource agreements signed with communities. Financial models to share revenues with local communities can range from fixed annual payments to profit-based royalties, single upfront payments to equity sharing (O’Faircheallaigh 2013).

However, the agreements between the private company and the community is only one piece of a
‘pie’ and therefore, cannot fully address the issues that rise within the community that affect the decisions on obtaining the so-called “social licenses to operate” or impose a risk on the company’s stable operation in the long-term. In Canada, often the discussions (Prospectors and Developers Association of Canada 2014) have promoted and supported the governments’ arrangements to share public revenues generated from natural resource extraction or use, specifically with Indigenous communities. At the same time, concerns on different scales of benefits negotiated between the local and Indigenous communities and companies that ranges significantly depending on the size of the company and the level of the claims made by communities continue to rise (Bauer, Rietveld, and Toledano 2014). Signing of impact and benefit agreements has become a standard practice in Canada, yet there is still limited knowledge on the details of the existing corporate arrangements, as most of them are not publicly accessible making it difficult to compare and assess for fairness (Hudson 2018).

2.2.3 Responsible Investors: Engaging with Industry on ESG Risks

The trend of growing attention to environmental, social and governance issues in investment products has been emerging since 2000s (Morrow et al. 2017). The changing policy frameworks in the 21st century related to ESG and responsible investment has played an important role in encouraging investors to take active positions on ESG issues and improved the integration of ESG factors into their investment decisions (K. Marshall et al. 2015b).

The ESG matters are especially relevant for investment community active in mining and metals market given the inherent risks associated with the extractive industry (PRI and UNEP FI 2019). Key ESG issues relevant to this research include community relations and human rights, both
captured under the “S” of the ESG risks or social issues. Unlike environmental and governance issues, social issues are harder to define and less tangible (Brooks n.d.). Yet, they are becoming an integral part to investment decision-making and commonly identified and addressed through screening, active shareholder position and voting. Investors further engage with companies to address most significant issues and in particular cases decide to divest from a company given the company’s continuous failure to respond to investors’ concerns during series of engagements (Richardson 2007).

Industry’s performance on social issues, including engaging with local and Indigenous communities is showing a mixed picture (K. Marshall et al. 2015b). Sustainalytics (Figure 2) compiled the results of 27 mining companies ranked under 5 groups based on the severity and frequency of incidents involving communities between 2012-2015. Almost one third of the sample had severe controversies (groups 3-5) including conflicts and opposition from local and Indigenous communities. Among the worst performers were companies from Canada, such as Kirkland Lake Gold Inc. and Pretium Resources Inc.

![Bar chart showing community related incidents grouped by level of complexity](image)

**Figure 2. Community related incidents grouped by level of complexity (K. Marshall et al. 2015a)**

Note: The higher the number the more severe the incidents
Investors use ESG metrics not only as a risk management tool, but also based on financial considerations for long-term value creation. In fact, a wide range of studies have demonstrated a positive correlation between ESG and corporate financial performance (Eccles, Ioannou, and Serafeim 2014) and better access to finance for companies with higher ESG performance (Cheng, Ioannou, and Serafeim 2014).

Creating positive impacts on communities and aligning the Indigenous community engagement processes with UNDRIP’s Free, Prior and Informed Consent (FPIC) are increasingly recognized as fundamental approaches to mitigate social risks by companies and their investors (K. Marshall et al. 2015b). Formal agreements around benefit-sharing and financial payments are considered as good practices. Establishing forward looking practices that alight with high standards of ESG performance are increasingly encouraged by active investors through engagement. Subsequently, companies are positioning their businesses as environmentally friendly or socially responsible to score higher on ESG criteria. This is becoming an established practice among responsible investors and fund managers and has a potential to shape the future discussion around how local and Indigenous communities participate in resource developments.

2.3 Background to the Case Context

Provinces or territories own and manage the mineral resourced situated within their jurisdictions and each province has its own legislation relevant to the sector (Natural Resources Canada 2016). Provincial corporate income, royalties and mineral taxes (if applicable), value added taxes and fees are collected by provincial governments. While the federal government pools resource revenues with general fiscal revenues and spends according to annual budgetary allocations, some provincial
governments established special funds (e.g. Alberta Heritage Savings Trust Fund) to manage a portion of their resource revenues, or share revenues directly with impacted Indigenous communities (e.g. Economic and Community Development Agreements in British Columbia).

As mentioned, mineral development projects are often located on or near lands of Indigenous Peoples with treaty rights or land claim negotiations. Section 35 of the Canadian Constitution, recognizes and affirms existing Indigenous and treaty rights (Government of Canada 2016). The Government of Canada has a duty to consult Indigenous nations and governments regarding exploration and development activities on their traditional lands. However, some responsibilities under consultation and accommodation “may be delegated to mining companies as part of a provincial environmental assessment process” (Natural Resources Canada 2016). There are 198 First Nations residing in British Columbia according to Indigenous and Northern Affairs Canada, around one third of the total population across Canada. In British Columbia negotiations with First Nations on land claims often occur through modern treaty processes.

Community’s concern over potential environmental impact as a result of mineral development on or near their lands comes prior to any benefits (e.g. employment, training, financial provisions) that would potentially accrue from mining projects. Formal agreements such as impact and benefit agreements (IBAs) between mining companies and Indigenous communities have become a standard practice in the mining industry that ensure impacted communities receive a portion of revenues and compensation (Irlbacher-fox and Mills 2008). Indigenous community governments rely heavily on federal/provincial/territorial program transfers, earnings from corporate businesses they operate, and in some cases financial payments through privately negotiated agreements with
mining industry (e.g. IBAs) to finance their services, programs and infrastructure for their communities (Hudson 2018).

As documented by government reports and various studies the number of negotiated agreements ranging from IBAs or other resource agreements between mining, exploration and development companies and Indigenous communities grew from 120 (Fidler 2010) in 2008 to 260 active agreements in 2014, and by the latest records reached 455 in 2018 (B. Marshall 2018). The numbers illustrate a steady increase of bilateral agreements on a year-over-year basis.

Overall, revenue streams generated from mining operations flow to communities through negotiated agreements with industry and where applicable, provincial government agreements. Compared to industry’s common practice of signing IBAs, there is no unified approach to resource revenue sharing among provinces. Some arrangements include land-claim agreements in the Yukon, Northwest Territories, Labrador, northern Quebec, in addition to special arrangements in British Columbia and recently, Ontario (Table 1).

Table 1. Government resource-revenue sharing agreements with Indigenous communities (Pendakur and Fiser 2017)

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Type of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>Policy-based agreements and land claim agreements</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>Land claim agreements and devolution agreement</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>Land claim agreements</td>
</tr>
<tr>
<td>Quebec</td>
<td>Land claim agreements</td>
</tr>
<tr>
<td>Yukon</td>
<td>Land claim agreements</td>
</tr>
<tr>
<td>Nunavut</td>
<td>Land claim agreements</td>
</tr>
<tr>
<td>Ontario</td>
<td>Agreements with 31 First Nations</td>
</tr>
<tr>
<td>Jurisdiction</td>
<td>Type of agreement</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td>Manitoba, Saskatchewan, Alberta, New Brunswick, Prince Edward Island, Nova Scotia</td>
<td>No formal revenue-sharing arrangement</td>
</tr>
</tbody>
</table>

Ontario has recently formalized its resource revenue sharing approach with respect to First Nations in April 2018. It signed separate agreements covering mining and forestry sectors with 31 First Nation communities to share 40-45 percent of mining tax and royalties (Burns and Church n.d.). Compared to British Columbia, Ontario has only included selected First Nations to sign the agreement and validity of agreement is set to be five years, whereas British Columbia’s set to continue throughout the life of the mine (Clark 2009).

2.3.1 Legal Framework and International Standards

The history of British Columbia’s relation with Indigenous Peoples goes back to the establishment of Crown colonies after 1846, but this section will only capture the key milestones and international standards that shaped a broader policy context for sharing provincial resource revenues with Indigenous communities.

As the Section 35 of the Constitution outlines and protects the existing Indigenous and treaty rights (Government of Canada 2016), the Crown is responsible to consult and accommodate Indigenous communities when any activity proposed or planned to be undertaken has a potential to have an impact on an established or asserted Aboriginal or treaty right (Kielland 2015). The legal framework changed following several landmark cases ruled by the Supreme Court of Canada in relation to the decisions on Indigenous title and the Crown’s duty to consult and accommodate (Haida Nation v. British Columbia, 2004). As White and Wright noted (2012), Supreme Court of
Canada determined that the duty to consult and accommodate shall be undertaken by the Crown when the following three bases are present:

- Contemplated Crown conduct
- Potential adverse impact
- Potential or established Aboriginal or Treaty rights recognized and affirmed under section 35 of the Constitution Act, 1982.

Attempts to address Indigenous rights issues and settle land claims in British Columbia has not been operative until late 1990s (Coates 2015). Prior to that, neither the federal or provincial levels of government been proactive in resolving Indigenous claims beyond the creation and management of lands served as Indian reserves (A. J. Wright 2013). The relationship between Indigenous Peoples and British Columbia has evolved considerably since 2005 after the government announced the “New Relationship”, described by Clark (2009) as a vision statement, which played a significant role in the establishment of nation-to-nation relationships. The document was followed by the development of the Recognition and Reconciliation Act, a statutory framework to implement the “New Relationship” and the Transformative Change Accord, an action plan towards reconciliation in 2005 (A. J. Wright 2013). The idea of resource revenue sharing was first reflected in the “New Relationship”, whereby the provincial government stated that it aims to close the existing social and economic gaps between the Indigenous and non-Indigenous Peoples through a “mutually acceptable arrangements for sharing benefits, including resource revenue sharing” (Abouchar 2018). In fact, the social and economic gaps between Indigenous and non-Indigenous Canadians have been growing since the 1990s, which was partially due to an increased
immigration to Canada and development of service-based economy in the urban centers (Prno 2007).

The broad policy initiatives have set a basis and expectations towards creating economic opportunities for First Nations in British Columbia through revenue sharing arrangements. The province has worked towards implementing the policy initiatives through various tools, bilateral agreements being used most commonly (Hudson 2018). Government reports of over 500 economic and reconciliations agreements with more than 200 Indigenous communities (Government of British Columbia n.d.). This research will focus on one of them - the Economic and Community Development Agreement (non-treaty sector-based agreement) - which shares revenue from mining with First Nations in British Columbia.

PDAC (Prospectors and Developers Association of Canada 2014) notes of a government resource revenue sharing through a modern treaty agreement, which is another way First Nations can receive resource revenues from the government. To date, four First Nations have modern treaties with British Columbia including Nisga’a Nation, Tsawwassen First Nation, Maa-nulth First Nations and Tla’amin Nation (Government of British Columbia n.d.). The treaties are comprehensive agreements that create a right to self-government and “sets out clearly defined rights and responsibilities of First Nations and the federal and provincial governments” (Cornish 2006). The terms of each negotiated agreements vary, and those typically seek to address issues related to benefits from resource development, including royalties where applicable. For instance, the agreement between Maa-nulth First Nations and British Columbia ensures the First Nations to receive a portion of resource revenues collected by the government from their traditional territories.
for 25 years. The rights addressed in these modern treaties (land claim agreements) are constitutionally recognized and protected.

Considering the significant role of Indigenous communities in the resource sector in Canada, the international governance standards such as the United Nations Declaration on the Rights of Indigenous Peoples (United Nations 2008), Indigenous Peoples and Mining Position Statement by the International Council on Mining and Metals (ICMM n.d.) and Free Prior Informed Consent (FPIC) provide a foundation for affected communities to draw on their international recognition of rights. The latter has gained a growing recognition among resource proponents, especially among multinational corporations as a way to adhere to the international standards and keeping the international image, as well as to meet the financing requirements of international financial institutions. Banks and financial institutions are paying increased attention to whether the companies are incorporating the best practices of engagement strategies with Indigenous communities (Hudson 2018).

Article 32 of the UNDRIP states:

*Indigenous peoples have the right to determine and develop priorities and strategies for the development or use of their lands or territories and other resources.*

*States shall obtain the free and informed consent [of indigenous peoples] prior to the approval of any project affecting their land or territories or other sources, particularly in connection with the development, utilization or exploitation of their land or territories or other sources, particularly in connection with the development, utilization or exploitation of their mineral, water or other resources.*
The international standards may not force the regulators or companies to change their way of managing the relations with Indigenous communities, but it has become a basis for Indigenous community participation in resource developments and negotiations with companies (O’Faircheallaigh 2013). Although Canada endorsed the Declaration in 2010, it has yet to put in place legislations to implement the UNDRIP. That has not been progressed until recently, when British Columbia introduced a legislation that “sets the framework to align provincial laws with the standards of the UNDRIP” in October 2019 (Government of British Columbia n.d.). If passed, British Columbia will be the first province to enact the standards of UNDRIP into provincial law. It is unclear whether other provinces would follow the example of British Columbia, but the evolution of the international recognition of Indigenous rights in the past 20 years suggest the process would continue evolving with more investors and financial institutions pushing their companies to incorporate the recognized norms and standards in their practices.

