

# Sustainability Reporting Requirements for Mining Operations - Opportunities or Threats?

**Ed Gleeson, Principal Mining Engineer, AMC**

**Peter Allen, Principal Environmental Engineer, AMC**

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# Introduction

- What is a sustainability report?
- What do mining companies do now?
- What does a mining company need to do?
- When does a mining company have to publish a sustainability report?
- What are the threats and opportunities of mandatory sustainability reporting?
- What are the key steps in the process?

# Current Status of Environment Social & Governance (ESG) reporting



# Current status – SGX example

- 2010: SGX issued guidance recommending the use of sustainability reporting.
- 2014: Out of the 700 listed companies on SGX, only 27 issued Global Reporting Initiative (GRI) reports.
- Now: SGX moving to a mandatory requirement.

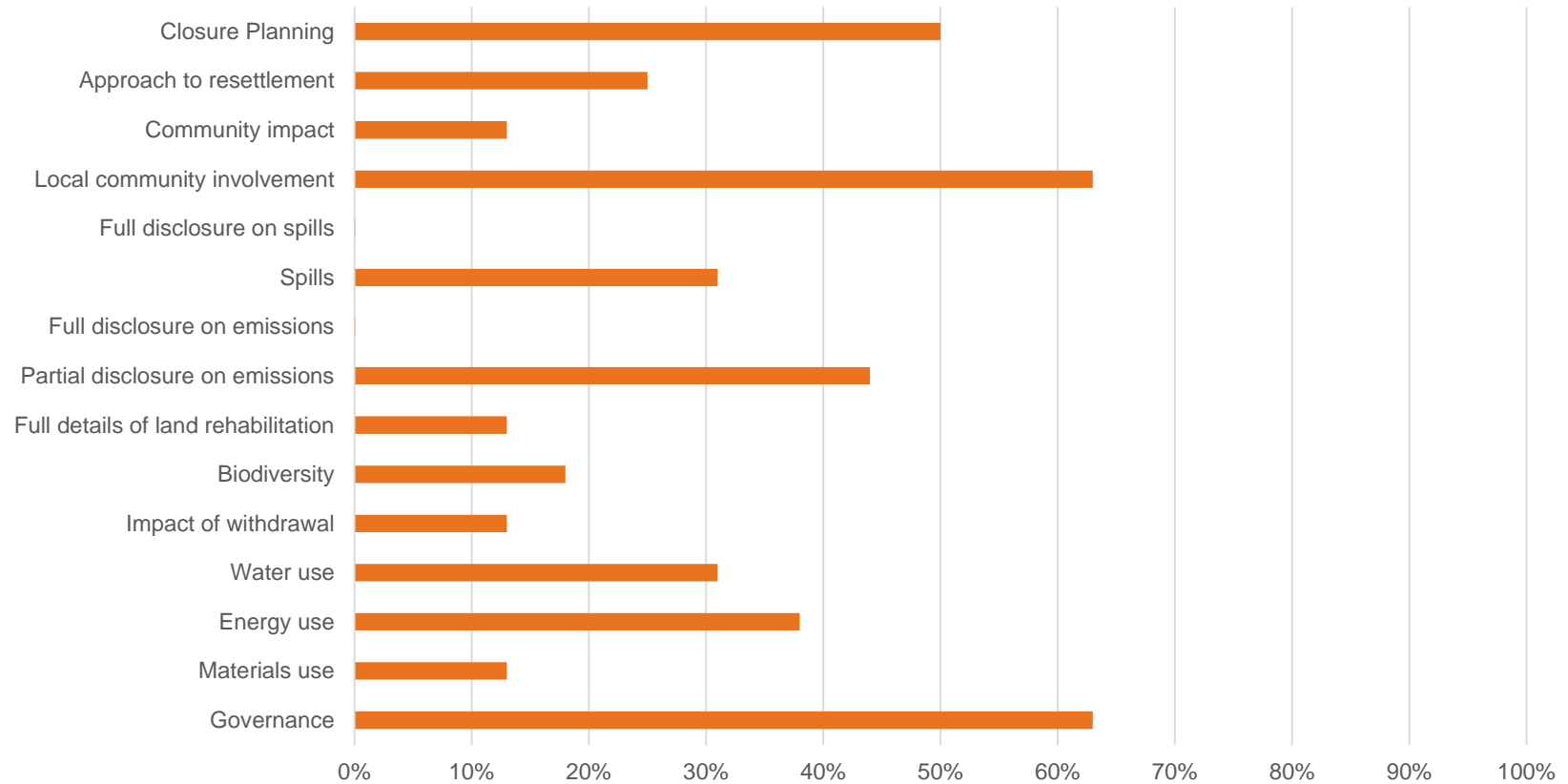
# ASEAN mining companies

CSR specialists, CSR Asia published benchmarking results in 2016 (*#Sustainability Disclosure in ASEAN – The ASEAN Extractive Industry, CSR Asia, 2016*):

- 24 metal and mining companies were benchmarked
- 16 headquartered in the ASEAN region
- 8 were headquartered in Australia, Canada, and USA.

