

**CORPORATE SOCIAL RESPONSIBILITY: NORTHWESTEL SERVICING THE
RESOURCE SECTOR**

by

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B.Sc. Hons., University of Northern British Columbia, 2000

PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

August 2011

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Abstract

A case study of Northwestel (NWTel), a telecommunications company operating in Northern Canada (North East British Columbia, Yukon, Northwest Territories and Nunavut) that provides telecommunication services to both the mining and oil and gas sector, is examined. First an analysis of what is currently being performed for CSR initiatives is reviewed followed by a comparison with the three largest telecommunication providers in Canada (Bell Canada Enterprises, Telus Corporation and Rogers Communications) with the initiatives undertaken by NWTel and finally recommendations on additional CSR initiatives and a formal annual CSR report to be developed by NWTel on an annual basis reporting the various CSR initiatives and metrics.

It is hypothesized that the development of a formalized CSR program and subsequent annual report will provide an additional competitive advantage for NWTel when competing to provide telecommunication services within both the mining and oil gas services located within their traditional operating area.

2.0 Introduction

Corporate Social Responsibility (CSR) is a broad topic, which has continued to gain interest within both the academic and business world (Basil and Erlandson, 2007). CSR represents the continuing commitment by an organization to behave ethically and contribute to economic development, while improving the quality of life of the employees and their families, as well as of the local community and society at large (Holmes R, and Watts P, 1999). The ethics of business activities are becoming increasingly important. Companies are ever more evaluated on their ability to meet not only the customer's needs but also the various needs of employees, NGOs, the local community representatives and other interest groups (Andersen and Pedersen, 2006).

The World Business Council for Sustainable Development (2008) found that the current priorities of CSR are human rights, employee rights, environmental protection, supplier relations and community involvement. Businesses are expected to move beyond just their legal requirements and embrace responsibility to achieve best practices.

Ideally CSR policy would be a self-regulating model whereby organizations would actively monitor and measure their adherence to local laws, ethical standards, and international norms. Taking a proactive role in best practices in working with stakeholders. Simply put CSR is the deliberate inclusion of public interest into corporate decision-making and the upholding of the triple bottom line of Profit, People and Planet (three Ps).

The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; others yet argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. Corporate Social Responsibility has been redefined throughout the years. However, it essentially is titled to aid to an organization's mission as well as a guide to what the company stands for and will uphold to its consumers (Carroll and Buchholtz, 2002). Companies are also recognizing that their actions in purchasing and supply chain management strongly effect their reputation and sustainability (Castka and Balzarova, 2008).

There is not a great deal of research that has been conducted on CSR activities within the natural resource sector specifically within the oil and gas and mining sectors. This research project focuses on CSR initiatives as a competitive advantage for oil and gas and mining service companies. With increasing pressure on exploration and production companies to increase their CSR activities it is hypothesized that service companies serving the mining and oil and gas exploration and production companies will be able to create a competitive advantage for themselves by adopting CSR activities to enhance the CSR within the supply chain.

This paper will examine CSR theory, what makes a successful CSR program, how CSR can be used as a competitive advantage by service companies in the resource sector, specifically oil and gas and mining sectors and finally examine Northwestel a company that provides telecommunications services to both the oil and gas sector and mining sector and how it can more effectively align its current CSR activities to create a competitive advantage within these resource sectors.

3.0 Literature Review

3.1 Why Adopt Corporate Social Responsibility Programs

There are a number of reasons why a corporation would want to adopt a CSR program within their day-to-day business operations. Willard (2006) outlines seven bottom-line benefits:

- Easier hiring of top talent: Attracting people whose values resonate with company sustainability values and who want to work in that kind of company
- Higher retention of top talent: Since employees caring about a company's environmental and social good works want to stay with it longer
- Higher productivity from employees: Energized by contributing to the success of a firm doing worthwhile work

- Reduced expenses in manufacturing: Through eco-efficiencies, dematerialization, recycling, process redesign, and waste reduction
- Reduced expenses and commercial sites: Through eco-efficiencies in energy and water usage, and increased employee stewardship of consumables
- Increased revenue: As green consumers are attracted to the company's products, services are expanded, and new markets are opened
- Reduced risk and easier financing: Through risk avoidance, lower insurance premiums, better loan rates, and higher attractiveness to investors.

One of the primary reasons to adopt CSR practices is to gain a competitive advantage. As Porter and Kramer (2006) stated when done strategically and deliberately CSR, "can be much more than a cost, a constraint, or a charitable deed, it can be a source of opportunity, innovation and competitive advantage". CSR effectively becomes a defining factor for the organization to differentiate themselves from competitors and better position themselves in their perspective sector.

Lamberti and Lettieri (2008) in their longitudinal study on CSR as a corporate strategy found that CSR has successfully been used as a means to reshape corporate strategy to manage uncertainty regarding products and firm's behaviour. For those companies that operate in sensitive sectors such as mining and oil and gas a strong CSR program and recognition for it should enhance public image. For many companies CSR becomes their defining attribute. A public image that they live by and are recognized for

as their brand. This allows them to create a distinction from competitors that can only be met through the creation of similar programs. This is difficult to do based upon community targeted CSR initiatives and the relationships that are formed, (Vasanthakumar Bhat, 2008)

Research has been conducted to determine how effective CSR can be in supporting companies that have little other competitive position in the market place. Berens et al. (2007) in their research examined under what conditions a good CSR can compensate for a relatively poor corporate ability. Their study determined in general weak corporate ability can to a certain degree compensated by a strong CSR. Therefore corporate entities that are struggling to create a unique, distinct brand and differentiate themselves from competitors have the opportunity to define themselves through their CSR programs (Bilgin, 2009). Maxfield (2007) study confirmed the notion that CSR activities can be a competitive advantage, however are more financially effective if they are linked more to innovation functions as opposed to public relations, marketing, human resource management, etc. It is important that the CSR initiatives are appropriate to the market intended. French et al. (2005) examined the stakeholder relationships across FTSE Companies and found that telecommunication and extraction companies are more adept at identifying and prioritizing their stakeholders and linking CSR programs to business and social outcomes. Sacconi (2004) makes the statement that in order for stakeholders to value the CSR initiatives by a firm they must recognize the value of the CSR initiatives.

First mover advantage is important when developing CSR programs. Replicating existing competitors and their programs will not garner the same recognition as having CSR initiatives that are unique and recognized as such. CSR programs therefore need to continuously evolve to ensure that they remain unique and the value recognized (Lamertz and Sirsly, 2008).

Studies have been conducted on when companies will not adopt CSR initiatives. Detomasi (2007) stated that a major factor in whether a corporation instills CSR initiatives is dependent upon the political climate that the corporation is operating in. If they are operating in a climate that requires greater exposure for stakeholder engagement, environmental practices, regulated markets they are more likely to adopt CSR. Moon goes on further to state that many companies are less concerned with their reputations as they are not branded, do not serve end customers or are less fearful of regulatory interference and therefore CSR initiatives are less likely to be adopted (2007).

3.2 Corporate Social Responsibility within the Supply Chain

Little research has been conducted on the adoption of CSR programs within the value chain in supporting the vendor's public image. As companies become more closely tied with their suppliers the lines are blurred on who is producing the end product or service.