2.3.2 Background to Impact and Benefit Agreements

The practical applications of Impact and Benefit agreements in Canada have increased over the past 15 years, where mining companies negotiate and sign contractual agreements with local and Indigenous communities. Figure 3 illustrates the distribution of signed and active IBAs and other similar type of agreements across Canada (Natural Resources Canada n.d.).
Number of IBAs or other resource agreements between mining, exploration and development companies and Indigenous communities grew from 120 (Fidler 2010) in 2008 to 260 active agreements in 2014, and by the latest records reached 455 in 2018 (B. Marshall 2018). For communities, environmental and social concerns are of highest importance within IBA features, whereas financial aspects usually come after employment and contracting opportunities (Figure 3). However, attention to revenue-sharing models with local communities is increasing following broader changes in the mining industry (Chapter 6). Most recent agreements contain provisions that provide revenue sharing model ranging from fixed annual payments, a percentage of net revenues and equity participation (Cascadden and Zmuda 2018). Normally, such financial payments are less than 2 percent of project value. The key characteristics and common aspects of IBAs are illustrated in Figure 4.
Figure 4. Key characteristics of IBAs (derived from McKnight, Bruce 2018)

As some authors note the signing of IBAs provide the resource proponent and investors with a degree of certainty that affected communities will not oppose the project (Cornish 2006; Woodward & Company, n.d.), yet some disagree that communities signing on to the agreements does not mean they accept the project for the life of the mine, rather it specifies the terms of an ongoing dialogue between the parties (A. J. Wright 2013; Working Group on Natural Resource Development 2015). Yet, having formal IBAs with Indigenous communities and implementing Indigenous Peoples policies with a commitment to respect their right to FPIC has been recognized as best practice across the sector and investors (K. Marshall et al. 2015a).

Another aspect of IBAs, which became an important component in the permitting process relates to the correlation of an IBA and the duty to consult and accommodate (O’Faircheallaigh 2013). Although the Crown is responsible to consult with Indigenous communities on proposed or planned activities that may have an impact on their lands, part of that responsibility can be
Although IBAs are not formalized in British Columbia, studies suggest that negotiations of these agreements are key to the government in determining whether the duty to accommodate and consult with Indigenous communities can be discharged (A. J. Wright 2013). In some instances, it may be unclear for a company whether it should pursue an agreement with the community, or what the rules are for consultation and accommodation and what is set as a bar for meaningful consultation by the government (Cascadden and Zmuda 2018). For companies, the delivery of benefits is often tied with the stages of the mine, yet it is faced high expectations from communities partially due to a limited knowledge of the mining business.

Some challenges of IBAs identified in the academic literature included the following (A. J. Wright 2013):

- Confidentiality aspects result in lack of information on details of the agreement among the community members and limit a broader comparison of various IBA models.
- There is lack of programs within communities that ensure reporting and monitoring of IBA implementations.
- Communities often have high expectations for benefits.
- Lack of sufficient capacity in the community can lead to variations in outcomes and implementation across negotiated agreements.

There are generally two categories of IBAs: one that is legally required as part of a permitting process, and those that are not, as in case of British Columbia. Non-standardized approach to IBAs in British Columbia could lead to an environment where there is no overarching policy framework to guide companies on how to reach an agreement with Indigenous communities (Cascadden and
Zmuda 2018). Nevertheless, IBAs are becoming a common practice in mining projects serving as tool to increase certainty over resource developments and an integral part in the process of consultation and accommodation.

2.3.3 Government Agreements in British Columbia

British Columbia has vast areas not covered by historic treaties and to date, has signed four modern treaties with First Nations, which leaves substantial unresolved land claims (Coates 2015). The Resource Revenue Sharing Policy adopted in 2008 was a starting point for the province to share revenues from mining with First Nations on a project-by-project basis in non-treaty areas. As for any future resource revenue sharing arrangements negotiated as part of modern treaties, British Columbia and Canada have agreed to share the costs on a 50:50 basis according to the Resource Revenue Sharing Cost-sharing Understanding signed between the federal and provincial government in 2003 (UBCM 2004).

Since the establishment of the Resource Revenue Sharing Policy in 2008 the province implemented revenue sharing agreements in the forestry, natural gas, and clean energy sectors, in addition to mining. Individual agreements are negotiated for each project within defined sectors by the provincial government and impacted First Nation groups (Pendakur and Fiser 2017).

The policy came into effect after the New Relationship Accord was signed by the federal government, the First Nation Leadership Council and British Columbia in 2005. It was a step towards reconciliation and an action plan to improved nation-to-nation relationships between British Columbia and First Nations in British Columbia. The document laid out for the first time the commitment of the government of British Columbia to share resource revenues with First
Nations as a “as a means to resolve disputes over land title, to create certainty on the land, [and] to make First Nations partners in resource development.” (Pendakur and Fiser 2017)

For mining in particular, the province established an Economic and Community Development Agreements (ECDA) to share up to 37.5 percent of mineral tax revenue generated from new mines or major expansions to existing mines in British Columbia. The agreements itself are available on the website of the Government of British Columbia. According to the government records, total of 27 agreements were signed with 43 First Nations between August 2010 and May 2018 with more than $22 million shared in mineral revenues under ECDAs in 2017 alone (Government of British Columbia n.d.).

Revenue sharing is considered by governments as part of the legal and constitutional duties to accommodate Indigenous communities, who are entitled to receive a share of resource revenues from resource development occurring on the traditional lands (Cornish 2006). Revenues are being used by communities at their own discretion to fund the community programs or invest into the trust fund. Communities have emphasized in the past that government arrangements do not replace the impact and benefit agreements signed with companies (Abouchar 2018).

Industry has been supportive of government to share resource revenues with First Nation and views the provincial agreements as a way to encourage participation of communities in resource extraction projects (Coates 2015). Although it is concerned of any future changes in the government arrangements to result in an increased tax to companies, who already bear the costs of impact and benefit agreements.
2.4 Summary of the Literature Review

As local and Indigenous communities are becoming significant actors in resource developments, the demand for greater share of mining revenues continue to rise. Several key dates in the evolution of revenue-sharing between government and First nations in British Columbia are illustrated in Figure 5. The past decade has seen a good progress with growing numbers of agreements with First Nations, yet there is still a need for closer engagement among the stakeholders to understand the characteristics and good practices in the implementation of these processes. The increasing challenge is associated with a high number of Indigenous communities located close to the existing and planned resource development projects. Failure to consult with affected communities and respond to their concerns can lead to serious incidents and cause significant delays for the project.

Figure 5. Evolution of British Columbia's resource revenue sharing with First Nations
The positive impacts from mining operations include formal arrangements to share benefits with communities, engagement process that aligns with the Free, Prior and Informed consent. Until parties engaged in the development align their expectations and approaches on what is the good practice, who is responsible for consultation and how communities should benefit from projects, the community disruptions are likely to continue. There is, of course, no “one size fits all” approach, but having a common vision on the participation of local and Indigenous communities in resource projects and a fair share from resource revenues could help to build a foundation for collaboration and create the wealth from the extractive sector for a long-term benefit of local communities.
Chapter 3: Research Design

3.1 Introduction

The sections in this chapter review the methodology used in the study, which include desktop analysis of two practices within a case and semi-structured interview. It outlines the research procedures, data collection and analysis methods, and ethical considerations.

3.2 Research Methodology

In order to understand the characteristics, challenges and opportunities related to the resource-revenue sharing practices led by government and industry along with understanding the future trends in the evolving topic, the research chose a qualitative research design with two distinct practices studied under one case. The data generated from qualitative research was explored using grounded theory analysis. A grounded theory analysis includes building first-order abstractions from initial data and development of a higher-order concept through discovering connections between first-order concepts (Figure 6). As Punch describes, “the objective of grounded theory is to discover and develop theory, grounded in what is central in those data”.

![Diagrammatic representation of grounded theory analysis](Punch 2005)
This study used desktop data and semi-structured interviews to collect “specific indicators”, as illustrated in the diagram, generating some initial data to answer research questions. The information collected through desktop review together with participants’ responses informed the “abstract concepts” or key topics identified within the dataset. By discovering interconnection, including differences and common aspects among perspectives of stakeholders on research questions, the researcher developed the core category. As Punch describes, the analytical process in the grounded theory means to elaborate the category by specifying, comparing and developing” the indicators (2005).

Using a case of British Columbia, the research studies mining revenues sharing practices with First Nations from two separate agreements implemented by the government and industry. The government’s practice is studied through British Columbia’s agreement on resource-revenue sharing with First Nations in mining sector, while the industry’s practice of financial provisions is studied under the impact and benefit agreements or other similar agreements signed between the resource proponent and First Nations in British Columbia. Investors’ perspective was obtained through selected signatories to the Principles for Responsible Investment and served as a broad representation of the industry and its future trends (Chapter 6).

This combined methods and approach were chosen based on their shared pattern and characteristics while leaving room to generate new concepts during research. Non-standardized open-ended questions also allowed the participants to expand on related topics and further complement the qualitative research (Marshall, C., & Rossman 2014).
3.3 Data Collection

The study developed a database from a range of sources, including secondary document review, interview data and government sites. The research conducted a review of related documents in order to better understand the characteristics of financial transfers to select First Nations in respect to mining projects. This information allowed to build a background knowledge for the study and together with interview data represented the overall database for this research. Secondary data was drawn from government policy and planning documents, case studies, government statistics, First Nations annual reports, company reports, press releases, conference proceedings and public presentation materials. The full list of references is provided in the end of the research.

Following a review of the secondary literature, a list of interview questions was created. These questions sought to explore details in the implementation of sharing financial benefits from mining projects with First Nations and the challenges faced by government and companies in approaching the issue. Interviewees from investment community provided an insight to their position on social issues as part of their overall ESG considerations in the investment analysis. Questions were semi-structured with a list of pre-defined questions but providing the participants with a room to elaborate on the topic from their perspective that was not necessarily reflected in the questions.

Prospective participants were identified prior to the interview. Some names of participants were suggested by industry professionals who the researcher worked with during the study and some were identified from desktop review of relevant studies. Participants were contacted via email and asked to participate in the research with an introductory letter covering the scope and objectives of the study. Confirmed participants were sent a consent form and scheduled a suitable time for
one-to-one meeting or a telephone call. The introductory letter and consent form can be found in Appendixes B and C.

![Pie chart showing the representation of interview participants: 46% Industry, 36% Investors, 18% Government.](image)

**Figure 7. Interview participants’ representation**

A total of twelve interviews were conducted for this study, which included five representatives of industry, among them two companies, three consultants to the industry and one industry association, as well as two government officials and four people representing the investors’ group (two pension funds, a global investment management firm and industry fund). All interviewees worked at senior positions and had several years of work experience within the sectors they represented. Interviews lasted from 20 to 60 minutes and were recorded on a digital recording device if consented by the interviewee. The recordings were then transcribed manually by the researcher. It is noteworthy to mention that company representatives in general approached the interview with some caution, declining to answer to questions on the details of revenue-sharing models negotiated with communities and preferred not to disclose their names in the study.
3.4 Data Analysis

NVivo software (QSR 2018) was used to explore connections within and across the secondary data sets. Data analysis involved qualitative research methods, including thematic content analysis techniques. Themes and patterns were identified using open coding. According to Punch (2015) open coding involves discovering abstract concepts in the data, used in the grounded theory analysis. Responses collected through interview were analyzed for points of connection and grouped into sub-themes under each stakeholder group. Once the sub-themes were developed from each stakeholder group, the researcher attempted to discover connections between abstract concepts in the data, which is usually referred as axial coding (Punch 2005). The findings from axial coding or the summary of main topics identified in the study formed the key terms of the subjects discussed in Chapter 6. For illustrative purposes, the top 100 terms of coded interview data are shown below. An illustration of NVivo coding chart can be found in Appendix E.

![Interview data word cloud](image)

Figure 8. Interview data word cloud
Identities of respondents were omitted to maintain participant confidentiality, and to avoid unnecessary repetition. In order to assure the anonymity of these participants each consent form was numbered, and that number was used to identify the participant during the data analysis (Appendix D). Quotes are presented to support the statements by participants. The results from interviews are based on the perspectives of interviewees rather than independently verified information.
Chapter 4: Desktop Review

4.1 Introduction

This section provides a summary of a desktop research on the government and industry agreements with First Nations in British Columbia, which includes the revenue-sharing agreements in mining between the Government of British Columbia and First Nation communities and the privately negotiated agreements between mining companies and First Nations in British Columbia. Both arrangements contribute to greater participation of Indigenous communities in the mining industry and ensure communities benefit from the projects occurring on or near their lands. Yet, some questions related to the actual implementation of both practices and challenges faced by mining companies relevant to policy issues are still largely unanswered.

4.2 Government Resource-Revenue Sharing

British Columbia has the highest number of individually negotiated agreements to share a percentage of mineral tax revenues collected from mining companies with First Nations in Canada. The assessment of revenues shared with First Nations according to these individual agreements and their impact has not been thoroughly studied, as information on actual payments made by provincial government to communities is not reported publicly on a regular basis. According to the latest government report, $22 million has been shared with First Nations under Economic and Community Development agreements (ECDA) in 2017 alone, the highest annual amount so far (Ministry of Energy Mines and Petroleum Resources 2018). To date, the province signed 27 Economic and Community Development agreements with 43 First Nations (Government of British Columbia n.d.).
The two latest agreements were signed with Nisga’a Lisims Government and Tahltan Central Government in relation to the Brucejack Mine in April and June 2018, respectively. A full list of resource revenue-sharing agreements signed with First Nations since 2010 can be found from Appendix A.