Of the 16 ASEAN-based companies, 10 had publicly disclosed some ESG-related data through reports or company websites, and only 5 conforming to an international guideline.

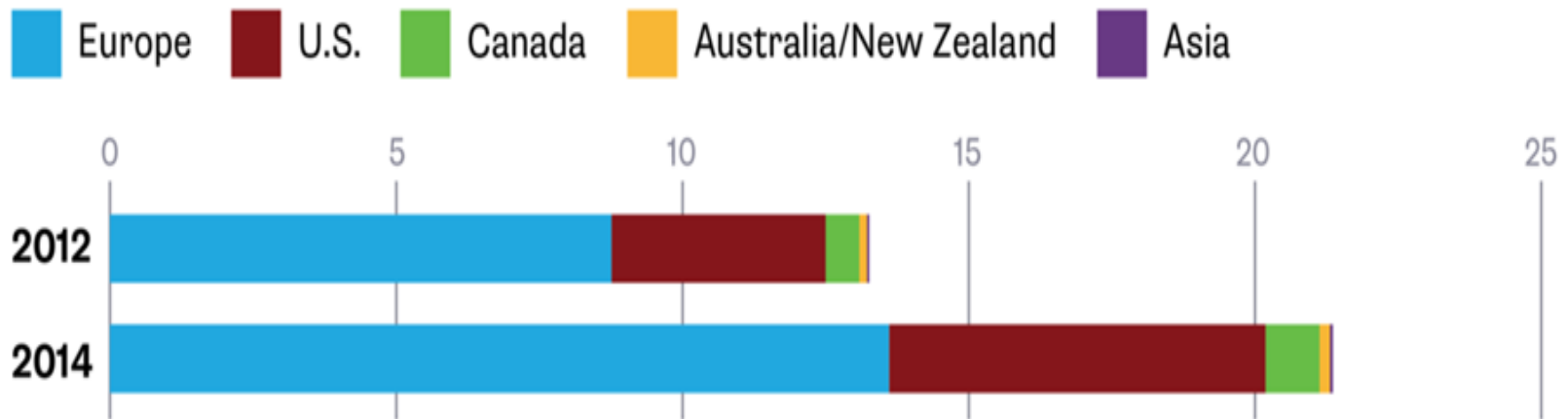
# ASEAN mining companies



# The rest of the world...

## Surge in Sustainable Investing

Assets managed using a broadly defined sustainable approach, in trillions of dollars



*Source: Sustainable investing: SEPTEMBER 2, 2016, Melissa Mittelman of Bloomberg News*

# ESG report concepts





# Report components

Primary components	Description
Material ESG Factors*	<ul style="list-style-type: none"> <li>• Identification of material ESG factors, giving reasons for their choice and a description of the process of selection.</li> </ul>
Policies, practices and performance	<ul style="list-style-type: none"> <li>• Policies, practices and performance of the company in relation to each of the material ESG factors, in both descriptive and quantitative terms. Performance should be discussed in the context of any previously disclosed targets.</li> </ul>
Targets	<ul style="list-style-type: none"> <li>• Targets for the forthcoming year.</li> </ul>
Sustainability Reporting Framework	<ul style="list-style-type: none"> <li>• A chosen reporting framework to guide the disclosure of relevant information on the ESG factors. Using an internationally recognised or industry-relevant framework enhances acceptance and comparability.</li> </ul>
Board statement	<ul style="list-style-type: none"> <li>• A statement of the board confirming compliance with the primary components or description of any alternative practices with reasons for preferring them.</li> </ul>

Source: SGX

# ESG Report contents



# ESG Performance Indicators

Direct & Indirect GhG Emissions*	Injury Rate*
Carbon Intensity	Global Health
Direct & Indirect Energy Consumption*	Child & Forced Labor
Energy Intensity	Human Rights policy
Primary Energy Source	Human Rights violations
Renewable Energy Intensity	Board - Diversity
Water Management*	Board - Separation of Powers
Waste Management*	Board - Confidential Voting
Environmental policy	Incentivized Pay
Environmental impacts	Fair Labor Practices
CEO Pay Ratio	Supplier Code (SC) of conduct
Gender Pay Ratio	Ethics Code (EC) of conduct
Employee Turnover Rate*	Bribery/Anti-Corruption Code (BAC)
Gender Diversity	Tax Transparency
Temporary Worker Rate	Sustainability Report
Non-Discrimination	Framework Disclosures

