Newmont

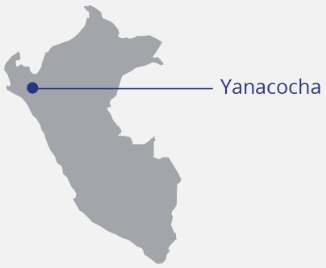
2020 ECONOMIC IMPACT REPORT - NEWMONT

Peru - Yanacocha

BACKGROUND

Site description

Yanacocha is South America's largest gold mine, located in the province and department of Cajamarca, approximately 800 kilometers northeast of Lima, Peru. Yanacocha's operations are situated between 3,500 and 4,100 meters above sea level with development activities in four primary basins. The operation is a joint venture between Newmont (51.35%), Minas Buenaventura (43.65%) and Sumitomo Corporation (5%). In 2020, Yanacocha produced 174K attributable ounces of gold.



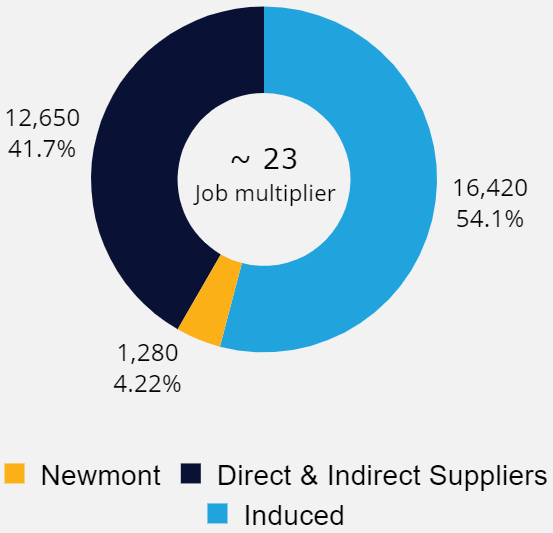
Introduction

The mine generated $620.2 million in revenue, of which 73.1% was spent locally on wages, taxes, goods and services. Economic modelling is used to quantify the direct and indirect economic effects of these local expenditures on the local, state and national economies. Employment and economic value add (sum of salaries, taxes and profits) are the two impact indicators used.

EMPLOYMENT

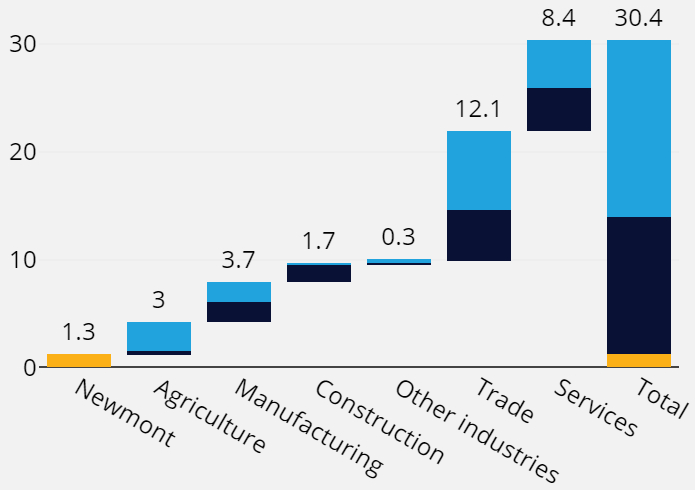
EMPLOYMENT IMPACT BY CATEGORY

(NUMBER OF JOBS SUPPORTED)



EMPLOYMENT IMPACT BY SECTOR

(NUMBER OF JOBS SUPPORTED IN THOUSANDS)