The percentages of mining revenue shared with each First Nation group and payments made to communities vary, as each agreement is negotiated individually based on several factors (e.g. strength of claim, level of impact on the community etc.) and the payments are based on a percentage of company’s mineral tax returns. The latter may be subject to commodity price volatility, production costs, and fluctuating exchange rates among other factors. Given a relatively favorable tax environment for mining companies (KPMG 2016) operating in British Columbia the actual payments could presumably be much lower than communities might expect.

Confidentiality provisions under the Mineral Tax Act prohibit the disclosure of company and mine-specific mineral tax payments, thus an attempt to calculate the actual payments made to communities using the percentages stated in the agreement and government’s mineral tax revenue received from each project in British Columbia was not successful. Although, it is difficult to estimate the scale and potential impacts of these agreements for each First Nation given limited data made available by the government, some media reports and an ongoing study under the Conference Board of Canada provide a general sense to the share of these funds in First Nations operating budgets (Pendakur and Fiser 2017).
According to the on-going study report presented by the Conference Board of Canada (Pendakur and Fiser 2017), government’s mining revenue shared with one of the First Nations was estimated to account for approximately 5 percent of First Nations operating budget. As the study points out, the same amount of annual payments would account for 20 percent of the operating budget of First Nations with less than 250 residents and for 10 percent in First Nations with 251 to 750 residents.

Figure 9 displays an example provided by the Conference Board of an average share of government mining revenue transfer in the First Nation’s annual revenue, which is approximately 10 percent.

During the desktop review, the researcher identified one example of a community’s annual report (Tahltan Central Government 2019), where information on the annual funds received from British Columbia through resource revenue-sharing agreements in different sectors was published in the Tahltan Central Government’s annual report along with general information on the distribution of these funds across community priorities. Some notable information presented in the report was as follows:
- Resource-revenue sharing agreements across various sectors with British Columbia were noted as a primary source of funding for Tahltan Central Government;

- The revenue streams consisted of funds from mining, forestry, natural gas and energy projects, where mining (Red Chris and Bruce Jack mines) represented 25 percent of the total funds.

- The distribution of revenues was made according to the defined allocation shares between member communities, and the rest were used to fund community programs.

Tahltan Central Government’s example of reporting the funds received through revenue sharing agreements with the province and the illustration of the fund allocations among different priorities was informative and transparent, which was found to be an uncommon practice among other First Nations. The audited financial statement of Tahltan Indian Band published under the First Nations Financial Transparency Act was accessed online to check how much the reported tax revenue shared by the province accounts for the Tahltan First Nations annual revenue. Since the First Nations figures for the 2018-2019 fiscal year, which the annual report referred to were not yet published online at the time, the researcher used the previous fiscal year’s revenue to get an estimate amount. Total revenue stream from natural resources represented around 33 percent of the Nations 2017/2018 fiscal year’s revenue, of which mining constituted for 5 percent. It is important to note, that the provincial government shares 15 percent of mineral tax revenue from Bruce Jack mine with Tahltan Central Government, and the actual transfer can vary depending on the amount of taxes paid by the company.

The examples give a broad understanding that mining revenues shared by the government may constitute for around 5 to 10 percent of the total annual revenues of an average First Nation
community. For research purposes, it would be helpful if the province reported these payments on a consistent basis to better estimate the actual implementation and potential fiscal impact of ECDAs.

4.3 Industry Financial Payments under IBAs

The common agreement signed between resource companies and Indigenous groups at a more advanced stage of the mining operation is impact and benefit agreements (IBAs). Intent of IBAs, typical features and common financial models negotiated under IBA type of agreements were discussed in Chapter 2.

The first factor about IBAs that limit a comprehensive analysis is its confidentiality across Canada. Agreements with confidentiality clause prohibit parties from communicating with other stakeholders, particularly from sharing information on the financial parts of the agreement. Yet, as noted by a participant interviewed in the study, despite such confidentiality certain aspects “leak out” of IBAs, as well the amount of payments made by companies to communities are becoming public. The latter refers to the implementation of the Extractive Sector Transparency Measures Act (ESTMA). The Act came into force on June 1, 2015 and “requires businesses to publicly report certain payments they make to all levels of government in Canada and abroad in relation to the commercial development of oil, gas and minerals” (“ESTMA Reporting - NAL Resources Management Limited” n.d.).

Individual reports are publicly available on the Natural Resources Canada website. Companies are allowed to submit aggregated reports under a parent company, which will include different projects and associated payees (e.g. governments, Indigenous governments and other relevant
organizations). The report includes a breakdown of payment types, such as taxes, royalties, fees, dividends, bonuses and infrastructure payments.

Based on the assumption that any amount reported by a company against a community represents financial payments/benefits negotiated under the impact and benefit agreements or other similar agreements between the resource proponent and the community, the researcher selected three companies to assess and compare their transfers made to First Nations.

Since ESTMA has been enacted fairly recently in 2015, company reports were only available for fiscal years ending 2016, 2017 and 2018. In addition, companies were granted a two-year deferral period to report transfers made to Indigenous communities, and as a result most companies have not reported these figures until 2017. Thus, the available data span covers only two fiscal years – 2016/2017 and 2017/2018.

Table 2. List of select companies studied in this section with relevant information (continued in Table 3)

<table>
<thead>
<tr>
<th>Company</th>
<th>Project</th>
<th>First Nations</th>
<th>ECDA</th>
<th>BA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teck Resources Limited</td>
<td>Elk Valley (coal)</td>
<td>Ktunaxa Nation Council</td>
<td>2013 (37.5% of first $23 MTR, 5% of addit. revenue)</td>
<td>2016 (Impact management and benefits agreement)</td>
</tr>
<tr>
<td></td>
<td>Highland Valley (copper/molybdenum)</td>
<td>Lower Nicola Indian Band</td>
<td>2016 (8.32% of MTR)</td>
<td>2016 (Relationship agreement)</td>
</tr>
<tr>
<td>Pretium Resources Ltd.</td>
<td>Brucejack Mine (gold)</td>
<td>Nisga’a Lisims Government</td>
<td>2018 (15% of MTR)</td>
<td>2015 (Cooperation and benefits agreement)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Talhtan Central Government</td>
<td>2018 (15% of MTR)</td>
<td>2017 (Cooperation and benefits agreement)</td>
</tr>
</tbody>
</table>

Note: ECDA – Economic and Community Development Agreement  
MTR – Mineral Tax Return  
BA – benefit agreements signed between the company and community  
Each year represent the year the agreement was signed
Companies selected for the compilation included Teck Resources Limited (Elk Valley Coal Mine and Highland Valley Copper Mine), Pretium Exploration Inc (Brucejack Mine), Imperial Metals Corporation (Mount Polley Mine) and Centerra Gold Inc (Mount Milligan Mine). The total transfers made to each community in respect to each project in 2017 and 2018 are illustrated in Figures 10 and 11. As the graphs show, the amounts range from $200 thousand up to $6,880 thousand (Elk Valley Coal Mine in 2018).

![Figure 10. Company payments by projects and communities in 2017 and 2018 in thousands of $ (derived from Natural Resources Canada, ESTMA Reports 2019)](image)

Three notable details are as follows:

1. Company transactions to a community in respect to one project can vary from year-to-year. For instance, a transaction to Nisga’a Lisims Government in 2018 is considerably lower than in 2018,
which could be explained by the financial model chosen by the parties to share mineral revenues. In fact, the agreement signed between Pretium Resources Ltd. and Nisga’a Nation in respect of Burecejack project states financial payments to be made by Pretium to the Nisga’a Nation “upon the achievement of certain project milestones, and annual production payments based on a percentage of net profits” (Pretivm 2015). If the milestone payment occurred in 2017, it explains the difference in transfers between 2017 and 2018. However, it is difficult to make any assumptions without available data for previous fiscal years.

2. Transfers can also vary between two communities in respect to the same project. For instance, transfers made to Williams Lake Indian band and Soda Creek Band by Imperial Metals Corporation differ in both fiscal years. Both First Nations have an agreement with Imperial Metals in respect to Mount Polley mine signed by Williams Lake Indian Band in 2011 and Soda Creek Band in 2012.

3. Lastly, variation in annual transfers to communities across different projects. This is rather a general observation in the whole basket of projects as each project is unique on its own. However, it does not exclude a possibility of a case where there could be significant difference in the negotiation outcomes between two similar projects.

Some companies, as Seabridge Gold Inc. (2018) and Imperial Metals Corporation (2018) made a note behind the amounts reported in the document. For instance, a payment made to Nisga’a Lisims Government under KSM project was noted as funding for education, whereas payments made to Williams Lake Indian Band and Soda Creek Band in respect to Mount Milligan project were marked as Participation agreements. The latter detail suggests the assumption made in this analysis
that any amount reported by a company in relation to a community would reflect the financial benefits negotiated in the IBA or other similar agreements (e.g. participation agreement) is true for some companies, in this case for Centerra Gold.

![Figure 11. Company payments by projects and communities in 2017 and 2018 in thousands of $ (derived from Natural Resources Canada, ESTMA Reports 2019)](image)

It is important to note that the links to some company online reports, including Copper Mountain Mining Corp., Graymont (Giscome proposed lime quarry and plant) and Seabridge Gold Inc. (KSM Project) were broken when attempted to access by the researcher. The small sample of data collected from the company reports under ESTMA does not provide enough detail on the financial payments to answer the research questions, thus further information was sought through audited financial statements of select First Nation band governments, which are published online according to the First Nations Financial Transparency Act (FNFTA).
4.4 First Nations Annual Budget

Indigenous and Northern Affairs Canada (INAC) publishes audited consolidated financial statements and the Schedule of Remuneration and Expenses of First Nations (to whom the Act applies) under the First Nations Financial Transparency Act. In order to better understand the share and characteristics of company transfers within the budgets of recipient Indigenous communities for a longer time span, the researcher studied financial statements of several First Nations (Table 3).

First Nations selected for review have signed revenue-sharing agreements with provincial government and resource agreements (e.g. IBA) with companies in respect to the mining operations shown under Table 3. First, annual revenues and expenditures were analyzed to get a better sense of the annual budgets of select First Nations, including a trend in revenue streams in the past several fiscal years starting from 2012/2013, when the reports were made available under FNFTA.

<table>
<thead>
<tr>
<th>Company</th>
<th>Project</th>
<th>First Nations</th>
<th>ECDA</th>
<th>BA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centerra Gold</td>
<td>Mount Milligan</td>
<td>Nak'a zdli Whut'en First Nations</td>
<td>2010 (15% of MTR)</td>
<td>2016 (Impact and benefit agreement)</td>
</tr>
<tr>
<td></td>
<td>(copper/gold)</td>
<td>McLeod Lake Indian Band</td>
<td>2012 (12.5% of MTR)</td>
<td>2010 (Socio-economic agreement)</td>
</tr>
<tr>
<td>Imperial Metals Corporation</td>
<td>Mount Polley</td>
<td>Williams Lake Indian Band</td>
<td>2013 (18.5% of MTR)</td>
<td>2011 (Participation agreement)</td>
</tr>
<tr>
<td></td>
<td>(copper/gold)</td>
<td>Soda Creek Band</td>
<td>2013 (16.5% of MTR)</td>
<td>2012 (Participation agreement)</td>
</tr>
</tbody>
</table>

Note: ECDA – Economic and Community Development Agreement  
MTR – Mineral Tax Return  
BA – benefit agreements signed between the company and community  
Each year represent the year the agreement was signed

The revenue streams since 2013 suggest a steady increase over the years with an exception of some decline in McLeod Lake Indian Band’s annual revenue between 2014-2016. The dashed line demonstrates a positive trend of increased revenue within these four communities. It is important to note, that all four communities were among the first 43 First Nations who signed an ECDA with British Columbia. Federal and provincial government transfers, including funds from Indigenous Services Canada, and resource and business income contributes to the major portion of First Nations annual revenue. Some communities received a significant share of its revenues from the “sale of logs from settlement lands” (MNP LLP 2018).
Further study of community’s operating budgets show that government and business administration related expenses are among the highest in the average spending segments of these communities. The main areas of spending in average for the past seven years apart from government and administration expenses were in education, economic development, infrastructure and other capital projects (Figure 13).

![Pie chart showing categories of expenditures]

**Figure 13.** Broad categories of expenditures among the four select First Nations (derived from Government of Canada - Indigenous Affairs Canada, First Nations Financial Transparency Act 2019)

Two of the four financial statements - Soda Creek Band and Williams Lake Indian Band - contained a line in the breakdown of the annual revenue in respect to funds received from a mining company. These two communities have Participation agreements signed with Imperial Metals Corporation in respect to its Mount Polley mine (Table 3).

Since the agreements were signed prior 2013, the revenue streams from Mount Polley mine were reported throughout the study period. The analysis provides two noticeable points: financial
payments accounted for 3-13 percent (depending on the year) in the annual revenue of both Nations, which leads to a second point that the revenue streams can fluctuate significantly on a year-over-year basis. For instance, Soda Creek Band’s fund has increased by 80 percent in the 2017/2018 compared to the previous fiscal year.