Recently oil and gas companies were criticized for the lack of oversight concerning environmental and safety practices by their service companies that were servicing them. As a result the Certificate of Recognition (COR) was brought into effect that provided standards for safety and environmental practices, which involves regular audits to maintain the certification. Many service companies quickly found that the COR certification became a necessity to secure contracts and service awards. Haddock-Fraser and Fraser (2008) found similar results that the closer a company is within the value chain helps to explain the adoption and implementation of corporate environmental reporting within certain contexts.

There can be challenges in controlling codes of conduct in global supply chains. It is difficult to enforce codes of conduct in global supply chains due to geographic location, political atmosphere, legal requirements, etc. All of these issues can ultimately result in agency problems that may result in non-compliance (Andersen and Pederson, 2006). For those resource companies operating within North America and more specifically Canada this risk is mitigated substantially due to geographic presence and certification such as COR which provides standard level for quality and content.

3.3 Marketing Corporate Social Responsibility

Just like any promotional program marketing and specifically targeted marketing is important to actualize the value of the initiatives undertaken. CSR initiatives are no

different. Companies that have structured CSR programs will realize greater value in their initiatives through active marketing of the CSR initiatives that they have undertaken (Acikdilli and Jahdi, 2009).

Through research conducted by Johnston et al. (2009) where the researchers conducted over 400 surveys the companies that had an active marketing program involving their CSR initiatives achieved higher value then those that were not active in promoting their CSR initiatives. It is important to note however that the specific marketing practices are dependent upon the industry and products and or services being sold.

One important note to marketing CSR initiatives by the corporation is the education of what initiatives are being undertaken. Dolincar and Pomeroy (2008) noted that CSR initiatives do influence purchasing behaviour however are limited notably because most consumers have limited knowledge of what CSR is, what initiatives the firm is involved in and to what affect. The other issue with marketing CSR initiatives is the perception created. The CSR initiative will ultimately create value for the corporation if the end consumer believes in the sincerity of the initiatives. It is important for those, “sin industries” such as the oil and gas sector can be difficult as the public is often very skeptical (Acikdilli and Jahdi, 2009). Van de Ven (2008) warns that when marketing CSR initiatives firms need to be careful to ensure that they portray themselves with sincerity. Mitchell (2003) further expands on this stating that the, “the challenge of

social responsibility: tackling trust, complexity and engagement all at the same time. In this context, the process is the message". Companies that are involved in the resource sector have to be willing to take the time to reap the returns of their CSR efforts. Initial responses from stakeholders can be that of skepticism, which the CSR efforts being undertaken are only for the sake of the corporation.

For those companies that have been involved in negative events if they have a strong CSR brand they can rely on this to help through the, "negative" public image that was created. When such events occur and companies wish to rely on their CSR initiatives to win back public support the duration of the CSR initiatives are important. The longer the company has been and can show involvement in CSR the more effective the communication is (Grobbs and Vanhamme, 2008). A recent example is that of British Petroleum (BP) that had the uncontrolled oil spill in the Gulf of Mexico. Prior goodwill developed through their CSR practices and the CSR initiatives undertaken during the event to mitigate the publish backlash.

3.4 How to Develop a Successful CSR Program

There are a number of key steps that lead to a higher success in developing a CSR program. First and foremost, like implementing any other program within an organization it involves a structured change management process (Lindgreen, 2008). This includes an internal marketing campaign to educate and get buy in from

employees, particularly those that have the greatest amount of impact with the CSR initiatives.

The engagement of key stakeholders is important to achieving successful results. McLaren (2008) states that in order for companies to build solid CSR credibility they must engage a host of players from suppliers and shareholders to consumers and environmentalists. It is important that senior managers when implementing and managing CSR initiatives focus on the end results of the activity and prevent the key internal stakeholders from viewing the CSR as merely a new means of advertising the company (Calabrese and Lancioni, 2008). Senior Managers need to understand where the greatest value will be derived when implementing CSR programs. This can be through contributions, collaboration or internalization (Husted, 2003). Without the buy in of senior management, CSR initiatives can be seen as extra work and non-value added to the organization. This can result in a lower priority for the CSR program and can ultimately jeopardize the initiatives undertaken when perceived higher priority initiatives.

Setting metrics is also a key aspect of developing a successful CSR program. Without these organizations struggle to achieve significant results. The development of CSR targets and measurements assist internal stakeholders in understanding their involvement with the CSR initiatives. However it is important that those metrics and measures that are set are, "clear and meaningful... and that vague and literally meaningless principles are best only for facilitating hypocrisy" (MacDonald and Norman,

2003). When developing and reporting the CSR metrics there is significant value in a variety of metrics and research approaches including both quantitative and qualitative methods (Juscus, Montanari and Murray (1986). Kaplan and Norton (1993) advocate for keeping a scorecard to measure performance and set strategic direction with CSR initiatives. With the maturity of CSR programs and gaining further credibility the development of metrics will be increasingly more important especially if standardized third party certification and audits become more prevalent (Snieska, 2008).

When setting CSR initiatives identifying the target group and meeting their needs is important to achieving the desired value of the initiatives. Kramer and Porter (2002) recommend a context-focused approach. By giving to areas that improve their long-term competitive potential and systematically apply their distinctive strengths to maximize the social and economic value created by their philanthropy. There will always be a blend of programs which are more global in nature such as the, "United Way Campaign" or Red Cross programs that are well recognized by both internal and external stakeholders however it is also important to development programs that are geographically specific to the operating area that a company does business in. If there are unique needs that a specific community has or residents of that community greater value will be gained by having initiatives that are specific to that (Russell and Russell, 2009).

Lastly like any other initiative involving change management, corporations that embark on implementing CSR initiatives must recognize the period of time to achieve notable results. Zadek (2004) states that it takes years to take an organization from average to model corporate citizens. In this process companies often go through several stages starting with defensive where they are defending their actions and ultimately their brand all the way to corporate leaders to whom they are benchmarked against. Companies cannot expect to have and be recognized for their CSR initiatives right away. There is a need for a business case and as highlighted above baseline measures and continuous metrics to measure results over time. If the required results are not being achieved regular reviews are needed to determine what if any changes are needed.

3.5 Financial Impacts of Corporate Social Responsibility Programs

Formalized CSR programs that are marketed correctly should not only provide a competitive advantage but should also result in the ability of the firm to charge premium price points and additional savings beyond what are currently being recognized.

Social Responsibility (SA) 8000 registration/certification is a series of behavioral standards that represent a comprehensive and potentially global, corporate social responsibility registration system that provides a standard of socially responsible treatment of workers. Miles and Munilla (2004) suggest that this standard will impact

pricing, allowing a premium pricing policy due to a, “CSR” product differentiation strategy.

A strong CSR strategy and a robust leadership development capability reinforce the critical values of an organization, and provide a lever to drive employee engagement and performance (Guarnieri and Kao, 2009). CSR ultimately can be the driving force to bring about change within the organization and a focal point for employee engagement resulting in higher overall performance. An additional aspect that corporations can gain from employees is a greater emphasis on customer focus and overall customer satisfaction. With higher levels of engagement attained employees will be more attentive to the end customer and their overall customer satisfaction (Bhattacharya, 2009).