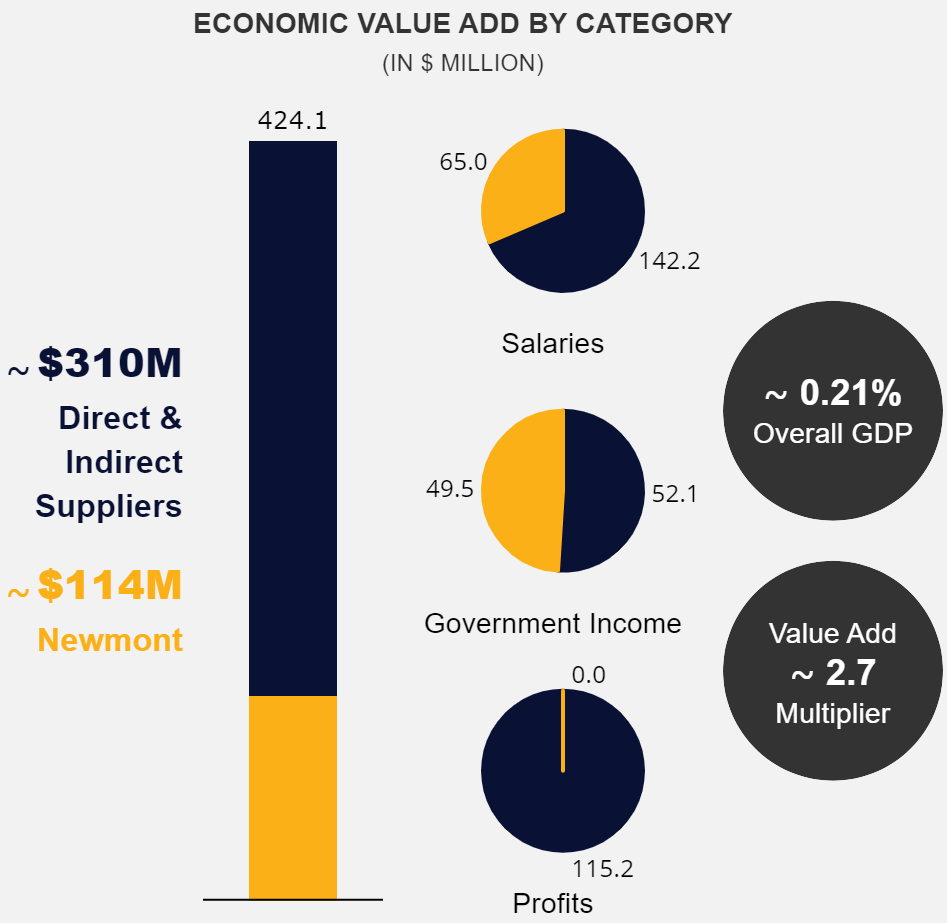


KEY FACTS

Note: The 2020 induced employment results include an additional modelling assumption that was not applied in the 2019 EI report for Yanacocha. The effect of the new assumption is a lower, more conservative estimate of the induced employment supported by the Yanacocha mine site.

- Yanacocha supported ~30,350 jobs in Peru in 2020, which represents ~0.20% of the national labor force.
- 1,280 people are directly employed by Yanacocha, including 812 jobs in the Cajamarca province. For every one Yanacocha employee another ~23 jobs are supported in Peru.
- Most of these jobs are supported in the trade and service sectors of Peru.

ECONOMIC VALUE ADD



KEY FACTS

During 2020:

Yanacocha supported over $424.1 million in economic value add to Peru, representing ~0.21% of Peru's overall GDP. Also:

- Yanacocha directly contributed over $114.5 million through salaries and payments to the government, including over $41 million in salaries and benefits to employees in Cajamarca;
- For every $1 of economic value added provided by Yanacocha, another $2.7 in economic value add was supported in the economy.

