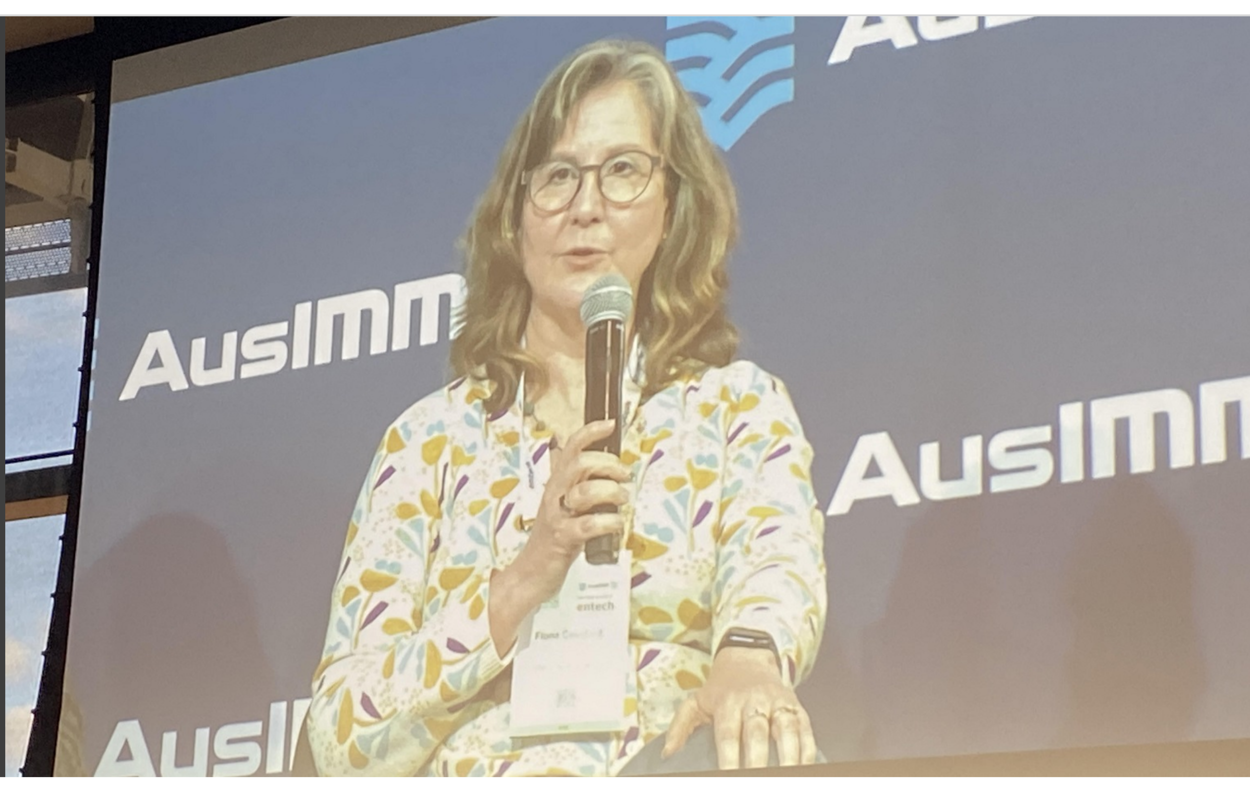
New era of ESG transparency is here, conference hears



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Top image : SRK's Fiona Cessford speaks at the AusIMM Mineral Resource Estimation Conference in Perth, Western Australia

Print article

‘Shareholders want improved corporate transparency on material ESG matters’

The days of cursory environmental, social and governance (ESG) disclosure in relation to the economics of mining projects are numbered, the 2023 AusIMM Mineral Resource Estimation conference heard.

Investors need, and should get, a fuller view of the factors likely to materially impact projects in a different era for the industry, SRK corporate consultant Fiona Cessford told the event audience in Perth, Western Australia.

“Shareholders want improved corporate transparency on material ESG matters,” she said.

“More and more companies are coming up with ESG visions and missions. But what we see is a disconnect between those and what gets incorporated into mineral reports.

“If there is no hope that a project could have a low or net zero carbon footprint in the foreseeable future, should it really be included in the company’s project pipeline?”