With emphasis on CSR initiatives focused on environmental practices companies striving to increase their efficiency and reduce their waste will ultimately reduce their consumption of materials whether it be disposable goods such as paper, energy.

Mullen and Peters (2008) found that CSR initiatives resulted in little short-term gain however cumulative benefits over time were notable both financially and sustainability of the business. The researchers argue that the long-term benefits can be enough to substantially outweigh short-term costs and initial expenditure.

Not surprisingly Stanwick and Stanwick (2000) found that higher performing firms (financially) had higher levels of environmental policies/commitments as compared with low performing firms. Orlitzky et al. (2003) echo these findings. The researchers performed a meta analysis over 30 years and determined that a correlation existed between financial performance and CSR initiatives with an emphasis being on the reputation of the firm and the subsequent brand value.

Khare and May (2008) looked at the relationship between financial performance and CSR for publicly traded Canadian firms. Their findings found a positive relationship between CSR initiatives and the financial health of the corporation. It is interesting to note that it was the firms that were most successful that had the highest return raising the question is it only the more successful firms that are able to afford CSR activities and does it become more of a sustainability strategy as compared to competitive advantage.

3.6 Negatives of Corporate Social Responsibility

There are negative aspects of CSR initiatives that have been identified. The financial cost of CSR initiatives is often highlighted as the biggest negative of CSR. Cruz (2006) found that CSR initiatives can have a negative return on investment if not managed effectively.

The second issue often highlight about CSR is more for global companies. Due to the global nature of many of their brands it is often difficult to differential generic CSR initiatives (Bhattacharya et al., 2007). It is important for larger more global firms to ensure that they have some targeted CSR initiatives and market accordingly to increase their effectiveness.

A third issue for CSR is that a set standard has not been accepted for monitoring and measuring CSR programs. In a study conducted by Mueller et al. (2009) found that after reviewing the major standards set in place to monitor CSR initiatives (ISO 14001, SA 8000, FSC and FLA) that there are deficits with all of the standards thereby putting into question the legitimacy of those standards. It becomes increasingly difficult at times to gain recognition for CSR initiatives.

Lastly is the legitimacy of CSR initiatives. In many cases CSR initiatives are undertaken for compliance reasons. Sacconi (2004) states that the only way a corporation will have any incentive towards CSR initiatives is unless there are penalties in place for non-compliance and even then it is a calculated decision on whether the penalties are less then the cost of implementing the CSR initiative(s). Yakabuski (2008) in his article asks the question are resource based companies doing enough to mitigate the environmental impacts that they are having through their CSR initiatives and found that this falls short. There is a negative perception against resource-based companies and the impact that they have on the environment. Darnton and Saha (2005) interviewed resource based

companies and found that they expressed concern for the environment however it was not their principle motivation for going green. In fact, the results suggest that it was a reactive response to pressures from government legislation, NGOs, customers, and other stakeholders. It was also considered to be an opportunity to gain more business, reduce costs, to enhance overall corporate image.

3.7 Resource Sector and Corporate Social Responsibility

Although not a great deal of research has been conducted on CSR practices within the resource sector and specifically the mining and oil and gas sectors. The research that has been conducted has found that resource companies tend to be overly focused on the environmental aspects of CSR (Korhonen, 2006). In addition, resource companies were far less likely to emphasize their CSR initiatives as a corporate advantage (Guenther et al., 2007). Guenther et al. (2007), go on to state that both industries lacked proper reporting methods, reported roughly a third of what they should be reporting and had no plan to improve reporting. In order for Service Companies to have better CSR initiatives the large Exploration and Production Companies will need to improve their own internal standards and processes as it comes to CSR initiatives and monitoring.

Korhonen (2006) argues that the environmental aspect of CSR must evolve beyond the current model and move beyond just the downstream impacts but also to, “ask what

principle mechanisms upstream are the underlying causes of these negative environmental impacts”. For resource-based companies to be successful in setting CSR programs in place they must ultimately work within their supply chain. The supply chain for most oil and gas and mining companies are fairly extensive. The resource companies would increase the risk to their public perception in working with service companies that did not uphold the same level of standards. Environmental accidents, Safety infractions, poor hiring practices, etc. will all be cascaded onto the resource company when doing business with the supporting service companies. It is in the best interest of the resource companies to ensure the CSR initiatives and standards are at an acceptable level (Gurhan-Canli et al., 2006)

4.0 Northwestel Case Study

The following section reviews a local telecommunications service company Northwestel (NWTel) that sells telecommunications products and services to both the mining and oil and gas sector within its operating area. The case study will examine:

- Current status: What current CSR initiatives that NWTel is undertaking;
- Gaps: What gaps exist when comparing to the three largest telecom service companies in Canada;
- Suggested reporting metrics: How NWTel would report their CSR initiatives and metrics to the public.

4.1 NWTel background

For over 60 years, Northwestel has served the largest operating area in the Western hemisphere and played a large hand in transforming communications in Northern Canada. There are over 500 employees that work throughout the region serving 96 communities.

NWTel's operating area covers (Refer to Appendix 8.2):

- Yukon
- Northwest Territories
- Nunavut
- Parts of North East British Columbia
- Parts of Northern Alberta

Northwestel is the primary telecommunications provider within Northern Canada and offers a full suite of services including:

- Telephone
- Internet
- Television
- Mobile Phones
- Business Solutions

The company is broken up in three major divisions targeting specific market segments which includes:

- Residential customers
- Small business customers

- High-value customers

4.2 Demographics:

Approximately 50% of NWTel's operating area is First Nations (refer to table 1.0 for a breakdown of the aboriginal demographics within NWTel's operating area):

Table 1.0: *Aboriginal demographics break down*

Geographic Location	Total Population	First Nations Population	Percent
Yukon	30,320	7,580	25%
Northwest Territories	40,000	19,200	48%
Nunavut	29,325	24,930	85%
NE BC	7,500	2,500	33%
Total	107,145	54,210	51%

4.3 Methodology for Case Study

To perform the case study a number of measures were taken. First a SWOT analysis was developed to review NWTel's Strengths, Weaknesses, Opportunities and Threats are in targeting the Resource sectors (Oil and Gas and Mining within its operating area (refer to Appendix 7.2). An analysis of Porter's 5 Forcers was then conducted (refer to Appendix 7.3).

Finally a best practices analysis was conducted reviewing the three major telecommunication firms operating in Canada:

- Bell Communications
- Telus Corporation
- Rogers Communications

A matrix was developed comparing the various variables measured within their 2007 CSR reports to determine best practices and provide a framework for a proposed Corporate Social Responsibility program for Northwestel (refer to Appendix 8.6).

The matrix contains all of the metrics that the three companies measure and report publicly. In addition the matrix also provides a review of what Northwestel is currently conducting for Corporate Social Responsibility practices and what is currently tracked. The matrix also proposes additional Corporate Social Responsibility factors and justification for their inclusion.

4.4 Competitive background

Northwestel distributes its service through 2 main forms:

- **Terrestrial:** Terrestrial technologies are made up of both fiber and radio transmission.

- **Satellite:** Not connected to a terrestrial network and acts independently through a satellite network.