![Figure 14. Annual revenue of select First Nations and funds received in respect to Mount Polley mine in thousands of $ (derived from Government of Canada - Indigenous Affairs Canada, First Nations Financial Transparency Act 2019)](image)

Further assessment of revenue flows to First Nations from either government or company was impossible given that consolidated financial statements of First Nations provide only a general breakdown of accounts, where resource revenue received by First Nations are pooled together with other types of general revenue. The select examples provide some insight to company payments made in scope of the benefit agreements and their share in the annual budgets of First Nations.
4.5 Summary

The desktop review of available data on government revenue sharing and industry’s financial payments to First Nation communities in British Columbia reflect some details on the amount and scope of the payments. As noted, industry payments occur as part of the financial clauses under IBAs or other resource agreements with communities. The financial models can take a form of fixed annual transfers to communities or revenue share based on the volume of production (royalties). The data compiled from company reports was based on author’s own assumption that all amounts reported against a community represent payments negotiated under IBAs or other resource agreements with communities. The review of select examples through reports published under ESTMA and FNFTA provided the following information:

- First Nations receive a major portion of its revenue from federal government, business income and through natural resource revenue sharing agreements with British Columbia (i.e. in mining, forestry, natural gas and clean energy sectors). Select First Nations annual budgets showed a positive trend in increased revenue streams in the past seven years.

- Broad categories of expenses that account for over two third of annual expenditures of select First Nations include spending on government and business administration, education, economic development and infrastructure and capital spending.

- Although natural resource revenues account for a considerable share in annual budgets of First Nations, the contributions from the mining sector can vary between 3–13 percent in case of financial payments under IBAs and around 10 percent in case of ECDAs (Abouchar 2018) depending on the taxes paid to the government, the amount of ore extracted, value of production and exchange rates among other factors.
Lastly, company transfers made to the First Nation in respect to a mining project can vary from year-to-year, as well as funds received by two different communities in respect to the same project depending on the financial model negotiated under IBAs and the market forces.
Chapter 5: Interview Results

5.1 Introduction

This chapter will review the results from qualitative analysis of 12 semi-structure interviews, representing industry, government and investors. Individual and confidential interviews were conducted between March and September 2019 either through telephone or during one-to-one meetings at the participants’ office or at international conferences the participant was attending.

The researcher interviewed two government officials, six industry representatives, including two senior company employees, three consultants to the industry and one person from industry association. Across the whole sample, the expertise or knowledge of interviewees ranged from exploration and feasibility to advanced operation. The researcher also interviewed four investors representing large international investment organizations all together with over $1 billion in assets under management, two of them managing over a hundred mining companies in their portfolios. All interviews lasted between twenty minutes and one hour. The list of interview participants is enclosed under Appendix D.

Key themes emerged from interviews are presented in this chapter. All interviews followed a semi-structure format; were recorded, transcribed and imported into NVivo 10 qualitative data analysis software. Questions were designed to reflect the evolution of resource-revenue sharing from a perspective of government and industry and to elicit insight into the role that increased focus on responsible investing will play in that evolution. Interview transcripts were coded into three main themes, which in case of government and industry were based on what worked well, what are the challenges and opportunities. These themes, or to use NVivo terminology, “nodes” were developed
to help answer the research questions and further broken down into sub-nodes identified by examining each interview and their commonalities across the data set. For investors, three themes were related to the growing practice of responsible investing, the community issues and positions on resource revenue-sharing moving forward.

In the following sections, interview data will be broken down by sub-themes under three main themes for each stakeholder mentioned above, with quotes to support the findings.

5.2 Government Perspective

Since the Government of British Columbia has announced its Resource Revenue Sharing policy in 2008, a total of 27 agreements were signed with 43 First Nations to share up to 37.5 percent of the mineral tax collected from the development of natural resource projects. The following results illustrates the government perspective on the evolution of the policy implementation; what worked well, the challenges and opportunities of the existing arrangement.

5.2.1 What Works?

Sharing the risks. The majority of interviewees believed a concept behind the resource-revenue sharing agreement is about sharing the risks and that it provides a platform for partnership. Interviewees had a common sense that signing of an agreement does not imply that First Nations sign on to resource projects or provide their consent, but it means that they are willing to share some of the risks associated with the returns and benefits from the project.

Fair balance – no added cost to the industry. The model of revenue-sharing arrangement in British Columbia does not apply additional costs to the companies, nor it increases the current mineral tax
applied in the mining sector. It shares from a portion of mineral taxes collected by the provincial government from companies, and in that sense has been perceived well by stakeholders.

Agreements that go beyond the legal “de minimis approach”\(^1\). As the government official pointed out, resource-revenue sharing works well in practice and brings desired outcomes if the government does more than what is the minimum requirement set by the legal terms and involves, as he describes, the following:

\[
\text{A relationship not based on lawyers, an approach that leap frogs over the legal de minimis impasse and does more than what lawyers tell to do.}
\]

A trust fund – minimize effects of commodity price swings. As mineral taxes paid by companies fluctuate following the commodity price ups and downs, the share of revenue flowing into communities can become unstable. That makes it hard for First Nations to rely on the government resource revenues to fund budget expenditures and run government programs. Thus, according to a government official, many communities chose to set up a trust fund to put the majority of revenue into it and build it up using the interest earned.

Sharing the knowledge across the country. The industry association expressed that the evolution of revenue sharing in British Columbia went from being open to revenue sharing to learning how to implement the model. But there is still lack of consistency in the policy and expectations across

\(^1\) De minimis is a Latin expression meaning "about minimal things"
Canada on this issue. Participants also highlighted the importance of being creative and fair about what the revenue sharing options could look like.

For instance, sharing the experiences between British Columbia and Ontario has helped the latter to efficiently put together a similar initiative to share a portion of resource revenue with selected Indigenous governments within 6-months versus having to start the process from scratch. Also, Ontario has previously mirrored the forestry revenue sharing model from British Columbia. Thus, sharing forward-looking practices between jurisdictions is critically important in setting an environment for collaboration across the country.

5.2.2 What are the Challenges?

Lack of clarity and consistent approach. The Resource Revenue Sharing policy in British Columbia is a commitment to a government-to-government relationship with Indigenous governments, that is based on the recognition of rights, including the rights to share the wealth from natural resource projects in the province. On the other side, the revenue scheme creates an opportunity for economic development and growth. However, as the government official points out, there has been lack of clarity on the federal government’s side on how it is approaching resource revenue sharing or the opportunities for revenue sharing across the projects and across the nation.

The Canadian Minerals and Metals Plan has a section on advancing the participation of Indigenous Peoples in mining in Canada. There is still no clear plan from the Federal Government. The lack of clarity and consistent approach on revenue sharing and in
assisting Indigenous participation across Canada may impact the industry and projects going forward.

Inconsistent revenue streams. Another challenge is the inconsistent revenue stream flowing to communities as a result of commodity price fluctuations. A provincial government can balance out those highs and lows of royalties with a steady stream of personal income tax and corporate tax. But the drastic swing in price cycles from year to year makes it hard to manage and sustain programs for an Indigenous community, where the total transfers from the province may account for over ten percent of its annual budget.

One option, suggested by a government official, would be setting a bottom floor for these transfers as such that during the commodity price fall, communities can receive a guaranteed minimum amount. Even in situations when government mineral tax amount goes lower than the minimum floor, the provincial government is in a better position to level out those differences with other tax income compared to Indigenous governments.

National approach. As the approach towards openness and goodwill on the sharing of resource revenues from the provinces evolves, it is still not clear whether having a national approach on this part is possible. It would take the leaders from each province, from federal government and also, a leadership from Indigenous governments to implement a national policy on the distribution of natural resource wealth to Indigenous communities.

Reporting. Earlier agreements signed between British Columbia and First Nations had a reporting clause – an annual report that had to be filled on how the funds have been used to support socio-economic and cultural improvements. Over time those clauses have been relaxed in later
agreements and First Nations now make decisions on the appropriate spending for their community. The only restriction on fund utilization is that there can be no per capita payments – individual payments to members - which do not result in economic or social improvement in the community.

*Delay in signing agreements.* In a case when community members can have a better sense of total financial benefits that they would get from a project once it commences earlier in the process would help them to plan accordingly on how to manage the revenues upfront.

*What ought to happen in a situation, where all parties (e.g. provincial government, industry and First Nations) are ready to go ahead with a project, is having both resource revenue sharing agreements (government revenue-sharing agreement and IBAs) on the table before the project starts operating.*

However, in real life the government agreements get delayed and signing does not happen up until the project is about to start. According to a government official, if the signing of the government agreement happens during the project approval process, there could be a case when communities could get some of the financial benefits early. That is another element for governments to work on in order to have an assignment incentive for communities, while taking into consideration that some projects may not ever turn into mines. As the government official says, it is a tough balance to find.

*We’re trying to find that balance or sweet spot between making payments on projects that never become a reality and getting payments into communities’ hands earlier in the system.*
5.2.3 What are the Opportunities?

*Aboriginal Resource tax.* In some jurisdiction like Northwest Territories and Yukon, governments require proponents to have a benefit agreement with communities before the project is finalized. That could clarify some of the uncertainties on whether a company should enter into formal revenue-sharing negotiations with communities at the early stages, however, that may not be favored by a lot of industry participants. There is a division in the opinion of industry on whether the government should tell them when to enter into agreement with communities and whether government has to fully take over the responsibility of sharing resource revenues with communities. Aboriginal Resource tax was mentioned by one participant, whereby First Nations start to get a taxation stream from government based on all of the natural resource development opportunities within their territory, instead of taking a project specific approach as the current scheme in British Columbia. On one hand, this option is expected to lift the obligation from industry to share resource revenue with First Nations (in which case communities are likely to oppose) and instead, make the industry pay an additional tax to provide to First Nations. On the other hand, the provincial government has to work “hand in hand” with the federal government to vacate a tax room if First Nations take on some of the taxation space. The political side of the proposal seem difficult to go through at the provincial level without substantial compensation from the federal government or relevant agreements regarding the new rules.

*Indigenous participation as part of doing business, not a cost.* As the resource revenue sharing practices evolve along with a stronger push to legalize the United Nations Declaration on the Rights of Indigenous Peoples, the expectation for Indigenous participation in resource projects is becoming higher. A rise of questions concerning the environmental, social and governance issues
in natural resource projects led major investment firms and institutional investors to consider their way of looking at companies and doing their due diligence. Respecting and adhering to the rights of Indigenous Peoples, responding to their concerns over environmental issues as well as creating a wealth for these communities from resource projects is becoming a new norm. Investors are taking the corporate responsibility obligation towards local and Indigenous communities to a new level.

But as we evolve, as corporate responsibility changes and as banks and big investors institutional investors, it becomes the expectation of what industry is doing to gain their corporate social license and to fulfil their corporate responsibility obligations. Your cost of cement, the cost of Indigenous participation is just woven into the capital cost of a project and it becomes more commonplace.

Closing the socio-economic gap between non-Indigenous and Indigenous communities. There is no quantitative analysis that demonstrates a positive correlation between increased resource revenue stream to the community and a higher scoring on community well-being index. Yet, interviewees associate resource revenue sharing as a tool to promote First Nations as active partners in the mining sector and redistribution of revenues as a contribution towards closing the socio-economic gap between non-Indigenous and Indigenous communities.

5.3 Industry Perspective

5.3.1 Good Practice

Revenue-sharing formula allows risk sharing. Company representatives did not share specific details on their revenue-sharing formulas, however, some pointed out the advantages of using
revenue-sharing models over fixed payments. Most commonly used methods include royalties, that is a percentage of net smelter return and payments tied to the provincial mining taxes. Latter method calculates a percentage of the gross revenue, which is preferred by companies because it takes into account the profitability. It allows more transparency for communities as it is audited at the end of the year and less amenable to accounting tricks on a company side.

Communities may negotiate a mixture of revenue-sharing formulas, including a single upfront payment upon signing a benefit agreement with the resource proponent or at the start of construction, and fixed annual payments plus a percentage of a net smelter return (i.e. royalty). A fixed payment model is a straightforward process whereby a community delivers an invoice to the company for an X amount on a specified date, based on the terms of the agreement and the company pays out that invoice. In case of a revenue-sharing payment, a company has to confirm through the audited statements what the company’s year-end revenue was and make a payment to communities based on that.

According to industry representative, revenue-sharing limit for most IBAs is in the vicinity of 2 percent of project value to a maximum of 4-5 percent. The same interviewee was not aware of revenue-sharing formula in the mining industry that got higher than 5 percent. As another industry spokesman tells, early revenue-sharing practice included primarily fixed cash payments. As the benefit agreements evolved, priorities were given to employment, training and capacity building along with financial obligations tied to production.
One company’s perspective on revenue-sharing formula reflected the notion of risk-sharing with communities. While the interviewee suggested that fixed payments are a commonly used model, he also pointed that the industry is leaning towards revenue-sharing or royalty as a preferred model.

*I think the unique opportunity for percentage of revenue formulas is that you could say in some ways that the communities also share in the risk of a particular mine's production. As an example, under a fixed formula typically there isn't a mechanism to make adjustments based on whether or not mine produces. But obviously under a revenue sharing formula the community will only receive payments based on production resulting in revenue. In that way you can say that the community is sharing in part the risk of the operation because you never know what's going to happen. You might have unforeseen production limitations with gold price drop, for example. I think it's a useful tool, but in our experience, it is not the most common tool. But my guess is, it's something that the industry is moving more closely to, because it reflects the risks and the community can receive the windfall profits.*

An official from a company, which negotiated four impact and benefit agreements with First Nations shared their experience.