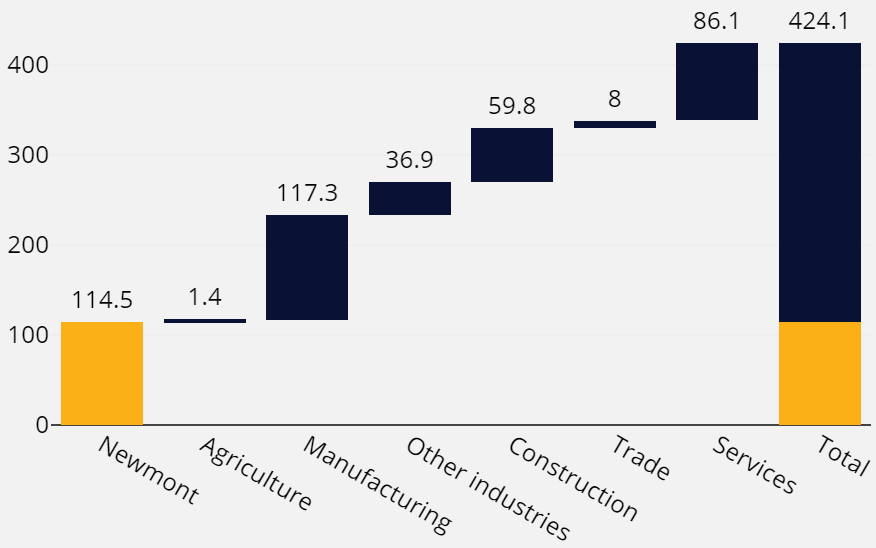
"Suppliers" include contractors and suppliers directly contracted by Newmont as well as contractors and suppliers subcontracted through direct suppliers; "Induced" includes employment resulting from the re-spending of wages by Newmont and its suppliers employees.

National employment data source information: https://ilostat.ilo.org/data/ (2020 estimated)

Numbers may not align due to rounding.

ECONOMIC VALUE ADD BY SECTOR

(IN $ MILLION)



KEY FACTS

During 2020:

$424.1 million of economic value add was supported by the Yanacocha mine for Peru across multiple sectors. Also:

- Roughly 73% or $309.6 million of the economic value was supported by direct and indirect suppliers;
- Yanacocha mine's suppliers support the most value add in Peru's manufacturing sector.

PAYMENTS TO GOVERNMENTS

KEY FACTS

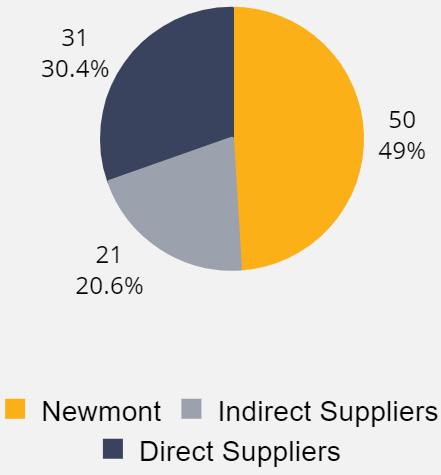
During 2020:

Newmont's Yanacocha mine and its suppliers paid ~$101.7 million in taxes to the government. Also:

- The Yanacocha mine's specific payments were approximately $49.5 million including $0.8 million in payroll tax, corporate income tax $41.1 million, and other taxes $7.7 million;
- Direct suppliers contributed $31.2 million in taxes while indirect suppliers contributed $21 million in taxes.

GOVERNMENT PAYMENTS BY TYPE

(IN $ MILLION)



Economic value-add is the value generated through gold mining and supplier activities at the mines towards the overall state or national economy. It is calculated as the sum of payments to labor (wages and benefits), to governments (taxes, royalties, and profit sharing) and through profits realized by direct suppliers (and suppliers suppliers) to the mine.

Gross Domestic Product data source information: https://data.imf.org/regular.aspx?key=63122827 (2020 estimated)

ABOUT THIS REPORT

BACKGROUND

Newmont commissioned Steward Redqueen, a consultancy specialized in sustainability and impact measurement, to estimate the economic impact figures presented in this report. Steward Redqueen has worked with Newmont since 2011, conducting economic impact studies, providing training, and helping communicate impact results. Newmont supports significant economic benefits from its operations that may not be fully understood by local communities, governments and other key stakeholders. These benefits are measured using a quantitative approach to estimate the economic outcomes of Newmont's mining activities. Economic benefits from Newmont's operations go beyond its company gates, into the wider, state and national economies in which it operates. Newmont generates direct economic effects through its own operations by hiring employees, paying salaries and contributing to government incomes. It also supports broader, indirect economic effects as the money it spends in the local economy is re-spent by suppliers - and their suppliers - on goods and services, and by employees in their day-to-day lives. These direct and indirect effects are summarized in this report.