For NWTel terrestrial network there is little competitive threat existing from the external environment. NWTel has invested heavily in developing a terrestrial network throughout 60% of its operating area (refer to Appendix 7.2 for a map of NWTel's terrestrial network). Competition does exist in North East BC:

- **Oil and Gas:** NWTel caters to the oil and gas sector in the Fort Nelson/Horn River area (refer to Appendix 8.7 for an operations map of Fort Nelson and Horn River Basin HRB) area). The HRB experiences competitive forces predominantly from service providers distributing bandwidth from Alberta's Supernet network.

Substantial competitive threats exist for NWTel for its' satellite services from both resellers of satellite services located locally and primary service providers that own their own satellite networks:

- **Mining Sector:** Most of the mining sector that is active throughout NWTel's operating area (Refer to Appendix 8.8 and 8.9 for mining activity throughout NWTel's traditional operating area);
- **Remote Communities:** Communities located in parts of the Northwest Territories and all of Nunavut requires satellite technology to deliver telecommunication solutions.

4.5 Current Corporate Social Responsibility Activities

4.5.1 Community

Currently NWTel has a department that is specific to community endeavors, specifically:

- Corporate sponsorship with defined criteria;
- Scholarship program (general)
- Local hiring and training

4.5.2 Health and Safety

NWTel has recently been certified with the Certificate of Recognition (COR) for all of their business units (various geographies). COR is an occupational health and safety accreditation program that verifies that a fully implemented health and safety program is in place and being followed. The objective is to provide industry employers with an effective safety and health management system to reduce incidents, accidents and injuries as well as their associated human and financial costs. As a result of this certification specific programs need to be in place and maintained with the appropriate statistics kept.

4.5.3 Environment

Mandatory environmental programs and monitoring are in place to meet legal requirements for both Federal and Territorial requirements. Additional reporting occurs

to meet and maintain the COR certification. These include site assessments, spill reporting, etc.

4.5.4 Aboriginal Affairs

In addition to having a community affairs department there is a separate department that is mandated on aboriginal affairs throughout NWTel's operating area. The Aboriginal Affairs department performs the following:

- Employment opportunities within NWTel for aboriginal people;
- Training and developmental opportunities for aboriginal people;
- Scholarships specific to aboriginal people;
- Internal training on aboriginal awareness
- Development of mutually beneficial joint venture opportunities (refer to table 2.0 for a brief description of existing NWTel joint ventures).

Table 2.0: *Existing NWTel Joint Ventures*

Joint Venture	Industry targeted	Location	Description
Tundra Communications	Oil and Gas	Inuvialuit Settlement Region.	Partnership between Northwestel and the Inuvialuit Development Corporation.
Tahltan River Communications Inc.	Mining	Traditional territory of the Tahltan people (north-western British Columbia).	Partnership of Northwestel and the Tahltan Nation Development Limited Partnership.
Waterways Communications Limited Partnership (LP)	Oil and Gas	Horn River Basin (Fort Nelson)	Partnership between Northwestel and the Fort Nelson First Nation.

4.6 Proposed Corporate Social Responsibility Activities

The matrix in Appendix 8.6 shows that NWTel is already conducting the majority of CSR initiatives that the other three major telecommunication firms in Canada are reporting in their annual CSR reports. It is however recommended that NWTel develop additional initiatives.

4.6.1 Governance

- CSR Assessment: Once NWTel has an official, structured CSR program having a recognized third party review/audit will add further credibility to the CSR program.

4.6.2 Environment

- Climate change (CO2 efficiency): Development of a CO2 baseline and subsequent reduction program will provide:
 - Positive environmental impact which is highlighted by resource companies within their operating area;
 - Possible cost reductions dependent upon what initiatives are undertaken (reduction of driving)
- Recycling does occur but a structured program does not exist:
 - Provides additional elements of reducing impacts on the environment.
 - Easily implemented and measured.
- Paper consumption: A program does not currently exist to reduce paper consumption, it would however:
 - Provides additional elements of reducing impacts on the environment.

- Reduce internal costs through reduced paper usage and potentially increased efficiency.

4.6.3 Community

- Employee volunteer hours: Currently there isn't a structured plan in place for tracking employee volunteer hours:
 - Matching of volunteer hours for a certain number could be implemented and tracked. Shows commitment to specific communities and involvement.

4.6.4 Aboriginal Affairs

There are a number of reasons to enhance the current Aboriginal Affairs initiatives as they relate to the overall CSR activities undertaken by NWTel:

1. As stated earlier in the report, Aboriginal content within NWTel's operating area makes up approximately 50% of the population. Having a targeted program that is in alignment with their needs will help develop strategic partnerships;
2. Resource companies look to develop strong partnerships and relationships with aboriginal groups to gain access to their traditional lands to conduct their business operations (oil and gas/mining exploration and extraction).

Recommended initiatives include:

- Training and development programs: Assist Aboriginal communities with training and development to assist them in gaining meaningful employment with NWTel.

This serves a number of purposes including:

- Staffing remote communities which can be difficult to do and;
 - Building sustainability within the communities.
- Leadership oversight: Provide senior management representatives to service on Aboriginal boards, specifically Economic Development Corporations:
 - This assists aboriginal economic ventures with capacity building, corporate governance and strategic development.
 - In addition it provides development opportunities for NWTel leaders.
- Continued development of Joint Venture Partnerships: There are currently three active Joint Venture partnerships between Aboriginal groups and NWTel. It is recommended that additional strategic Joint Ventures be developed to assist NWTel in positioning the company with resource sector development within its operating area. Appendix 8.8 and 8.9 provides a map of NWTel's operating area and the resource, "hot spots" for both oil and gas and mining are taking place. It is recommended that NWTel develop Joint Ventures and strategic partnerships

with Aboriginal bands that reside in those areas. These strategic partnerships can then be leveraged to target the resource companies operating within the geographical area that the Joint Venture(s) operate within.

- Infrastructure/service development in Aboriginal communities: Additional infrastructure and services can be deployed in Aboriginal communities. This can be developed through active partnerships with Aboriginal communities and funding from third party sources (Government) for the subsequent development of the required infrastructure and ongoing cost of service. This provides the following value:
 - Services for Aboriginal communities to assist with: health, education and economic development;
 - Provides NWTel with additional infrastructure to leverage for potential resource customers operating in the area;
 - Additional revenue opportunities from services sold;
 - Development of sustainability within the aboriginal communities.

4.7 Reporting Corporate Social Responsibility Activities

As detailed in Appendix 8.6, which provided a review of best practices of CSR reporting within the telecommunications industry within Canada, NWTel has an opportunity to

develop similar reporting metrics. The following recommendations are specific to the resource sectors of oil and gas and mining and not as a complete CSR report:

4.7.1 Governance

- CSR Assessment: Once the CSR program is implemented and structured third party audit results can be published to provide credible oversight.

4.7.2 Customers

- Service/network access: Provides a review of current service and network access along with new infrastructure implemented. Demonstrates investment into NWTel's operating area;
- Service reliability: Important element for HVC customers that a reliable network is being maintained;
- Privacy and data security: Ensures that data being transferred is secure from third party viewing.

4.7.3 Environment

- Climate change (CO2 efficiency): Base metric and subsequent year over year results along with what initiatives were undertaken to reduce CO2 emissions.
- Recycling: Base metric and subsequent year over year results along with what initiatives were undertaken to increase the amount of recycling occurring.
- Paper consumption: Base metric and subsequent year over year results along with what initiatives were undertaken to decrease the amount of paper consumption.