In the absence of new JORC and potentially regulatory guidelines in Australia on resource and reserve reporting, and competent persons – they are all in the proverbial pipeline – Cessford suggested that greater corporate and project-level transparency was key. She wasn’t alone at the two-day conference with that stance.

“The [stock] exchange law already has quite a lot of requirements for ESG disclosure,” Cessford said.

“This includes board accountability, taxes, gender composition, things like that. And they’re understandably worried about duplication between these requirements and mineral reporting.

“To achieve minimum disclosure we need to be sure that we have a sharp focus on the value-add of ESG to the users of the information, and that this needs to be based on the core concepts of materiality, risk and transparency.

“This is exactly the same way as characterising mineral resources.

“The minimum requirement is seen as transparently disclosing on a robust and defendable basis relevant ESG risks that could materially influence the economic value and likelihood of economically mining, processing and sustainably, responsibly closing a mineral property.

“Materiality of ESG should be rationalised together with all of the technical and financial risks, as well as the other modifying factors to ensure an equivalency and balanced approach.

“To do this we are suggesting a more procedural approach to ESG using a multidisciplinary team, and this recognises that each project is different.

“What do I mean when I talk about procedural?

“Well, it means understanding the context of the project. It means identifying stakeholder issues through engagement. And it means overlaying what you think the project might look like on top of those. And this iterative process of context, engagement and interaction with the project team will enable, as each stage of the project develops and you get more information to improve your confidence.

“Again, very similar to estimating mineral resources.

“The more you do, the more confidence you’re going to get and the better you’ll understand your risks.

“We recognise that ESG risks may be difficult to assess using quantitative or scientific or knowledge-based considerations, especially very early in a project life of the exploration stage, since it’s very dependent on the perceptions of the companies, the stakeholders and the regulators.

“Typical aspects that the competent person can consider when assessing ESG materiality include, but are not limited to, what could stop the operation, what could impact on the mine schedule, costing or value proposition?

“What could affect the reputation of the company? What could change the risk profile or the ability to execute the life-of-mine plan? And what could affect sales of the products?

“This could be embargoes on the property, on the country, on the commodity.

“All of those are things that could be considered.”

Cessford said while “some codes” allowed for a competent person to rely on legal and in some cases environmental information provided by either the company or external third parties, “sweeping general statements along the lines of, it is understood that appropriate steps are being taken by the company, don’t cut it any more”.

“They’re less likely to meet the needs of shareholders,” she said.

“There’s an increasing expectation that appropriate due diligence will be applied by the competent person, even if they are relying on an ESG subject matter expert.”

The conference heard that, partly due to the “scary” volume and range of standards coming the industry’s way, “we need to be flexible to deal with a very changing world, and we need to drive convergence”.

“Deviation in codes would only exacerbate complexity and workload, especially for dual-listed companies, and the CRIRSCO mandate is pivotal,” Cessford said.

She said the international Committee for Mineral Reserves International Reporting Standards (CRIRSCO) had acknowledged a need to derive an ESG definition that was directly applicable to mineral resource and mineral reserve (MRMR) reporting. An ESG working group was developing one.

“Of the E, S and G, governance may be most difficult to define as there is active debate about what should be included and excluded in MRMR reporting,” Cessford said.

“Is it external-governmental and/or legal and regulatory (resource) governance and/or internal-corporate governance and/or in-house project governance?

“The balance of opinion appears to be tipping toward restricting the definition of G for MRMR reporting to project governance, as corporate governance is better covered under the requirements for annual financial reporting.

“The view that governmental and regulatory governance factors are integral to the concept of ESG is endorsed.”

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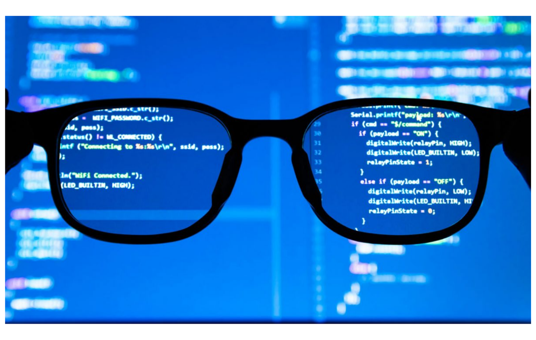

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