*Revenue-sharing are contractual obligations mandated by IBAs, where each agreement has specific formulas. Most commonly used approach to revenue-sharing is providing communities with fixed payments. In one of our agreements we have revenue sharing and fixed payments for targeted investments. So, investing in specific things plus a broad sharing of our revenue with communities.*
Fund utilization — community’s own decision. When it comes to a decision on how to spend resource revenue, communities make their own spending priorities. Communities have designated funds, where they put money for targeted purposes such as supporting post-secondary education in their communities or investing in cultural programs. At the same time, portions of payments are pooled into general account to cover operating expenses. Although companies do not have restrictions on fund utilization, it is uncommon to see payments being made to individual community members.

A positive example shared by one company, where a community used the revenue towards funding post-secondary applications and was able to fully meet the demand for the first time illustrated what impact these transfers can have.

There was a case when we re-negotiated the terms of the agreement with one of the communities to have targeted approach of investing in post-secondary education. As a result of the updated agreement, the community was able to fund 100 percent of the post-secondary applications that came in for funding for the first time in their history.

Many communities set up a trust fund to put a portion of payments and use the annual interest earned to fund priority expenses in the community such as education and health care. Another positive example mentioned during the interview was saving a percentage of earnings from joint ventures, business partnerships and adding that into the trust fund. But companies interviewed in the research generally did not have knowledge how the money was invested or spent. According to one industry representative, some community members did not know how much they received from a mining company and how the funds were spent because “the standard of reporting back
into the community is not good”. Similar opinion was echoed by another industry representative, stating that “some communities are very bad at communicating with their members or their citizens”.

5.3.2 Challenges

*High expectations*. Many First Nation communities are dependent on federal government’s funds to support health care, education and other public services. According to a company representative, a community’s expectation of what a mining company can deliver is very high and gets more complicated when the business is not well understood among the members.

>The demand in the community is so great, the priorities are so great, and we have a limited ability to support that. That is the challenge.

When a company comes to negotiating an agreement, which includes financial payments it should know what the priorities are for themselves and for communities during the engagement negotiation process, and according to the industry representative “that is not just negotiation, it is engagement negotiation”. Because apart from community members there are often the financial and legal team behind them. It is important to know where the priorities are higher and where the money can do the most good in terms of the community. Entering into discussion with community is an essential part of knowing where those expectations are.

>Our ability to have a significant financial impact is limited. We often have the internal debate on whether it is even our role or even within our mandate to have a role in social issues around education or around culture.
A mining company can face even a greater expectation from a community located in the area that used to have active oil and gas projects with a substantially higher budget than a small junior mining company.

No guidance from the government. British Columbia has no legislative requirement that obligates mining companies to negotiate and establish benefit-sharing agreements with First Nations; the negotiation of financial provisions under these agreements is considered by the proponent on a case-by-case basis. Although, impact and benefit type of agreements have become a common mechanism today, the road to the current practice has not been easy to navigate through, including other provinces such as Northwestern Territories and Ontario.

\textit{In the beginning of the evolution of community development agreements industry had no guidance of any sort as to what was required as a minimum to engage with local communities or the scope of the community development agreement or IBAs.}

Industry representatives had a common position on the government’s handling of guiding the industry in the engagement process and clarifying of what has to be done in order to complete the permitting process and build a project.

\textit{Industry was having to lead the way like a blind man in a dark room. It was just like in those unchartered territory. So, the companies had to do it on their own.}

Especially it is difficult for a proponent who has not worked in British Columbia to understand what is in the context, what the requirement is and what the standard is in relation to meeting the bottom line of a meaningful consultation with local and Indigenous communities.
Responsibility for accommodation and consultation. Company is not responsible for accommodation and consultation (yet it has not been clearly stated out loud by governments), but it is responsible to build a relationship and engage with communities.

As stated in the guidelines of conducting exploration in British Columbia, “government is likely to look to you [company] to demonstrate the content and extent of your engagement with an Aboriginal community, and may rely on this information as part of assessing whether it has met its duty to consult. In cases, where there has not been sufficient engagement with Aboriginal communities, government will need to carry out the engagement which may result in significant delay.” (“A Practical and Principled Approach for Mineral Explorers” n.d.)

However, there was a common opinion among industry as mentioned earlier that governments do not clearly state what the industry needs to demonstrate that it is going to approve. Over the last 20 years, it has become a prudent business practice where mining companies do not rely on governments and directly consult with communities and accommodate their concerns.

Your application never gets to the top of little pile for consideration until you've met some magical process or number, or you've done certain things, but they [government] do not tell you upfront - in order to get your permit stamp, you need to do this, this and this, and you have to demonstrate this. Some of the jurisdictions are getting there.

Reporting. Reporting obligation is not favored by communities. A company may insist on having an annual report, a very broad one that would have a general breakdown of spending. However, many communities refuse to do that, justifying that it is their income and they have already a lot of paperwork to fill out.
We could provide all that information back to the corporate board - to the directors and to the shareholders - so they could see the money is being properly spent. A lot of communities refused to do that.

5.3.3 Opportunities

Industry is open to taking a risk and sharing the risk with the community. It is getting away from a notion that revenue-sharing or financial payments to communities are a cost of doing business. As a company official notes, “it should be viewed as an investment in the future of your operation and your company”.

I think that industry needs to recognize it has a direct impact on traditional lands and it needs to have a direct involvement in addressing that by way of financial compensation. And I think generally speaking as an industry we need to move toward true resource revenue sharing and assuming it's based on a sharing of risk. That's what I think is going to make this a successful collaborative effort.

Having said that, industry does not want to bear the additional cost to fund the government portion of revenues to be shared with communities. British Columbia model has proved to work in practice, but according to industry representative, that is true as long as companies are not required to pay twice. As these practices evolve on the corporate side, a method of fixed payments that many businesses are accustomed to is likely to shift towards broader concept of revenue-sharing or equity participation.
5.4 Responsible Investors

One of the leading proponents of responsible investment is the United Nations supported Principles for Responsible Investment launched in 2006. As of September 2019, the Principles for Responsible Investment (PRI) had over 2,500 signatories representing US$86.3 trillion in assets under management (AUM), a significant rise compared to the starting point with 63 investment companies with US$6.5 trillion (AUM). The PRI signatories commit to incorporating environmental, social and governance (ESG) issues into their investment analysis and decision-making process, as well as reporting on their activities and progress towards implementing the principles.

Stewardship activities such as engagement and voting are an important component of responsible investing strategy. For some investors, engagement is a tool to influence the behavior of companies they invested in with a goal to improve their social and environmental performance. Others view active ownership encouraging high standards of ESG performance in the companies as a driver to long-term values.

The latest engagement supported by the PRI’s ethical investors in relation to extractive companies on ESG risks was followed by a fatal collapse of a tailings dam owned by mining company Vale in one of its facilities in Brumadinho, Brazil in January 2019. It was the second incident involving Vale since 2015. As the PRI social issues manager points out, it was the worst humanitarian disaster in mining to date (Espinoza n.d.).

The Investor Mining and Tailings Safety Initiative set up in April 2019 led to two interventions as a wakeup call for the entire sector. First one was a call for a new independent and publicly
accessible international standard for tailing dams, which was supported by funds with over US$6 trillion (AUM). Second, a group of 96 investors active in extractive industries, including the Swedish Public Pension Funds and the Church of England all together representing more than US$10.3 trillion (AUM) requested 683 listed extractive companies to publicly disclose information on every tailing facility they own or operate on their websites (The Church of England n.d.).

Both initiatives aim to develop a better understanding of the social and environmental risks around mining operations and increase safety standards across the industry. The collaboration also illustrates how a particular issue could be addressed by investors not only at an individual company level, but across the entire sector. More and more ethical investors want to ensure that their investments in the extractive sector reflect their responsibility commitments and high ESG standards. But how does it imply on company’s practice of community engagement in resource development projects? The positions of major investors, two of them with over a hundred extractive companies in their portfolio is presented in the following sections. It reviews the responses of investors on commonly used ESG integration techniques, expectations towards company’s engagement with affected communities, and issues related to revenue-sharing moving forward.

5.4.1 Integrating ESG Issues into the Investment Processes

As investors are paying increased attention to ESG issues, some actions on ESG integration into the investment process are becoming widely practiced across the investment community. Among concrete actions are engagement and voting, screening and thematic investment. A superannuation
fund with total assets worth $55 billion highlighted that investors look at extractive industries as one of the main priorities for engagement, given the social concerns within ESG factors and how the company interacts with the community and treats them is of significant importance.

*On a more proactive basis, investors look to be talking to companies, their management and other members of the company on an ongoing basis about how well they are managing the ESG risks.*

A representative of a pension fund noted that it developed a bespoke scoring system, which provides a priority list of extractive companies based on the contents of their ethical investment policy. The policy highlights five areas of particular concern, including human rights (e.g. indigenous/community rights) and social and economic concerns (e.g. community engagement) in the extractive industry.

*We’ve invested in about 150 mining companies operating throughout the world and we use the information services to prioritize the ones that have the most serious and significant challenges and then we engage with the companies to try to address those.*

ESG data is critical information for investors in the screening process. According to an investment bank it looks at how a mining company performs on ESG ratings based on several sources ranging from commercial data provision, annual reports and news. The investor noted that overall low scoring on ESG ratings along with inappropriate track record related to environmental and community issues put a flag on the company’s reputation in the investors’ space.
**Investors are likely to engage with the company on a particular issue, where they hold an active ownership if they see news reports coming through that is showing something is happening in that asset.**

When investors are informed from sources about incidents – company activities that generate undesirable social or environmental effects – and the investors will be an active shareholder of that asset where the incident occurred, it will likely engage with the company on that kind of issue. Depending on the scale of issue and the risks to the assets, the investor may decide to disinvest if the company does not meet their expectations after series of engagement.

*If we're not convinced that the corporate governance has taken sufficient steps to address the concern after a period of engagement, then we will make a decision to disinvest on a company by company basis.*

Consideration of ESG issues in the investment processes enables better risk management and promotes long-term value creation. Through engagement and other strategies investors ensure that there is improvement on how companies are actually measuring, monitoring and responding to the risks and implementing them within their corporate governance.

**5.4.2 Perspectives on Community Engagement**

Across the world’s 50 large economies there are 500 policy instruments that support investors in the consideration of ESG factors during the investment processes (PRI and UNEP FI 2019). Among those are regulations that encourage pension funds to adopt responsible investment practices. The Church of England Pension Fund, for instance, has an Extractive Industries Policy
that covers key areas of concern for the institutional investors, including social concerns and human rights and describes their approach to the responsible investment practices in those areas. Overall, the “social” part of ESG, often reflects human rights (e.g. indigenous and non-indigenous community rights) and social and economic factors (e.g. community engagement, fair compensation) and community relations. In this sense, investors emphasized the importance of ensuring that companies are engaging with affected communities.

*Companies have a responsibility to respect the importance of land to Indigenous peoples and to people who feel connected to the land in the negotiations and in the way that they operate. They've got a responsibility to make sure that communities are looked after.*

Asset owners expect their fund managers to be doing a due diligence for the mining company and what companies do in terms of responding and contributing to local communities. The industry fund investor noted of the growing standard of reporting and transparency from companies on this matter. Investors continue to push for more disclosure and transparency across the industry, not only within the leading multinational companies.

*We would expect particularly our fund managers looking at these companies that they're assessing how they respond to the local communities. A big part of it is asking for that disclosure particularly when they are in these industries and you would get to a point even if they're not disclosing it - if you own it you should be getting enough information to satisfy yourself that you're comfortable with it.*

Investors expect companies to have community assessment completed in the early stages of development and have an on-going engagement with communities, creating positive impacts from
operations. Having formalized commitments to providing economic opportunities for local and Indigenous communities is recognized as a good practice.

My expectation is that when a company goes in there, they've done the community assessment and they have the community on board early in the process. That they employ local communities to create jobs and create an environment for them. Companies that haven't brought the community on board have had issues and had to close operations.

There are lessons learned from these companies.

An institutional investor emphasized that it is interested in exploring how the mining companies they invest in contribute to the positive social and economic development in the region. Mining companies can have a significant positive impact when and if they are self-conscious about their role in terms of supporting sustainable development. Creating positive opportunities for local communities can also strengthen company’s reputational image and help mitigate some risks related to communities.

5.4.3 Towards New Models of Resource-Revenue Sharing with Communities

Investors referred to the responsibility of the management of the company to determine the appropriate model of revenue sharing with local communities by going through an effective stakeholder engagement process. They also noted that an appropriate way for revenues to be shared depends on the company’s role in that community. That being said, one of the investors raised a question of looking into new models of revenue sharing as an option to prepare for broader changes in the industry.
We're particularly interested in new models of revenue sharing in the context of automation and climate change. We see it as particularly relevant when there are going to be big shifts in society, rather than just a transition.

Another investor noted that it is aware that the issue of automation in the mining business may reduce the employment from the local community and that it is talking with mining companies about what the implications are.

We know that that's a process, a trend that is likely to develop over the years. I think at this current stage it's about discussing what that trend looks like and understanding what it is. But we are aware that mining companies are getting kind of insight and that it might be good for operational performance, but it does raise a question when it comes to relationships with particularly in country stakeholders.