4.7.4 Health and Safety

- All required health and safety metrics can be pulled from the annual COR metrics already required, these would include:
 - Lost time accidents;
 - Average # of days lost to workplace-related accidents
 - Mandatory safety training
 - COR Safety program maintenance (compliance)

4.7.5 Employees

- Diversity: Overview of what diversity initiatives undertaken during the year;
- Workforce profile (Women, members of visible minorities, aboriginal peoples, persons with disabilities): Standard reporting of annual results. Provides validation of diversity initiatives undertaken during the year.
- Number of people employed by major region: Standard reporting of the gross number of people employed by geographical region. Provides evidence of local hiring and training initiatives.

4.7.6 Community

- Community Investment: What number of dollars were spent overall and in which communities if material, particularly in those communities that large resource opportunities exist.
- Employee donations: Value of employee donations provided
- In-kind donations: Value of in-kind donations to match employee donations

- Volunteer time by employee: Number of hours volunteered per employee.
Provide a breakdown for specific communities/areas, particularly where resource opportunities exist. Highlight company initiatives that exist to assist employees with volunteering.
- Support of local vendors within operating areas: Gross value of materials and services acquired from operating area. Where material provide breakdown for regions particularly where resource opportunities exist. Highlight company initiatives undertaken to assist local service providers in servicing NWTel and their needs.
- Capital expenditures: Year over year metrics of capital spent. Shows an investment in infrastructure to improve overall service, reliability and coverage.
- Community (boards): Number of boards that NWTel employees are sitting on and involved with. Number of hours provided on an annual basis.
- Scholarships distributed: Number and value of scholarships distributed to students undertaking education from within NWTel's operating area.
- Student employment: Number of students employed on an annual basis.

4.7.7 Aboriginal Affairs

A separate section (Which can be treated as an independent report) is recommended to highlight Aboriginal initiatives:

- **Aboriginal Hiring:** Number of Aboriginals working for NWTel year over year with an explanation of variance whether it be an increase or decrease.
- **Aboriginal scholarships:** Number of scholarships and value distributed over the year. Highlight what initiatives were undertaken to increase the number of scholarships per year.
- **Aboriginal Joint Ventures:** Highlight existing Aboriginal Joint Ventures along with an overview of new Joint Ventures developed during the current year. Provide overview of what each joint venture provides including value to the community, services offered, etc.
- **Aboriginal community development:** Overview of which initiatives were undertaken specific to individual communities.
- **Aboriginal procurement:** Value of procurement from Aboriginal vendors. What initiatives were undertaken to increase procurement from aboriginal vendors.

4.8 NWTel Business Case Summary

NWTel is currently conducting the majority of required CSR initiatives:

1. In relation to the three large telecommunication companies operating in Canada;
2. Meet the expectations of resource companies, which assists with the creation a competitive advantage for the company.

It is recommended that a greater emphasis be placed on the Aboriginal component of the CSR program as:

1. Aboriginal populations makes up approximately 50% of NWTel's customer base;
2. Both oil and gas and mining companies require strong relationships and strategic partnerships to conduct their required business operations.

Where NWTel can gain the greatest value in leveraging their CSR initiatives is in the development of a published report that can be distributed through both their website and directly to HVC customers highlighting the initiatives that they are undertaking.

Currently NWTel does very little to leverage the various initiatives that they are undertaking.

5.0 Conclusion

Service companies that embark on CSR initiatives should be prepared to conduct themselves transparently. Anderson and Pedersen (2006) suggest the following in making CSR effective within supply chain management for suppliers to follow: Direct sanction, goal congruence, trust between partners, third party monitoring and reliance on reputation. Cruz and Wakolbinger (2008) agree with the fact that CSR can potentially decrease production inefficiencies, reduce cost and risk and at the same time allow companies to increase sales all of which can increase overall profitability however they do note that as the overall investment in CSR initiatives increases the return on investment decreases. It is therefore very important to set metrics and understand the values that are being derived from CSR programs and initiatives.

Roberts (2003) In her paper discusses four supply network characteristics that are strong indicators to success in introducing and managing an ethical sourcing code of conduct:

- Number of links between supply network member that is enforcing the code of conduct and the supply network

- How complex the stages are within the supply network
- How vulnerable is the reputation for each supplier
- What is the power that each member of the supply chain holds

Salam (2009) found in his study that purchasing with an emphasis on CSR within the supply chain does not have a meta-standard to follow and therefore allows for a significant amount of freedom to implement social responsibility frameworks.

Majumdar and Nishant (2008) in a paper focused on Indian manufacturing suggest that CSR initiatives assist companies to enhance their reputation in the communities that they are working on. This is important for oil and gas and mining resource companies involved in large plays with surrounding communities. In terms of the NWTel case study, the company has the opportunity to further leverage its effectiveness with CSR initiatives by targeting those communities that have the highest probability of have resource developments occurring.

For those resource companies that value and contract with suppliers who have CSR programs there are steps that they can take to increase the overall CSR value. Boyd et al. (2007) argues that an increase in monitoring suppliers will necessarily increase CSR compliance and may ultimately damage buyer-supplier relationships. Demand by the buyer of goods and services to engage in CSR initiatives acts as an additional incentive (Baden D. et al., 2009)

Carter C. and Jennings, M (2002) found in their study that increased involvement by purchasing managers in socially responsible activities leads to improved trust in and commitment to suppliers and to increased supplier performance. Redmond et al. (2007) found that small to mid sized businesses recognize the value of CSR initiatives in particular reduction of environmental waste however do little to minimize their footprint.

Coughlan and Sweeney conducted a study examining different sectors and their reporting of CSR initiatives. The oil and gas sector was very focused on environmental reporting with little emphasis on other CSR factors (2008). It has been noted that diminishing returns do occur over time from CSR initiatives and therefore it is important that firms continuously re-evaluate the CSR initiatives that they are undertaking (Mullen and Peters, 2008).

Further research needs to be conducted within the resource sector and within other industries. The same CSR initiatives are required in various industries with various backgrounds (Kovacs, 2008).

There is also need to further the research of CSR initiatives and how and if they are being implemented by international companies. Aguilera and Williams (2007) comparative perspective on CSR raises questions on the CSR actions of international companies and whether they uphold the same CSR practices internationally as they do domestically. In a study conducted by Welford (2004) he found that Asian countries are

lagging behind their European and North American Counterparts as it relates to overall CSR initiatives. It is notable however that Japan in particular has been putting best practices as it relates to CSR initiatives particularly with an emphasis on ethics, bribery and corruption (Welford, 2005).

In conclusion, CSR is increasingly becoming a way of doing business as opposed to innovative or best practice (Bek et al., 2006 and Maurrasse and Jones, 2007). The issue of corporate citizenship is not going away and there is a need to focus on successful engagement to deliver maximum impact and minimize reputational risk. Service companies catering to the resource sector must start to formulize structured, measured CSR programs to ensure their competitive positioning going forward.

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7.0 Appendices

Appendix 7.1: *Terms and definitions*

Canadian Radio-television and Telecommunications Commission (CRTC): The federal regulator for radio and television broadcasters and cable-TV and telecommunications companies in Canada.