Source: Sustainability Working Group of the World Federation of Exchanges

# General contents (SGX example)

- i. Sustainability policy and goals
- ii. Corporate accountability and seniority of decision-making on sustainability
- iii. Corporate stance on bribery and corruption
- iv. Assessment of sustainability impacts, risks, or opportunities
- v. Risk management policies and processes
- vi. Relevant laws, regulations, agreements, stakeholders, fines, sanctions, accidents, and non-compliance with environmental laws and regulation
- vii. Issues and future challenges for the specific industry sector
- viii. Performance assessment against stated goals, peers, and industry benchmarks

# Environmental contents (SGX example)

- i. Climate change disclosures e.g. business or legal developments related to climate change mitigation or adaptation that may have an impact on the organisation;
- ii. Biodiversity management;
- iii. Environmental management systems;

# Social contents (SGX Example)

- i. Labour practices and relations;
- ii. Diversity
- iii. Programs and practices that assess and manage the impacts of operations on communities
- iv. Product responsibility policy and practices.

# Governance contents (SGX Example)

- i. The governance aspect of sustainability reporting is typically well covered under the Corporate Governance listing and disclosure rules
- ii. Listed companies are required to adopt a comply-or-explain approach towards corporate governance disclosure in their annual reports.
- iii. In the context of sustainability, governance also addresses the systems and procedures that an organisation has in order to manage economic, environmental and social performance.
- iv. Issuers should refer to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for more comprehensive disclosure guidance.

# Roll-out timetable for sustainability reporting

	Bursa Malaysia	Hong Kong Exchanges	SGX
Who will be affected?	Compulsory for companies listed on the Main and ACE Markets.	All Main Board and Growth Enterprise Market listed companies.	All companies listed on the SGX.
Deadline?	Staggered over 3 years, from 31 Dec 2016. PLCs with a market cap over MYR2 billion to report FYE after 31 Dec 2016.	Starts 2017, extending specifically to environmental emissions in 2018.	Currently voluntary, with a transition to 'Comply or Explain' for SGX listed companies in 2017.
Listing Rules	Listing Rules (Paragraphs 15.25, 15.26) Practice Note 9 and Guidance Note 11.	Main Board Rule 13.91 and Main Board Rules Appendix 16 Paragraphs 6 and 53 GEM Rules 17.103, 18.07 and 18.84	Listing Rule 711A and 711B; Code of Corporate Governance Practice Note 7.6 Sustainability Reporting Guide



# Guidance

## **Bursa Malaysia:**

- Powering Business Sustainability – A Guide for Directors (2010)
- Corporate Disclosure Guide (2011)
- Sustainability Knowledge Portal
- Self-Diagnostic Questionnaire on Sustainability Practices
- Corporate Governance Guide: Towards Boardroom Excellence (2013)
- Toolkits: 1. Governance, Materiality Assessment, Materiality Matrix, Stakeholder Engagement, Stakeholder Prioritisation Matrix, and Themes and Indicators.

## **Hong Kong:**

- Consultation Paper: Environmental, Social and Governance Reporting Guide (2011)
- Appendix 27 - Environmental, Social and Governance Reporting Guide
- Steps for ESG reporting (September 2011)
- Draft ESG Reporting Guide – A Toolkit (September 2011)
- ESG Reporting Guide Seminar and Workshop Materials

## **Guidance:**

- Guide to Sustainability Reporting for Listed Companies (2011)
- Other Resources: An Investor's Guide to Reading Sustainability Reports (2013)

