

Importance of ESG grows

Mining has to take account of the greater environmental, social and governance (ESG) focus required by financiers and other stakeholders, from the earliest stages of planning, from exploration onwards



Source: supplied by client

Consideration of ESG is now recognised to add value to mining projects. Mineral resource and reserve reporting codes are being updated to recognise this,” says Darryll Kilian, partner and principal environmental consultant at SRK Consulting (SRK).

“The financial sector is being subject to mandatory ESG disclosure requirements in many jurisdictions and is responding quickly to stakeholder interest in ESG investment,” he adds.

However, the urgency to address ESG in planning projects goes well beyond the mining sector. In a world facing challenges ranging from climate change to social inequality, every business sector will experience rising demands on its ESG performance.

Every stage in the economic value chain

“The importance of ESG issues has grown steadily in recent decades – building momentum from concerns around environmental and human rights, which are now front-of-mind for consumers and governments alike,” said Vis Reddy, managing director of SRK. “It is now clear that no project can succeed without prioritising ESG factors from its early stages.”

SRK has increasingly seen ESG risks affecting projects related to water, infrastructure and energy and has recently re-branded its environmental business unit to focus on ESG.

“The rise of ESG confirms SRK’s approach that good engineering is a holistic and complex process that must address a myriad of risks through the integrated application of relevant disciplines,” says Reddy. “This applies to every stage in the economic value chain.”

Vassie Maharaj, director and principal consultant in social risk and stakeholder relations management at SRK, highlights that projects in every sector now require effective engagement processes for meaningful stakeholder participation and shared value.

“The evolving global ESG framework places social aspects at the centre of the project lifecycle – requiring decision-makers to take account of issues such as gender, human rights, vulnerability and livelihoods in development planning and implementation,” Maharaj says.

Broader pressure

Reddy argued that the sustainability requirements of large financiers had once been the prime drivers of ESG, but that this pressure was now coming through at many points in the supply chain.

“From manufacturers to end-consumers, our society is looking more closely at the whole supply chain to see whether ethical and other standards are being maintained,” he says.

In a recent example of this, the Re-Sourcing initiative is working to ensure that the European Union (EU) sources its minerals responsibly and sustainably. Funded by the European Union’s Horizon 2020 research and innovation programme, the project involved SRK to facilitate the necessary input from affected stakeholders in Africa and Asia.

Kilian pointed out that companies across the continent are expected to make more ESG progress on issues such as disclosure, integration and inclusivity as well as health, safety and climate change.

Aside from the lender requirements, this impetus is also being driven by international sustainability frameworks such as UN Sustainable Development Goals and AU Agenda 2063 which are in turn influencing national legislation.

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