Certificate of Recognition (COR): COR is an occupational health and safety accreditation program that verifies a fully implemented safety & health program which meets national standards. The objective is to provide industry employers with an effective safety and health management system to reduce incidents, accidents and injuries as well as their associated human and financial costs.

Customer Satisfaction (CSAT): A measure of how satisfied customers are with the overall service provided

Fibre Network: Transmits information by light pulses. Making it useful and efficient for transmitting large amounts of data between computers or many simultaneous telephone conversations

High Value Customers (HVC): Customers that are beyond individual consumers and small business in size. These are typically made up of Government agencies, Oil and Gas and Mining customers

Microwave Network: Technology of transmitting information or power by the use of radio waves. Considered to be part of the terrestrial network.

Satellite Network: Internet access provided through satellite transmission.

Terrestrial Network: A method of transmitting data through either a fibre network or radio network

Appendix 7.2: NWTel's Operating area



Appendix 7.3: SWOT Analysis for NWTel

		Helpful to achieving the objective	Harmful to achieving the objective
Internal origin Attributes of the organization		Strengths: <ul style="list-style-type: none"> Well positioned within its northern operating region Technical staff available to respond to technical issues throughout operating area Ability to provide all necessary products and service to meet industry requirements 	Weaknesses: <ul style="list-style-type: none"> Does not possess strong technical background on satellite technologies Acts as a reseller resulting in lower margins Lacks sector credibility for providing telecommunications to resource sectors (mining and oil and gas) High cost of service in comparison to some competitors (predominantly capital costs)
		Opportunities: <ul style="list-style-type: none"> Resource sector boom primarily mining is taking place within their traditional operating area – large incremental opportunities Develop technologies and services required by resource sector Leverage existing CSR initiatives and develop new ones specific to the resource sector 	Threats: <ul style="list-style-type: none"> Local resellers throughout operating area grow in size and threaten NWTel's market position Large national international companies become more aggressive in NWTel's traditional operating area Alberta Supernet penetrating the Horn River Basin operating area;

Appendix 7.4: Porter's 5 Forces (Satellite)

Force	Sub Category	Level	Description
Threat of Substitute Products	Buyer propensity to substitute	High	<ul style="list-style-type: none"> • Number of competitive products for satellite solutions.
	Relative price performance of substitutes	Mid	<ul style="list-style-type: none"> • Sector is cost conscious and will therefore be oriented towards lower price points
	Buyer switching costs	Mid	<ul style="list-style-type: none"> • Dependent upon timing of contract and capital replacement
	Perceived level of product differentiation	Mid	<ul style="list-style-type: none"> • Some product differentiation, specifically cellular over satellite capability.
Threat of the entry of new competitors	The existence of barriers to entry (patents, rights, etc.)	Mid	<ul style="list-style-type: none"> • Lower capital costs as end customer pays for customer premise equipment • Higher capital costs to develop required satellite network to support infrastructure • Development of sales channels
	Economies of product differences	Mid	<ul style="list-style-type: none"> • N/A
	Brand equity:	Mid	<ul style="list-style-type: none"> • Some brand equity exists based upon industry standards and perceived industry knowledge.
	Switching costs or sunk costs:	Mid	<ul style="list-style-type: none"> • Mid in comparison to costs associated within telecommunications industry
	Capital Costs	Mid	<ul style="list-style-type: none"> • Mid to low dependent upon size of competitor. If a new entrant significantly higher then an existing.

Intensity of competitive rivalry	Access to distribution	Mid	<ul style="list-style-type: none"> Number of options exist for distribution channels
	Absolute cost advantages	Mid	<ul style="list-style-type: none"> Larger companies are able to take advantage of economies of scale and internal expertise.
	Learning curve advantages	High	<ul style="list-style-type: none"> Technology is difficult to implement and maintain
	Expected retaliation by incumbents	Mid	<ul style="list-style-type: none"> A substantial number of competitors already exist within this market space
	Government policies:	Low	<ul style="list-style-type: none"> Low, it is a largely unregulated space.
	Number of competitors	Mid	<ul style="list-style-type: none"> Not a high number of competitors exist.
	Rate of industry growth	Mid	<ul style="list-style-type: none"> Growth is increasing within the natural resource sector as demand for natural resources increases.
	Intermittent industry overcapacity	Mid	<ul style="list-style-type: none"> Can occur, however not in the foreseeable future for this market space.
	Exit barriers	Mid	<ul style="list-style-type: none"> Dependent upon if they are a primary or a reseller of services.
	Diversity of competitors	Mid	<ul style="list-style-type: none"> Several local competitors (resellers) and larger primary competitors.
	Informational complexity and asymmetry	Mid	<ul style="list-style-type: none"> High, technology is complex.

**The
bargaining
power of
customers**

Fixed cost allocation per value added	Low	<ul style="list-style-type: none"> Once infrastructure is in place to offer service bandwidth can easily be increased.
Level of advertising expense	Mid	<ul style="list-style-type: none"> Required to gain product recognition and brand equity More on direct selling through account executives.
Economies of scale	High	<ul style="list-style-type: none"> High fixed costs with lower variable costs Initial infrastructure has the high cost. Far less so for a reseller.
Sustainable competitive advantage through improvisation	High	<ul style="list-style-type: none"> Improvisation created through marketing initiatives more than through product
Buyer concentration to firm concentration ratio	Mid	<ul style="list-style-type: none"> Number of buyers increasing with high commodity demands.
Degree of dependency upon existing channels of distribution	Low	<ul style="list-style-type: none"> Resellers are more restricted than primary sellers.
Bargaining leverage, particularly in industries with high fixed costs	Mid	<ul style="list-style-type: none"> Due to higher initial capital costs.
Buyer volume	Mid	<ul style="list-style-type: none"> Dependent upon size of operation and

The bargaining power of suppliers			demand required.
	Buyer switching costs relative to firm switching costs	Mid	<ul style="list-style-type: none"> • Would have to pay for upgraded onsite premise equipment and project management. • Would also result in disrupted service on site through transition (intrinsic cost)
	Buyer information availability	Mid	<ul style="list-style-type: none"> • Moderate level of information available.
	Ability to backward integrate	Low	<ul style="list-style-type: none"> • Not likely within satellite locations • Higher probability for terrestrial and connecting to Alberta infrastructure.
	Availability of existing substitute products	High	<ul style="list-style-type: none"> • Competitor products readily available
	Buyer price sensitivity	Mid	<ul style="list-style-type: none"> • Price sensitivity does exist • Dependent upon value placed on intrinsic factors (CSR)
	Differential advantage (uniqueness) of industry products	Mid	<ul style="list-style-type: none"> • Most service offerings are the same, differentiated primarily by quality of service, reliability and cellular access.
	Supplier switching costs relative to firm switching costs	Mid	<ul style="list-style-type: none"> • Costs higher for firm then supplier as firm pays for equipment on their own site.
	Degree of differentiation of inputs	Mid	<ul style="list-style-type: none"> • Inputs differ moderately along with ratio of inputs

Presence of substitute inputs	Mid	<ul style="list-style-type: none"> Number of producers and distributors exist for variety of inputs
Supplier concentration to firm concentration ratio	Low	<ul style="list-style-type: none"> Number of supplier concentration is lower than firm concentration overall
Employee solidarity (e.g. labor unions)	Mid	<ul style="list-style-type: none"> Industry still has a fairly high level of unionized workforce.
Threat of forward integration by suppliers relative to the threat of backward integration of firm.	High	<ul style="list-style-type: none"> Suppliers of satellite solutions have become vertically integrated within their value chain.
Cost of inputs relative to selling price of the product.	High	<ul style="list-style-type: none"> Cost of bandwidth for resellers is high compared to selling price. Highest cost input for service.