METHODOLOGY

Impacts are measured in two ways:
• Value added, which is the sum of salaries, taxes and profits and is comparable to Gross Domestic (or State) Product;
and
• Employment, which is the total number of jobs supported and is comparable to national employment.

Newmont's economic impact is estimated using Input-Output (IO) modelling. IO modelling is a methodology developed by Nobel Prize-winning economist Wassily Leontief and is commonly used by researchers and practitioners to measure economic impacts. The key ingredient of the IO model is the Social Accounting Matrix (SAM). The SAM describes the financial flows of all economic transactions that take place within an economy. It is a statistical and static representation of the economic structure of a country, making it possible to trace money flows through an economy. These money flows result into economic output, taxes, salaries and profits, all of which are quantified. Also, dependent on the laborer productivity of firms and suppliers, employment is supported at each stage. The IO modelling approach uses internal Newmont-specific and publicly available macro-economic data. The Newmont data includes spending by each of Newmont's major mine sites on capital and operating expenditures, royalties and taxes, payments to providers of capital, and other miscellaneous expenditures. This data is further allocated based on international, national, state or local spending. Macro-economic data are collected from national statistical offices, as well as international sources, like the Global Trade and Analysis Project (GTAP), the International Labour Organization (ILO), and the World Bank. The data include sector breakdowns of output, GDP (and GSP) and employment for the most recent period available. When regional or state specific macro-economic data is available, the IO approach also provides regional or state level impact estimates.

Values are attributed based on mine ownership share.

KEY ASSUMPTIONS

Newmont Data:
Data for this report are provided by Newmont and sourced from internal reporting systems. Data includes site level spending on different categories (i.e. CAPEX, OPEX, taxes, etc.). This data is split into geographic groupings, namely international, national, state/province, and local, in order to determine impacts on domestic economies. International spending, including imports and monetary flows within the company are excluded from calculations since they do not represent spending in or impact on the domestic economy. The splits by geographic level are determined by Newmont staff based on the location of ownership and benefit impact of the economic activity. Although the data used in this report aligns overall with Newmont's other reporting on site-level spending, it deviates from the Beyond the Mine (BtM) report in terms of the amount of spending on national and local suppliers. This is due to how the data is reported. The BtM report discloses spending on domestic suppliers based on invoicing location ("legal definition" of domestic spending). However, this reports spend is estimated based on where the economic activity (i.e. production and value added activities) takes place ("economic definition" of domestic spending).

Results:
Results are directionally correct, i.e. "ball-park" estimates based on assumptions and best data available at the time. As such, when comparing results across several years they should be interpreted with caution since they may be based on different sets of macro-economic statistics that vary by release year and level of aggregation. Impact estimates are 'supported' not 'generated' since the methodology does not account for a counterfactual scenario. Results are pro-rated based on Newmont's equity stake in the operations unless stated otherwise.

IO Models:
IO models are a static representation of an economy at a given time, thus assuming underlying structures do not change rapidly. This methodology also assumes increases in firm inputs always raise supplier outputs, regardless of whether suppliers can or do meet demand, and are based on sector averages despite a wide variation in how firms within a sector buy inputs or sell outputs.

AUTHOR

Steward Redqueen B.V. ("Steward Redqueen") is a private limited company whose objective is to advise companies and other organizations in the broadest sense of the word. Steward Redqueen stands for the integrity of its actions, works with expertise and professionalism, and is independent. In conducting the analysis for this report Steward Redqueen has endeavored to use what it considers the best information available at the date of publication, including information supplied by Newmont. Steward Redqueen has relied upon the information provided by Newmont and has, besides a very rudimentary data check, not sought to verify the accuracy of the information supplied. Steward Redqueen provides advice and insights, but the customer chooses whether to follow the advice. Steward Redqueen therefore takes no responsibility for the implementation of advice and insights unless this is explicitly agreed. Steward Redqueen is only liable for any damage if this results from the failure to act with due care and expertise insofar as this can be reasonably expected in the framework of the assignment. Models, technologies, methods, including software and other intellectual products, which are used to carry out the assignment or are included in the advice are and remain the property of Steward Redqueen. Publication and further dissemination can only take place after written permission from Steward Redqueen.