# Threats and opportunities for mining companies

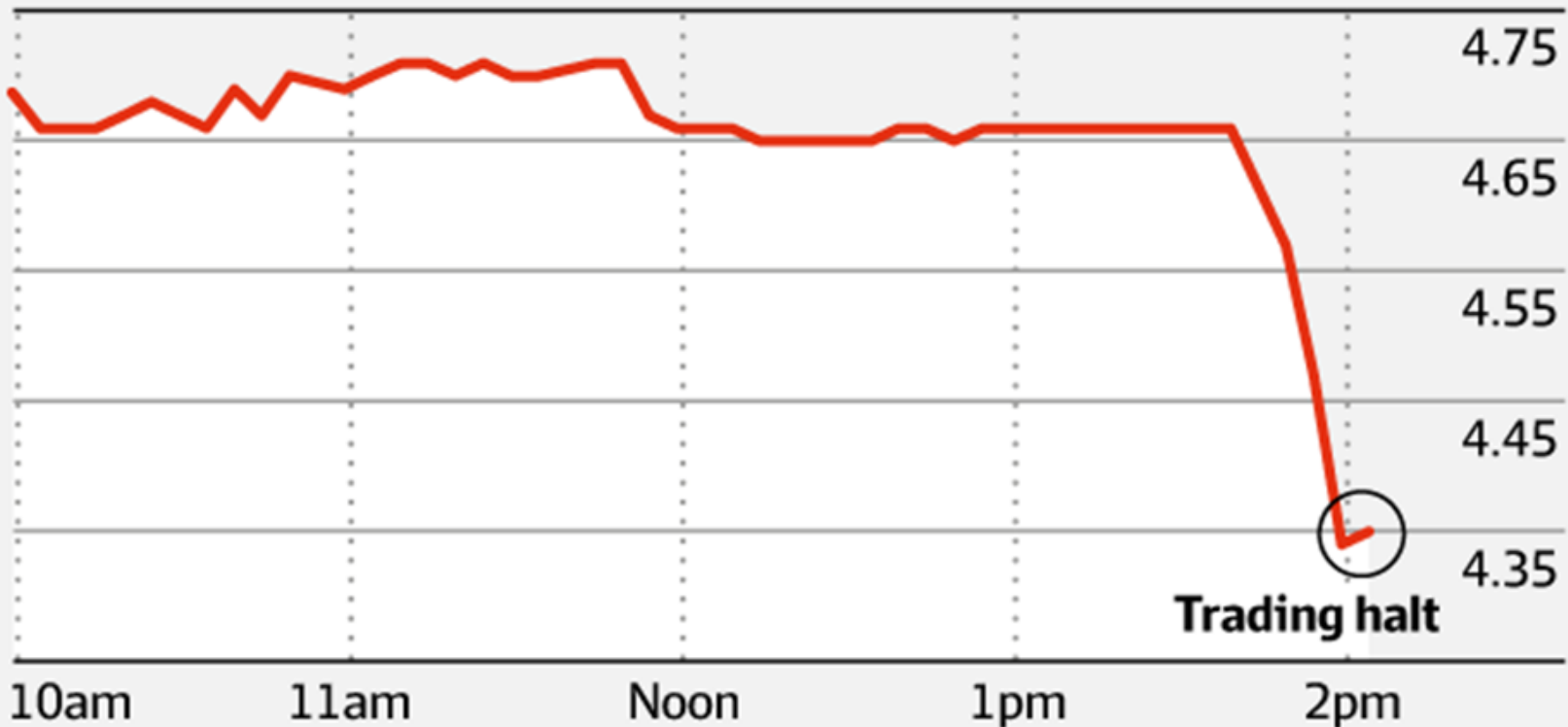


# Threats of publishing poor performance

- Damage to company reputation
- Increased attention from environmental, social and corporate regulators
- Increased attention from non-government organisations who may seek to further embellish negative perceptions of the company and the industry
- Increased risk perceptions from investors and increased risk weighting in investment decisions
- Loss of funding sources that may be particularly sensitive to poor practice and performance in ESG areas.

# Perceptions can hurt – e.g. OceanaGold

## OceanaGold share price, Tuesday (\$)



# Opportunities

- Strengthen ability to attract long-term bank-issued debt at favorable financing conditions.
- Enhance the company's ability to attract longer-term investors, including major institutional investors such as pension funds (in fact, some funds actually have mandatory requirements in this regard)
- Identifying opportunities for cost savings, revenue generation, and risk mitigation.
- Drive continuous improvement by creating accountability and fostering collaboration with stakeholders.
- Create a deeper understanding of stakeholder needs, which could drive innovation and enhance market differentiation and competitiveness.

# ESG Plan

1. Review your current performance
2. Prepare a plan to improve your performance
3. Start your reporting process

# Thank you

## OUR VISION

ADVISER OF  
CHOICE TO  
THE WORLD'S  
MINERALS  
INDUSTRY

## OUR PURPOSE

To optimize  
the value of the  
world's mineral  
resources

## OUR VALUES

We regard safety as fundamental

We are client-focused

We act with integrity

We are always professional

We collaborate

We share our knowledge & expertise