Appendix 7.5: Comparison Matrix of major Canadian Telephone Companies and what is reported within their annual CSR Reports.

Key CSR Issue	Metric	Bell	Rogers	Telus	NWTEL	Proposed*	Tracked*
Governance	Corporate Governance and business ethics	✓		✓		✓	✓
	Management systems	✓		✓		✓	✓
	CSR Assessment		✓	✓		TBD	
Customers	Service/Network access	✓	✓	✓		✓	✓
	Service reliability	✓		✓		✓	✓
	Responsible procurement	✓	✓	✓		✓	✓
	E-Billing (percentage of billing)	✓		✓		✓	✓
	Product take back	✓		✓		✓	

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	Customer satisfaction		✓	✓	✓	✓
	Customer response (technicians)	✓			✓	✓
	Call center response (Time to respond)	✓			✓	
	Privacy and data security	✓	✓	✓	✓	✓
	CRTC Complaints			✓		
Environment	Climate change (CO2 efficiency)	✓	✓	✓	✓	
	Recycling	✓	✓	✓	✓	
	Paper consumption		✓	✓	✓	
	Wireless device recycling	✓	✓	✓	✓	
	Water consumption	✓		✓		
	Environmental site assessment			✓		✓
	High-risk site assessment			✓		✓

	Spills and releases		✓	✓	✓	✓
	Halon removal			✓		
	Contaminated sites			✓	✓	
	Energy consumption		✓	✓	✓	✓
	Use of conference calls (avoid travel)	✓		✓	✓	
	# of incidents of non-compliance with environmental laws/regulations		✓			✓
	Monetary value of significant fines for non-compliance with environmental laws/regulations		✓			✓
Health and Safety	Lost time accidents	✓	✓	✓	✓	✓
	Average # of days lost to workplace-related accidents		✓	✓	✓	✓
	Short/Long term disability costs	✓				
	Mandatory safety training				✓	✓

	CORE safety program maintenance								
Employees	Compensation			✓		✓		✓	✓
	Diversity		✓	✓		✓		✓	✓
	Average Voluntary Turnover			✓		✓		TBD	✓
	Engagement Index			✓		✓		✓	✓
	Employee satisfaction			✓		✓		✓	✓
	Team member recognition spend							✓	✓
	Investment in learning		✓	✓		✓		✓	✓
	Overall days lost per full-time equivalent team member							✓	✓
	Number of people employed by major region		✓	✓		✓		✓	✓
	Grievances and arbitrations							✓	✓
	Corrective action taken with employee by type							✓	✓

	Workforce profile (women, members of visible minorities, aboriginal peoples, persons with disabilities)	✓	✓	✓	✓	✓
	Formal learning courses		✓			
	Complaints to ethics line			✓		
	Number of concerns considered to be breach of ethics policy			✓		
Community	Community investment	✓	✓	✓	✓	✓
	Employee donations	✓	✓	✓	✓	✓
	In-kind donations	✓	✓	✓	✓	✓
	Volunteer time by employees	✓		✓	✓	
	Support of local vendors within operating area				✓	✓
	Capital expenditures		✓	✓	✓	✓

	Community (Boards)				✓	✓	✓
	Scholarships distributed				✓	✓	✓
	Student employment				✓		✓
Financial	Gross revenue		✓		✓		✓
	EBITDA		✓		✓		✓
Human Rights	# of incidents of discrimination		✓				✓
	# of incidents of violations involving rights of aboriginal people		✓				✓
Society	# of significant fines for non-compliance with laws and regulations		✓				✓
	Monetary value of significant fines for non-compliance with laws and regulations		✓				✓
	# of legal actions for anticompetitive behavior, anti-trust and monopoly practices		✓				✓

	Percentage of business units analyzed for risks related to corruption		✓			✓
	Percentage of employees trained in standards of business conduct and anti-corruption policies and practices		✓		✓	✓
Aboriginal Relations	Aboriginal Hiring				✓	✓
	Aboriginal scholarships				✓	✓
	First Nations Joint Ventures				✓	✓
	Aboriginal community development				✓	✓
	Aboriginal procurement				✓	

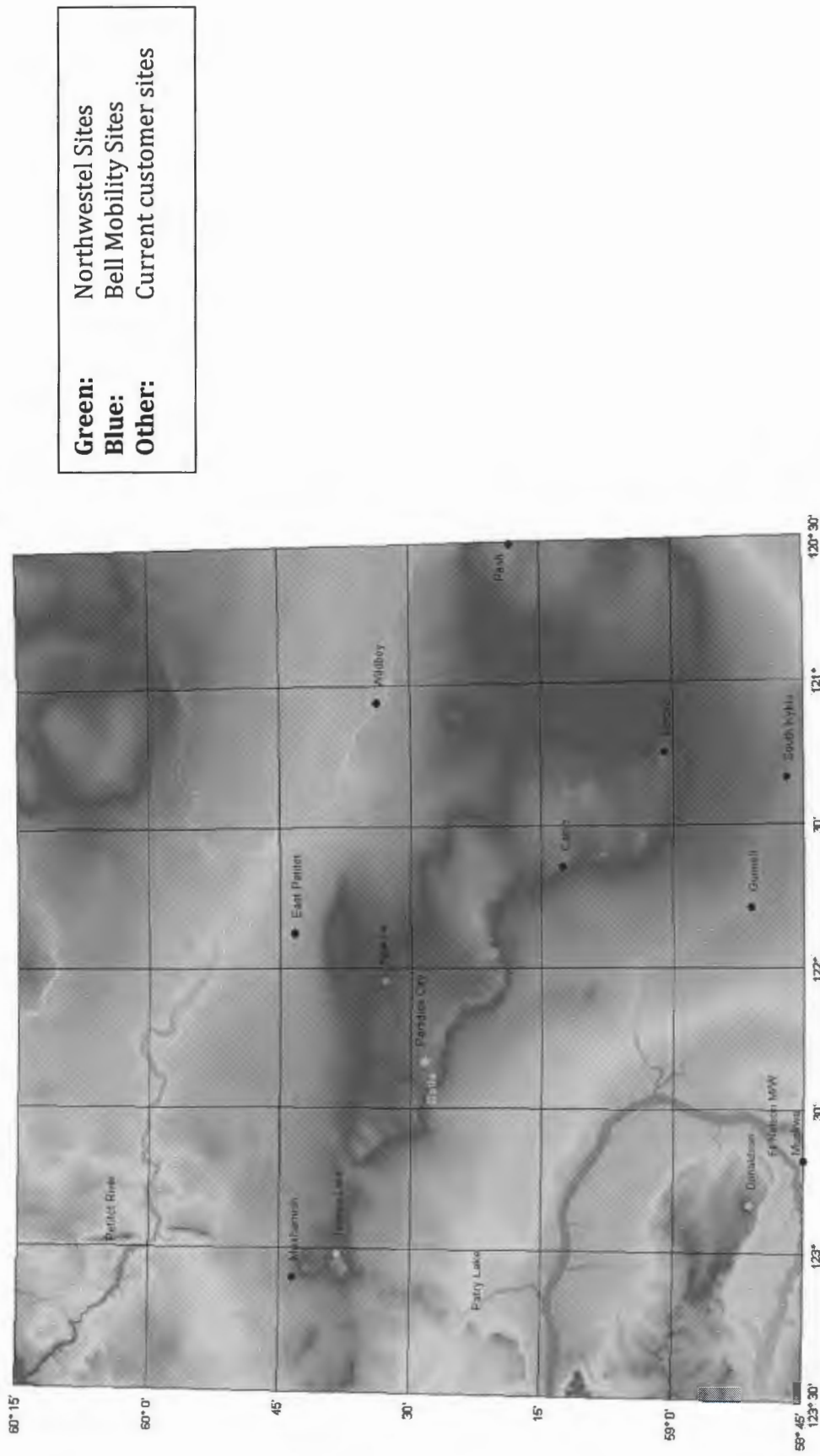
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Legend