The discussion of the long-term changes in the industry is important particularly for long-term investors, who need to integrate long-term considerations into their strategic decision. As automation and climate change potentially impact workforces and regional development, it could have a significant impact on the benefit-sharing agreements between mining companies and local communities, posing a potential risk on the “social license to operate” more broadly. Thus, for investors and companies, understanding the impact of automation and climate change on local communities and being proactive on the alternative benefits they would share with communities in that context early in the process is critical.

We think that climate change brings this question of new models of revenue sharing into quite sharp focus, but also automation. Over the next 10 to 20 years automation in mining
is going to mean that fewer people are required. And that's going to have very significant impacts on the implicit deal and in some cases the explicit deal that mining companies have with local communities and that's going to threaten their “social license to operate”.

According to one investor, job opportunities are one of the main “selling points” of mining companies to local communities that offset the potential negative impacts of a mine. If there are potential cuts in job opportunities or requirement for higher skilled workers that reduces the chances of hiring locally, companies need to be very clear on other benefits they offer to communities.

*If you do not offer job opportunities to the local communities which has been the main driver to accept the mine, you need to think of a clearer revenue-sharing schedule with communities and how that's going to be implemented.*

### 5.5 Summary

The resource-revenue sharing agreements in British Columbia with First Nation communities have been growing considerably in the past few years and had demonstrated its potential to bring First Nation communities into the participation in the mining sector. Yet, as noted by participants there is a room for improvement, particularly in relation to stabilizing the fluctuating revenue flows and creating economic incentives for having the agreements signed by parties early in the process. The impact of revenue-sharing arrangements on the community has not been documented by statistical evidence, although a government official notes how these revenues invested locally by communities can boost their economies. It is worth noting, that challenges stated by interviewees are mostly associated with policy regulations around the responsibilities for accommodation and
consultation. The provincial government has also expressed the lack of direction from federal government on their approach to increasing the participation of Indigenous communities in the natural resource sector.

Companies have also raised their concerns on how the government provides guidance to the industry in relation to First Nations, expressing their frustration around lack of clarity and guidance on this issue. Although community-company agreements referred as impact and benefit agreements in this study have advanced significantly, as some participants say, expectation from companies to provide substantial economic benefits to communities is still high. Good practices suggest early and “engagement negotiations”, rather than just procedural conversations based on a “de minimis” approach. Some of the notes made by industry on good practices include the following:

- Ensure that communities have good quality advisors who are realistic;
- Be transparent with First Nations financial advisors;
- Ensure that communities have a good understanding of project finances, be transparent;
- Work with communities as partners, not only on how to develop a project together, but in terms of business aspects.

Revenue sharing by one mining company was referred as “one of those rare situations in life, where you can be helping people and making money at the same time”. Sharing and growing the limited pie is a big challenge, considering the tough balance between keeping the costs and increasing the benefits among industry, governments and communities. The industry considers their progress in working with communities as “setting a high standard and leaving the government
behind”. The early practices involving traditional Corporate Social Responsibility (CSR) have evolved to modern agreements, and industry is talking openly over the trend towards broader revenue-sharing models that allows risk sharing with communities.

Today there is a revenue stream from industry share and there's a revenue stream from government share from resource revenues that flow to impacted Indigenous communities. As noted by Flanagan (2019), “these payments may impose some costs on government and industry, but they also create positive incentives for Indigenous communities to participate in resource development on terms that they can negotiate”.

Community involvement in resource development and fair distribution of benefits are particularly important for companies and their investors. In fact, the shift towards risk management that considers environment, social and governance issues among investment community has been evident from a growing number of signatories to the Principles for Responsible Investment. Among those are large institutional investors, pension funds, asset owners and investment banks that have a power to influence the behavior of mining companies in responding to local communities and to become a driver to improved corporate performance. Some of the investors’ recognized the good practices in relation to creating opportunities for local communities as the ones that respect the community rights and their environment, and highlighted the following common aspects when engaging with mining companies they invested in:

- Proactive approach in managing and responding to environmental and social concerns;
- Establish formal agreements with communities to provide economic opportunities;
- Explore new models of resource revenue-sharing;
- Encourage companies for more transparency and disclosure on community related issues.

Moving forward, the position of the investment community on how it is going to engage with companies on ensuring affected communities receive a fair share of benefits within the broader changes in the industry is likely to form another topic for study.
Chapter 6: Discussion

The research study aimed to answer the following questions:

1. What are the characteristics of financial provisions of two distinct agreements signed by the government and mining companies with First Nations in respect to mining projects in British Columbia?
2. What are good practices and challenges identified in the implementation of both arrangements?
3. How could the increased consideration of environmental, social and governance issues in the investment analysis and decision-making processes influence the company’s community engagement strategies?

6.1 Research Question 1

Desktop review of relevant reports published on the Natural Resources Canada website and some aspects discussed by interviewing participants on government mining revenue sharing and company financial payments under resource agreements form a summary of data or “abstract topics” used in the grounded theory analysis to reflect on the first question of this research (Table 4).
Table 4. Summary of key characteristics identified in the study on revenue streams under IBAs and ECDAs

<table>
<thead>
<tr>
<th>Topics</th>
<th>Supporting positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentages of mineral tax revenue and respective payments negotiated under provincial revenue-sharing agreements vary among communities.</td>
<td>37.5 percent of the mineral tax is divided up amongst First Nations, who overlap with the project depending on the strength of claim, number of First Nations claiming and level of project’s impact on each community among other factors. Deciding on how much will be shared with each community can be challenging given that some projects can have multiple communities overlapping the mine.</td>
</tr>
<tr>
<td>Financial provisions in the IBAs usually include mixed financial models.</td>
<td>Agreements usually contain financial models with a mix of fixed payments, including milestone payments and revenue-sharing formula (e.g. a percentage of profits or volume of production).</td>
</tr>
<tr>
<td>First Nations are dependent on federal and provincial transfers to finance the community services (Pendakur and Fiser 2017).</td>
<td>Federal grants, including funding from Indigenous Services Canada, provincial transfers and business income were among the main sources of revenue in select First Nations budgets. The federal and provincial transfers contribute greatly to the ability of First Nations to run government operations and public programs (Tahltan Central Government 2019).</td>
</tr>
<tr>
<td>The additional revenue stream from government and industry mining agreements may account for an average of 10 percent and 8 percent respectively in the First Nations annual revenue.</td>
<td>Mining tax shared by the province can account for 10% of an average First Nations annual revenue (Abouchar 2018), while company funds transferred according to the financial models can range between 3-13 percent based on the study of select First Nations. Communities, who have more than one mine near their lands have a potential to raise considerable funds to improve their economic, cultural and social well-being.</td>
</tr>
<tr>
<td>Company financial transfers made to communities in respect to a mining project</td>
<td>Company financial payments made to the First Nation in relation to a project can vary from year-to-year, as well as funds received by two different communities in respect to the same project can differ based on the financial model negotiated in the</td>
</tr>
</tbody>
</table>
under IBAs vary each year, among First Nation recipients.

Supporting positions

IBAs and the market forces; thus, are not a stable source of revenue to finance government budgets.

Government of British Columbia has relaxed the reporting clauses in their revenue-sharing agreements over the years, while earlier agreements contained annual reporting requirements regarding the First Nations progress in distribution of funds to achieve socio-economic goals. Current agreements do not allow cash payments to individual members. Companies are generally not aware of fund utilization once relevant payments have been disbursed to communities.

Mineral taxes shared by provincial government and company financial payments are not protected from sudden changes in project operations/world market.

Desktop review of select budgets and company transfers suggest that IBAs or other similar agreements may not have a specific clause that sets a floor and ceiling for the allocations to protect against sudden fluctuations in revenue flows. Government official has also confirmed that ECDAs do not have such arrangement.

Revenue streams from mining sector creates an opportunity for economic development and growth for First Nations.

There is no statistical evidence to suggest a positive trend in revenue streams of select First Nations were attributed by additional funds from the mining sector, however the main expenditure category identified in the study (e.g. education, infrastructure and capital expenses) along with interview discussions suggest that these funds can contribute to improving the social and economic conditions of First Nations.

Although the summary of data describes elements relevant to the implementation of both arrangements in practice, the limited data from company reports covering only two years (2017 and 2018) along with other documents were not enough to fully cover the answer to the first question of this research on the characteristics of revenue streams under two distinct agreements.
6.2 Research Question 2

Further study of the topic from three stakeholders’ perspective were sought to understand what challenges exist, and what worked well in practice. A summary of the main topics under Table 5 formed the answer to the second question of this research.

Table 5. Findings and relevance to the literature on the challenges and good practices around the topic

<table>
<thead>
<tr>
<th>Findings</th>
<th>Relevance to literature</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Question: What works well?</strong></td>
<td></td>
</tr>
<tr>
<td>When parties have aligned understanding that government arrangement is not a substitute to IBAs; financial provisions under IBAs continue as long as no additional tax is applied on companies for re-distribution to First Nations.</td>
<td>Clark (2009), Abouchar (2018), industry associations and proponents (PDAC, MAC) shared the same position that industry does not want to pay twice to government in addition to IBA-related payments.</td>
</tr>
<tr>
<td>Greater use of revenue sharing formula in mining sector based on risk-sharing with communities will create a successful collaborative effort.</td>
<td>An alternative model to fixed payments, such as a percentage of net smelter return is useful for businesses and community (Gibson and O’Faircheallaigh 2011).</td>
</tr>
<tr>
<td>Revenue used to fund investment programs that will create long-term value for communities; while discouraging individual payments to community members.</td>
<td>Mining payments that promote economic development with long-term value creation are those invested in public infrastructure, education (Söderholm and Svahn 2015b) or used as a capital to create business enterprises (Gibson and O’Faircheallaigh 2011).</td>
</tr>
<tr>
<td>Communities to direct majority of resource revenue into trust funds, and spend the interest earned on community programs.</td>
<td>Rioux (2017) notes of advantages of investing resource revenue in the trust fund to “extend the life and value of resource revenue”, but only if managed “transparently and effectively”.</td>
</tr>
<tr>
<td>Findings</td>
<td>Relevance to literature</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Associate revenue-sharing agreements</td>
<td>Where impact and benefit agreements are negotiated in adjunct to environmental impact assessment processes, it creates a platform for communities to “engage in resource planning and impact management processes” (Galbraith, Bradshaw, and Rutherford 2012; Gibson and O ’Faircheallaigh 2011).</td>
</tr>
<tr>
<td>with a tool to build trust among stakeholders and promote First Nations as</td>
<td></td>
</tr>
<tr>
<td>active partners in the mining sector.</td>
<td></td>
</tr>
<tr>
<td><strong>Question: What are the challenges?</strong></td>
<td></td>
</tr>
<tr>
<td>Industry to navigate in complex and unique legal system with lack of guidance from government as to what the standards and requirements are to meet the criteria of a meaningful consultation and engagement processes.</td>
<td>Complexity in the different policy questions around duty to consult with Indigenous communities, along with lack of coordination and duplication of effort by federal and provincial governments is increasingly creating uncertainty for companies and communities (B. Marshall 2018).</td>
</tr>
<tr>
<td>Government to have communities sign on to ECDAs during the project approval process. Because the current system has no economic incentive in place for communities prior the start of mining operations, communities may delay the signing of the agreement.</td>
<td>Mineral taxes are not payable until the mine commences operation, which can take at least two years (Clark 2009), whereas industry funds may be shared sooner to fund community programs and services (Gibson and O ’Faircheallaigh 2011).</td>
</tr>
<tr>
<td>High demand and priorities from the community side during the negotiations with companies.</td>
<td>Some communities may demand for greater share of benefits to fund the on-going needs in social services, while the company may view it as filling the government responsibility (Kielland 2015).</td>
</tr>
<tr>
<td>Reporting on revenue utilization by communities is not a common practice in both arrangements.</td>
<td>Some communities may strongly oppose to the idea of including clauses on payment utilization during negotiation process (O’Faircheallaigh 2013), but</td>
</tr>
<tr>
<td>Findings</td>
<td>Relevance to literature</td>
</tr>
<tr>
<td>----------</td>
<td>------------------------</td>
</tr>
<tr>
<td></td>
<td>they may sign on to it in order to reach the final agreement.</td>
</tr>
</tbody>
</table>

The responses gathered from interview participants reflect common positions stated in the literature. The following points discussed in the interview further advance the information generated through desktop review and suggest the possible direction in the evolution of the topic moving forward.

- Revenue-sharing increasingly considered as part of doing business, rather than a cost;
- Moving towards a broader concept of revenue-sharing or equity participation;
- Association of revenue-sharing agreements with a positive impact on community well-being in the long-term.

The study of select First Nations annual budget suggests some communities to have a pro-cyclical fiscal behavior (Appendix F), which can lead to costly outcomes during the economic downturns. Priorities are different for each First Nation group, but knowing the characteristics of resource revenue along with issues covered in the study it is recommended that revenue streams to be tied to First Nation’s long-term development plan and where possible invested into the trust fund to support a countercyclical fiscal policy as well as to save a portion of revenue for the future generation. One of the examples of a community using a similar approach is Tahltan First Nation represented by Tahltan Central Government. Revenue streams accrued to the community through corporate and government agreements, in addition to private donations are proposed to be distributed among three priorities as illustrated in Figure 15. The community’s Heritage Fund is expected to save majority of revenue received from resource developers conducting operations on
the community’s territory for future generations, allocating a portion of revenue and the interests earned to Tahltan Government and Community Foundation to deliver community services and spend on investment projects that improve community well-being.