* NWTel Propose	<ul style="list-style-type: none"> • CSR metrics that are proposed to either be reported (currently tracked) or begin tracking them and reporting them.
* NWTel Tracked	<ul style="list-style-type: none"> • Proposed CSR metrics that are currently being tracked internally
* CSAT	<ul style="list-style-type: none"> • Customer Satisfaction: A measure of how satisfied customers are with the overall service provided
* HVC	<ul style="list-style-type: none"> • High Value Customers: Customers that are beyond individual consumers and small business in size. These are typically made up of Government agencies, Oil and Gas and Mining customers
Blue Highlights	<ul style="list-style-type: none"> • Core CSR metrics/activities valued by HVC oil and gas companies.
CORE Program	<ul style="list-style-type: none"> • The Certificate of Recognition Program (COR™) is an occupational health and safety accreditation program that verifies a fully implemented safety & health program which meets national standards. • The objectives of COR™ are to provide industry employers with an effective safety and health management system to reduce incidents, accidents and injuries as well as their associated human and financial costs.

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Appendix 7.6: Map of NWTel within the Horn River Basin (Fort Nelson, North East BC).



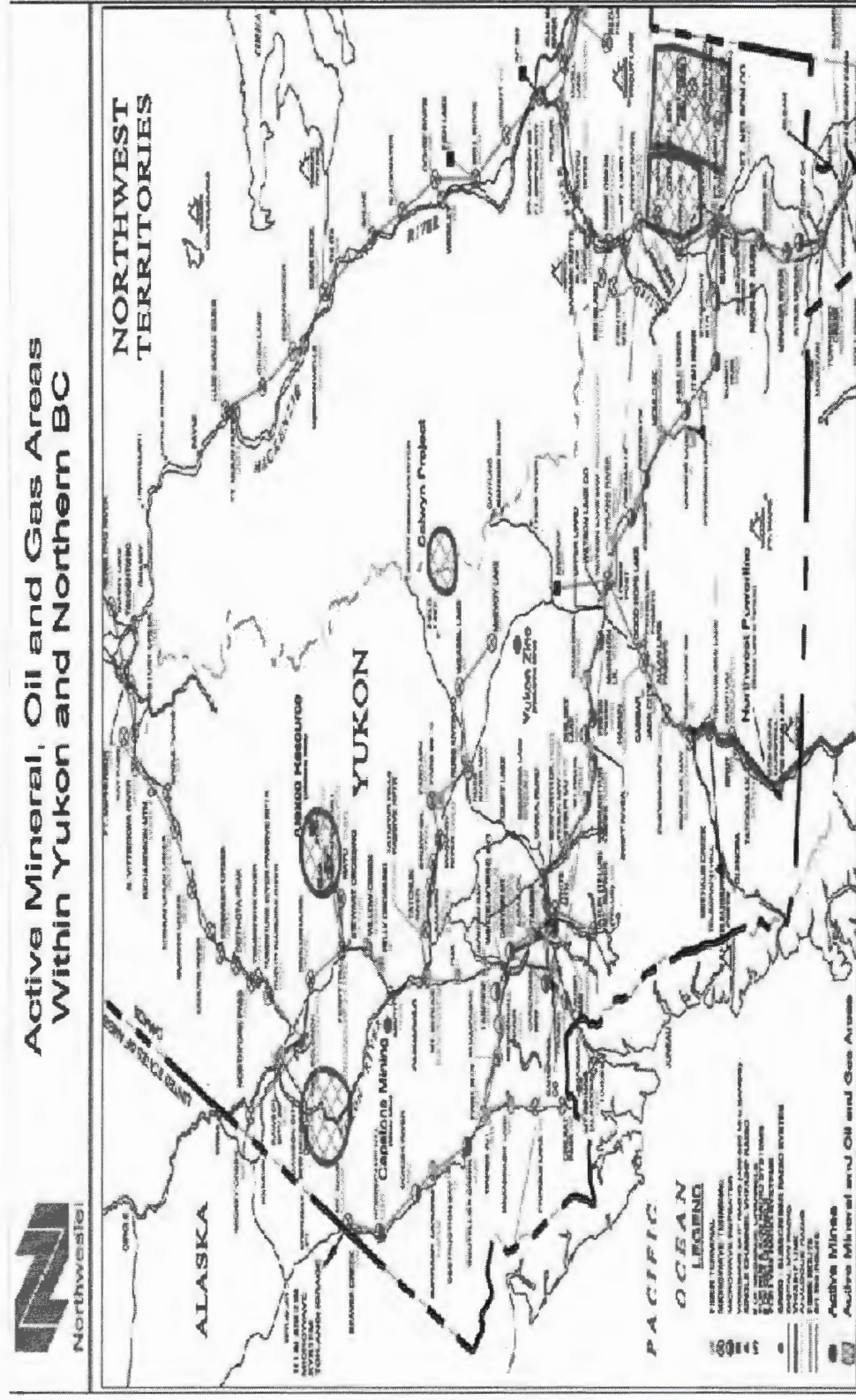
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Appendix 7.7: Active Mineral and Oil and Gas areas within Yukon and Northern BC



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Active Mineral and Diamond Areas Within Northwest Territories and Nunavut

LEGEND

- Active Mineral Areas
- Active Diamond Areas
- Active Mineral and Diamond Areas
- Active Mineral Areas (less than 1 year)
- Active Mineral Areas (1 to 5 years)
- Active Mineral Areas (5 to 10 years)
- Active Mineral Areas (10 to 20 years)
- Active Mineral Areas (20 to 30 years)
- Active Mineral Areas (30 to 40 years)
- Active Mineral Areas (40 to 50 years)
- Active Mineral Areas (50 to 60 years)
- Active Mineral Areas (60 to 70 years)
- Active Mineral Areas (70 to 80 years)
- Active Mineral Areas (80 to 90 years)
- Active Mineral Areas (90 to 100 years)
- Active Diamond Areas
- Active Mineral and Diamond Areas

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