Figure 15. Tahltan First Nation's proposed distribution of resource revenues (derived from Community Engagement Report of Talhtan Nation 2010)

As mentioned by an industry representative, the closest example where the industry saw a clear approach by a community on the rules and costs of doing business with resource developers was demonstrated by Tahltan Nation. Along with their vision on community’s resource revenue distribution and management, Tahltan Nation set outs a good example for other communities in both wealth generation and wealth creation based on its natural resources.

According to a recent study of the community well-being (CWB) index across Canada, British Columbia scored a higher average CWB in First Nation communities than in most other jurisdictions (Flanagan 2019). Statistics Canada uses four metrics, such as per-capita income, education, housing and workforce participation to measure the CWB for all Canadian
communities. Higher average result implies higher standard of living and quality of life. Although there is no statistical evidence of positive correlation between CWB and resource revenue streams from government and industry, additional funding generated from resource developments could have played a role in contributing to improved well-being. However, there is still gap between First Nations and non-Indigenous communities in each of the components of CWB in 2016 as shown in Figure 16 (Statistics Canada 2016).

Figure 16. CWB component score and gaps between First Nations and non-Indigenous communities, 2016 (derived from Statistics Canada 2016)

A positive trend of increased revenues within First Nations identified in the desktop review aligns with the Indigenous Economic Progress report (The National Indigenous Economic Development Board 2019). The key segments of spending identified in select First Nation groups – education, infrastructure and economic development – are recognized as good investments to create long-term benefits for the community (Söderholm and Svahn 2015b).
Considering the issues discussed in the study, there is a great opportunity to enhance the current practice for the government and companies operating in British Columbia and across Canada. While British Columbia was the first province to implement an ad hoc policy approach to revenue-sharing with communities on a project-by-project basis, there is a potential need for a collaborative planning with industry and communities to have both agreements aligned with regulatory processes (e.g. EIA), and to be transparent on the reporting of financial benefit allocations to communities and its implementation. Having a better sense of total financial benefits expected to accrue from the project to communities earlier in the process can help the Indigenous governments to communicate with their members of the potential economic benefits of a project and help to plan in advance on how to manage the potential revenue stream. Companies operating in British Columbia and across Canada are encouraged to implement Indigenous community engagement policy based on recognized best practices, including FPIC and explore possibilities with communities through an open dialogue and visioning exercise on how to create a sustainable business model using resource revenue for communities.

British Columbia’s recent progress in the implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) in a manner that fits within Canada’s Constitutional and legal framework is a step towards bringing clarity to private sector in their business environment of working with Indigenous communities.

### 6.3 Research Question 3

The role of investors in supporting community participation in the current times of increased attention to environmental, social and governance issues is key. Some of the current engagement
strategies (of investors with companies in the mining sector) have been discussed in this study, including active ownership and screening processes. The recent example of the investors’ coalition to address a significant issue across the entire sector by engaging with over 600 companies illustrates the value investors can bring in changing a corporate behavior in certain aspects of operation throughout the mine life.

Social issues in the mining sector has been one of the criteria companies scored low in the overall ranking by the environmental, social and governance (ESG) performance. This study illustrates the investors’ perspective on community issues as being one of their priority engagements with companies and demonstrate investors’ awareness and concern over the long-term impact of the technological disruption in the industry to impact the traditional benefit opportunities available to local communities. Long-term universal investors such as pension funds with over hundred mining companies in their portfolio were among many signatories to Principles for Responsible Investment who emphasized their role in the financial sector in contributing to a positive impact on local communities and regions where their companies operate.

The positive correlation between ESG and corporate financial performance (Eccles, Ioannou, and Serafeim 2014) and growing focus of investors on ESG issues drive the corporate governance to respond and manage the community issues in a proactive manner. Despite the strategies noted by investors in the study to ensure companies follow good practices in regard to local and Indigenous community issues, there is still a gap and a room to improve the current engagement strategies. Literature refers to a disconnect between investors and communities as being on the two ends of the whole chain. Some other opportunities identified during the research that could be adapted as
engagement strategies by investors to better tackle community incidents and promote local and Indigenous participation in the resource sector are outlined below.

- Use the cost of capital as a driver to promote best practices of local and Indigenous community participation in resource development planning, where poor track records and practices of a company affects the price of lending;
- Following the first point, investors to align with banking and insurance sector and be clear with requirements of providing finance and insurance to mining companies;
- Promote investors’ collaborative action in the mining industry that focuses on the social risks;
- Stronger push on more disclosure and transparency from companies on social issues.
Chapter 7: Conclusions, Study Limitations and Recommendations for Future Work

7.1 Conclusions

The findings discussed in Chapter 6 relate to the current literature on the role of local and Indigenous communities in resource development projects and importance of revenue-sharing agreements as a tool to promote partnership among parties and create opportunities for economic development. When the distribution and management of revenue streams from either the government or the mining company under respective arrangements are aligned with the community’s long-term development plans, sustainable development after depletion of resources can be achieved. The way Indigenous communities benefit from resource revenues has evolved across Canada. British Columbia has the highest number of individually negotiated resource revenue-sharing agreements with First Nation communities. This study aimed to understand the actual implementation of these agreements in light of limited public data reported by the province and First Nation communities. Overall, findings support the positions of academic writers well-known in the field, including Clark (2009), O’Faircheallaigh (2013), Coates (2015), Pendakur and Fiser (2017) and Flanagan (2019).

Companies have come a long way in building a positive relationship with local and Indigenous communities in Canada. Impact and benefit agreements in British Columbia have not been studied using company reports under ESTMA, which this study contributes to a certain level. The current practice suggests that private sector acknowledges its impact on the traditional lands of Indigenous Peoples recognizing the financial provisions in the impact and benefit agreements as a part of the
business and moving towards a broader concept of revenue-sharing with communities. For new companies coming into the jurisdiction, being proactive and incorporating the United Nations Declaration on Indigenous Peoples Rights into its engagement practice and negotiating formal agreements with Indigenous communities will help build a foundation for positive relations and collaborative work.

The evolution of responsible investing practice presented by the fast-growing signatories to the United Nations-backed Principles for Responsible Investment is setting a tone for the industry as to what the expectations are going to be from investors, insurances and banks. Evaluation of environmental, social and governance considerations in the investment strategies is a shift in the traditional fiduciary duty, which was limited to the maximization of shareholder values without necessarily looking at the social or environmental impacts (Kell n.d.). Mining companies with poor social track record, which includes issues related to local and Indigenous community rights might soon face tougher requirements to access the much-needed capital for their businesses in the financial system. The transition to a new era of sustainable investing is inevitable and mining companies owned by long-term investors will be the soonest to held accountable for their ESG performance. Mid-size companies shall be proactive in incorporating Indigenous Rights policy and local community involvement programs in their practices and ensure “the best practice to be the minimum standard” for operations.

Some of the key topics identified in the analysis of desktop data, interview results and literature are as follows:
- Variation across the province in terms of outcomes and implementation of financial provisions in IBAs or other resource agreements among communities.

- There is still uncertainty and lack of clarity for companies, especially new to the jurisdiction to understand what the requirement and standard is for meeting the bottom line of a meaningful consultation and engagement with local and Indigenous communities in order to proceed with the project, how much the Indigenous Peoples participation in resource development would cost and what should be included in the financial provision (if applicable) in the IBAs. Confidentiality of agreements limits a possibility to draw on the examples of previous agreements and compare their outcomes and implementation.

- It is unclear whether the share of mining tax revenue in British Columbia with First Nations would increase from the current level of 37.5 percent and whether Aboriginal Resource tax would be a potential avenue for creating a revenue stream for First Nations based on all of the natural resource development opportunities within their territory.

- A ‘wild west’ approach to revenue-sharing across Canada. Communities and companies, as well as governments recognize the importance of having a revenue-sharing mechanism in place, yet there is still no national approach to address the issue, which creates an open-ended space for all parties in different jurisdiction to follow their own rules and procedures.

### 7.2 Research Limitations

The first research limitation is the scope of the study, where the author tried to look at three different perspectives at once instead of an in-depth analysis of one approach. This may have affected the overall results, being broad and at some point, going outside the boundaries of the topic.
The limitation was also related to the interview questions and respondents. The questions were designed to elicit insight into the current practices of industry and government, yet it fell short to provide enough information for constructive qualitative analysis. The range and number of interviewees did not fully represent the scope of opinions from industry and government.

The study did not interview First Nations communities, which is a huge limitation of this study. Further research on this topic should seek for community opinion and reflect their position on this topic. The variability of information collected under this study also makes the application of findings difficult in the practical field.

7.3 Recommendations for Future Work

As communities continue receiving the revenue streams generated from mining from either industry or provincial government further quantitative analysis looking at the correlation between payments and living standards of the recipient community would be useful to evaluate the impact of both arrangements on community’s well-being. However, a comprehensive analysis will not be achieved without obtaining confidential financial information and it is unclear whether the provincial government will disclose the transfers by individual communities in the near term.

Comparing Ontario’s recently commenced resource-revenue sharing agreements with British Columbia after the first year of implementation (2019/2020) based on publicly available information would provide further understanding how similar practices can be implemented in different jurisdictions.
References


benefits-of-mining/.


Espinoza, Elena. n.d. “Vale Dam Collapse Reignites Mining Safety Pressure from Investors |


———. 2018b. “Managing Mining for Sustainable Development. UNDP Bangkok Regional Hub


Kielland, Norah. 2015. “Supporting Aboriginal Participation in Resource Development: The Role of Impact and Benefit Agreements.”


———. 2016. Exploration and Mining in Canada.


Prno, Jason. 2007. “Assessing the Effectiveness of Impact and Benefit Agreements from the Perspective of Their Aboriginal Signatories.”


http://digitalcommons.osgoode.yorku.ca/scholarly_works.


https://prism.ucalgary.ca/bitstream/handle/1880/106793/Berry%2C%20Mathew%28J-S%29.pdf?sequence=1&isAllowed=y.


https://doi.org/10.1016/j.resourpol.2015.03.003.


https://www.statcan.gc.ca/eng/1345816651029/1557323327644#chp3c.


https://doi.org/10.1016/j.enpol.2007.10.003.


Natural Resources Center African Development Bank.”


Commission on Growth and Development, The World Bank, Washington DC.
https://openknowledge.worldbank.org/bitstream/handle/10986/6507/449860PUB0Box3101


https://doi.org/10.18584/iipj.2012.3.2.5.
### Appendices

**Appendix A  List of First Nations with Economic and Community Development Agreements with British Columbia**

<table>
<thead>
<tr>
<th>Signed ECDAs</th>
<th>Date signed</th>
<th>Mine</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stk'emlupsemc of the Secwepemc Nation</td>
<td>2010</td>
<td>New Afton Mine</td>
<td>37.5% of the difference between a) the total amount of tax, penalty and interest paid by the proponent; and b) the total amount of tax and penalty refunded to the proponent and interest paid to the proponent. Payments are estimated to be $30 million, over the life of the mine.</td>
</tr>
<tr>
<td>McLeod Lake Indian Band</td>
<td>2010</td>
<td>Mount Milligan Mine</td>
<td>15% of the difference between a) the total amount of tax, penalty and interest paid by the proponent; and b) the total amount of tax and penalty refunded to the proponent and interest paid to the proponent. No information on payments found in online public information sources.</td>
</tr>
<tr>
<td>Nak'azdli Band</td>
<td>2012</td>
<td>Mount Milligan Mine</td>
<td>12.5% of the difference between a) the total amount of tax, penalty and interest paid by the proponent; and b) the total amount of tax and penalty refunded to the proponent and interest paid to the proponent. Payments estimated to be approximately $24 million, over the life of the mine.</td>
</tr>
<tr>
<td>Lower Similkameen Indian Band</td>
<td>2013</td>
<td>Copper Mountain Mine</td>
<td>35% Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Upper Similkameen Indian Band</td>
<td>2013</td>
<td>Copper Mountain Mine</td>
<td>35% Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Xatsull First Nation (Soda Creek)</td>
<td>2013</td>
<td>Mount Polley mine</td>
<td>16.5% Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Williams Lake Indian Band</td>
<td>2013</td>
<td>Mount Polley mine</td>
<td>18.5% Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Nlaka’pamux First Nations</td>
<td>2013</td>
<td>Highland Valley Copper mine</td>
<td>19.68% Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
</tbody>
</table>

- Ashcroft Indian Band
- Boston Bar First Nation
- Coldwater Indian Band
- Cook's Ferry Indian Band
- Nicomen Indian Band
- Nooaitch Indian Band
- Siska Indian Band
- Shackan Indian Band
<table>
<thead>
<tr>
<th>Signed ECDAs</th>
<th>Date signed</th>
<th>Mine</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nisga'a Nation</td>
<td>2014</td>
<td>Kitsault Mine</td>
<td>35% Net Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Halfway River First Nation</td>
<td>2015</td>
<td>Coal projects (Trend Mine; Quintette Mine)</td>
<td>Sum of Incremental Mineral Tax Revenue payments from zones A, B, C, and D. See Schedule 1 for more details (build-up royalty scheme)</td>
</tr>
<tr>
<td>Saulteau First Nations</td>
<td>2015</td>
<td>Coal projects (Trend Mine; Quintette Mine)</td>
<td>Sum of Incremental Mineral Tax Revenue payments from zones A, B, C, and D. See Schedule 1 for more details (build-up royalty scheme)</td>
</tr>
<tr>
<td>West Moberly First Nations</td>
<td>2015</td>
<td>Coal projects (Quintette Mine)</td>
<td>Sum of Incremental Mineral Tax Revenue payments from zones A, B, C, and D. See Schedule 1 for more details (build-up royalty scheme)</td>
</tr>
<tr>
<td>Ktunaxa Nation</td>
<td>2017</td>
<td>Elk Valley Coal Mine (Elkview Mine; Line Creek Mine; Greenhills Mine)</td>
<td>37.5% of the first $23 million of Incremental Mineral Tax Revenue for the Mine Fiscal Year, and 5% of any Incremental Mineral Tax Revenue for the Mine Fiscal Year exceeding $23 million. Payments will not be made under this agreement until the next fiscal year</td>
</tr>
<tr>
<td>Kwadacha First Nation</td>
<td>2017</td>
<td>Kemess Underground Mine</td>
<td>11.67% of Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Lheidli T'enneh</td>
<td>2017</td>
<td>Giscome Lime Quarry and Plant</td>
<td>37.5% of Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Takla Lake First Nation</td>
<td>2017</td>
<td>Kemess Underground Mine</td>
<td>11.67% of Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Tsay Keh Dene First Nation</td>
<td>2017</td>
<td>Kemess Underground Mine</td>
<td>11.67% of Incremental Mineral Tax Revenue. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Nisga'a Nation</td>
<td>2018</td>
<td>Brucejack Mine</td>
<td>15% Net Mineral Tax Revenue if NMTR greater than zero, up to 50% if less than zero. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
<tr>
<td>Talhtan Nation</td>
<td>2018</td>
<td>Brucejack Gold Mine</td>
<td>15% Net Mineral Tax Revenue if NMTR greater than zero, up to 50% if less than zero. Payments will not be made under this agreement until the next fiscal year.</td>
</tr>
</tbody>
</table>
Appendix B  Introductory Letter

LETTER OF INITIAL CONTACT DELIVERED via email customized for each invited participant

Dear Sir/Madam,

My name is Aligermaa Bayarsaikhan and I am a graduate student in Norman B. Keevil Institute of Mining Engineering at the University of British Columbia. I am conducting a research project on resource revenue sharing with my Supervisor and Principal Investigator, Dr. Dirk van Zyl. The general objective of this research is to investigate the state of modern resource revenue sharing (RRS) approaches in the extractive sector between key stakeholders: the industry, national and sub-national government, and the community. The research attempts to answer the following question: What are the lessons and opportunities in managing the resource revenues?

I am writing to ask if you would be willing to speak with me about your experiences in the implementation of resource revenue sharing. The interview would last approximately 60 minutes and, depending on your availability, could be done in person, over the phone or via Skype. The findings will form a portion of my dissertation research and the cumulative results may be used for a paper in an academic journal.

If you are willing to be interviewed, you can choose to be identified or not. I would be happy to send you a copy of the research report once a draft has been completed so you can confirm its final content and, if you have opted to be identified, to review any quotes. At that point, you would be able to make changes or to withdraw your comments completely if you decide you would prefer not to be quoted at all in the final paper.

If you have any questions about this research, the interview process, or any other matter relating to this letter please contact me by email at , by phone at . Alternatively, you can contact my supervisor, Dr. Dirk van Zyl, by email at .

Thank you for considering this interview request. I look forward to hearing from you to confirm your availability and to arrange a convenient time for the interview.

Kind Regards,
Aligermaa Bayarsaikhan
Graduate Student
Norman B. Keevil Institute of Mining Engineering
University of British Columbia
Email:
Appendix C  Interview Consent Form

UNIVERSITY OF BRITISH COLUMBIA
NORMAN B. KEEVIL Institute of Mining Engineering
tell 604 822 2549  fax 604 822 5599  517, 6350 Stores Road, Vancouver, BC V6T 1Z4  www.mining.ubc.ca

RESEARCH CONSENT FORM

Consent form #

As part of the research project: Sharing resource revenues: current trends, you are asked to participate through the provision of an interview. The interview will last approximately 60 minutes and will have a set of questions to understand the current trends of resource revenue sharing arrangements with local communities. The research will support the collaboration between the financial institutions, government, industry and local communities on resource revenue sharing with the aim to address the varying approaches on this matter. The collaboration on this study may pose professional risks to the participant, associated with the disclosure of confidential information related to the participant’s organization and the consequences of disclosure. To mitigate the risks the participant will have a right to decline answering questions and/or end the interview at any time along with the opportunity to review the interview transcripts following the interview. Thus, we consider the risk and benefits to you as a participant will be minimal.

Findings of the research will provide insights for more informed discussion around the evolving topic of the study and become a valuable content for future use in interdisciplinary research. This study will form a part of researcher’s final theses, which will be publicly available through an open access digital repository at the University of British Columbia.

If you are willing to be interviewed, you can choose to be identified or not. Should you wish to make your information de-identified, this consent form indicates a number for de-identification. That number will be used when transcribing information from the interview to data collection forms. Only the researcher (Aligermaa Bayarsaikhan) and the lead investigator (Dr. Dirk van Zyl) will have access to these forms. The results of each interview will be preserved in a hard handwritten copy and transcribed copy. The hard copies will be put in a folder with the electronic data on a USB and stored in a locked file cabinet in the office of Dr. Dirk van Zyl, at the Norman B. Keevil Institute of Mining Engineering at the University of British Columbia. The materials will be available for review upon request.

This research is to be undertaken by a graduate student Aligermaa Bayarsaikhan under the supervision of Dr. Dirk van Zyl at the Norman B. Keevil Institute of Mining Engineering at the University of British Columbia. By signing this form, the research participant understands that:

- My signature on this form will signify that Aligermaa Bayarsaikhan, graduate student at the University of British Columbia, has explained the research procedures for this study, that I have received adequate opportunity to consider any personal risks (physical, psychological, emotional and social), and that I voluntarily agree to participate in the project.
- My participation will involve answering questions about my views and opinions.

06/06/2019  H19-00187  Page 1 of 2
• I may be asked to participate in a follow-up interview. I understand that the follow-up interview will be conducted to collect additional information if the initial interview window does not provide enough time and/or to clarify questions from a previous interview.

• I understand that I may withdraw my participation in this study at any time.

• I may obtain copies of this study upon its completion by contacting the graduate student at and/or his supervisor Dr. Dirk van Zyl at

• The results of my contribution will be preserved in a hard hand-written copy, audio recording and transcribed copy. The hard copies will be put in a folder with the electronic data on a USB and stored in a locked file cabinet in the office of Dr. Dirk van Zyl, at the Norman B. Keevil Institute of Mining Engineering at the University of British Columbia for a period of five years. They will be available for review at any time.

• This consent form indicates a number for the participant. That number will be used when transcribing information from the interview to data collection forms. Only the researcher (Allergena Bayarsaikhan) and her supervisor (Dr. Dirk van Zyl) will have access to these forms.

• I may request for my name to be specifically mentioned for acknowledgement. I may indicate this on this written consent form or during the oral consent process.

• I also understand that I may register any complaint that I might have about the research or the student named above with the Norman B. Keevil Institute of Mining Engineering at the University of British Columbia.

If you have any concerns or complaints about your rights as a research participant and/or your experiences while participating in this study, you may contact the Research Participant Complaint Line in the UBC Office of Research Ethics at 604-822-8598 or if long distance e-mail rsil@ors.ubc.ca or call toll free 1-877-822-8598

I, .................................................. give consent to participate in this study and:

□ I agree to have my interviews recorded.
□ I do not agree to have my interviews recorded.
□ I allow direct quotes from my interview to be used.
□ I not allow direct quotes to be used.
□ I allow my name used during publication
□ I do not allow to have my name used during publication, and instead request an alias be used.

NAME:  __________________________________________

SIGNATURE: ___________________________ DATE: __________________________

*Once signed you should receive a copy of this consent form.*
## Appendix D  Research Participants

<table>
<thead>
<tr>
<th>Participant</th>
<th>Stakeholder</th>
<th>Position</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>P 01</td>
<td>Government</td>
<td>Government official from Ministry of Energy and Mines (active)</td>
<td>British Columbia</td>
</tr>
<tr>
<td>P 02</td>
<td>Government</td>
<td>Government official from Ministry of Energy and Mines (former)</td>
<td>British Columbia</td>
</tr>
<tr>
<td>P 03</td>
<td>Company</td>
<td>Director of a mining company</td>
<td>British Columbia</td>
</tr>
<tr>
<td>P 04</td>
<td>Company</td>
<td>Indigenous Affairs Manager of a mining company</td>
<td>Ontario</td>
</tr>
<tr>
<td>P 05</td>
<td>Company</td>
<td>Private consultant specializing in First Nation consultation and natural resource development</td>
<td>British Columbia</td>
</tr>
<tr>
<td>P 06</td>
<td>Company</td>
<td>Private consultant specializing in negotiations in resource development</td>
<td>British Columbia</td>
</tr>
<tr>
<td>P 07</td>
<td>Company</td>
<td>Private consultant specializing in project economics and Indigenous relations</td>
<td>British Columbia</td>
</tr>
<tr>
<td>P 08</td>
<td>Company</td>
<td>Head of the Association for Mineral Exploration</td>
<td>British Columbia</td>
</tr>
<tr>
<td>P 09</td>
<td>Investor</td>
<td>Director of Sustainable &amp; Impact Investing department, Global investment manager firm</td>
<td>International</td>
</tr>
<tr>
<td>P 10</td>
<td>Investor</td>
<td>Secretary-General of the Council on Ethics, Pension Fund</td>
<td>International</td>
</tr>
<tr>
<td>P 11</td>
<td>Investor</td>
<td>Deputy Director of Ethics and Engagement, Pension Fund</td>
<td>International</td>
</tr>
<tr>
<td>P 12</td>
<td>Investor</td>
<td>Head of Responsible Investment, Industry fund</td>
<td>International</td>
</tr>
</tbody>
</table>
## Appendix E  NVivo Coding Chart

<table>
<thead>
<tr>
<th>DATA</th>
<th>Name</th>
<th>Files</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allocation</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Amounts</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Benefits of mining</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Community perception</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Effective</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Elements of success</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Examples</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Forms of financial benefits</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Forms of RRS</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Introduction</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Lessons</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Methods of benefit sharing</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Monitoring and reporting</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Not effective</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Challenges</td>
<td>8</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Opportunities</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Priorities</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Results of revenue sharing</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Role of government</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Utilization</td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>First Nation</th>
<th>Year</th>
<th>Revenue</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Williams Lake Indian Band</td>
<td>2012/2013</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td></td>
<td>2013/2014</td>
<td>$15,000</td>
<td>$7,500</td>
</tr>
<tr>
<td></td>
<td>2014/2015</td>
<td>$12,000</td>
<td>$6,000</td>
</tr>
<tr>
<td></td>
<td>2015/2016</td>
<td>$9,000</td>
<td>$4,500</td>
</tr>
<tr>
<td></td>
<td>2016/2017</td>
<td>$6,000</td>
<td>$3,000</td>
</tr>
<tr>
<td></td>
<td>2017/2018</td>
<td>$3,000</td>
<td>$1,500</td>
</tr>
<tr>
<td></td>
<td>2018/2019</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

| Total population: 836 (233 live on territory) |

<table>
<thead>
<tr>
<th>Nak'azdli Whut'en First Nations</th>
<th>Year</th>
<th>Revenue</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population: 1990 (711 live on territory)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>First Nation</th>
<th>Year</th>
<th>Revenue</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>McLeod Lake Indian Band</td>
<td>2012/2013</td>
<td>$0</td>
<td>$2,000</td>
</tr>
<tr>
<td></td>
<td>2013/2014</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td></td>
<td>2014/2015</td>
<td>$15,000</td>
<td>$7,500</td>
</tr>
<tr>
<td></td>
<td>2015/2016</td>
<td>$12,000</td>
<td>$6,000</td>
</tr>
<tr>
<td></td>
<td>2016/2017</td>
<td>$9,000</td>
<td>$4,500</td>
</tr>
<tr>
<td></td>
<td>2017/2018</td>
<td>$6,000</td>
<td>$3,000</td>
</tr>
<tr>
<td></td>
<td>2018/2019</td>
<td>$3,000</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

| Total population: 573 (105 live on territory) |

| Soda Creek Band               | Year         | Revenue | Expenses |
| Total population: 443 (137 live on territory) |

<table>
<thead>
<tr>
<th>First Nation</th>
<th>Year</th>
<th>Revenue</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012/2013</td>
<td>$0</td>
<td>$2,000</td>
</tr>
<tr>
<td></td>
<td>2013/2014</td>
<td>$40,000</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>2014/2015</td>
<td>$80,000</td>
<td>$40,000</td>
</tr>
<tr>
<td></td>
<td>2015/2016</td>
<td>$120,000</td>
<td>$60,000</td>
</tr>
<tr>
<td></td>
<td>2016/2017</td>
<td>$160,000</td>
<td>$80,000</td>
</tr>
<tr>
<td></td>
<td>2017/2018</td>
<td>$200,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>2018/2019</td>
<td>$240,000</td>
<td>$120,000</td>
</tr>
</tbody>
</table>

| Total population: 443 (137 live on territory) |