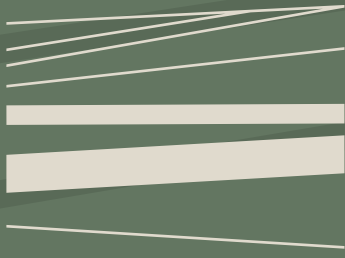


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MINING · A HUMAN ENDEAVOUR

ESG IN MINING

Is the mining industry prioritising Environmental, Social, and Governance (ESG) and what more can be done?

ESG INSIGHTS FROM 89 DECISION-MAKERS
WITHIN THE GLOBAL MINING INDUSTRY

NOVEMBER 2022

INTRODUCTION

Mining companies have ramped up their commitment to Environmental, Social, and Governance (ESG) in recent years, but is enough being done?

ESG is hardly a new concept for the mining industry. While the term was first coined in 2005, the practice of mining sustainably is something the sector has long grappled with.

And with the global movement to going green accelerating faster than ever, more pressure is being placed on mining organisations to deliver sustainable business strategies.

But who determines what criteria they should be held to? And should the industry regulate the practice of ESG?

Mining is critical to the energy transition, but failure to act on environmental, social and governance matters is increasingly impacting investor interest as well as company, management and individual Director reputations.

We know that globally, mining organisations are taking steps to identify and prioritise ESG factors.

This report details the issues our respondents believe should take centre stage and highlights potential barriers to success. With 67% of respondents holding the position of C-Suite/Board member or Director or Vice-President within their organisations, we trust that the below results will be both interesting and useful to you.

To discuss this report in more detail please contact us:

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OUR OBJECTIVE

The purpose of this survey is to understand:

- 1 To what extent have mining companies implemented ESG strategies?
- 2 Who is driving ESG at a company level?
- 3 What are companies doing to attract diverse ESG talent?
- 4 Which ESG issues are being prioritised?
- 5 What needs to be done to give ESG greater importance?

HIGHLIGHTS

In 49% of companies, ESG forms a standalone discipline within the executive structure.

Only 2% of respondents said ESG was not a priority for their company.

71% of respondents feel ESG is vital in the decision-making process at Board level.

Within Board structures, ESG forms 42% of a central board function.

The three main factors driving ESG in mining organisations are:

- *industry expectations,*
- *pressure from stakeholders, and*
- *international standards related to sustainable practices.*

While the 25 – 35 age group believes an independent analysis of their company's ESG credentials is most important, *the 45 – 55 age group considers it less important.*

According to respondents, *tailings management* will face the greatest scrutiny from investors over the next 12 months.

Addressing the lack of ESG talent in the mining market remains a priority.

For the foreseeable future, *the mining industry will be prioritising* the following ESG topics:

- community relations,
- community health and safety,
- compliance with environmental and social regulatory requirements,
- air or water pollution, and
- waste management.

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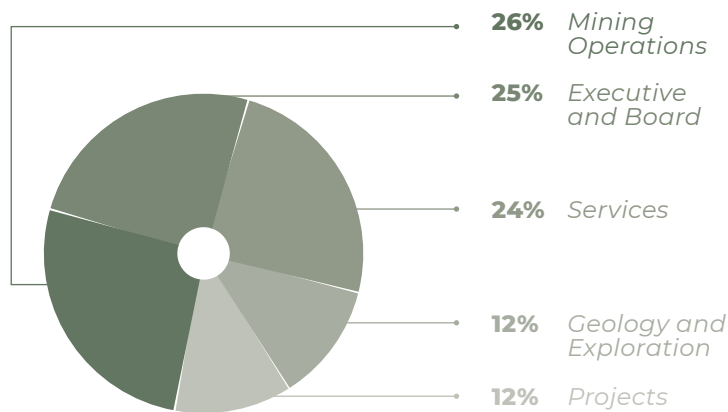
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THE SURVEY PARTICIPANTS

We surveyed 86 mining professionals from 29 countries about their views on ESG management within the mining sector. We asked who was driving ESG in their organisations and how important the role was.

As always, we are grateful to everyone who participated.

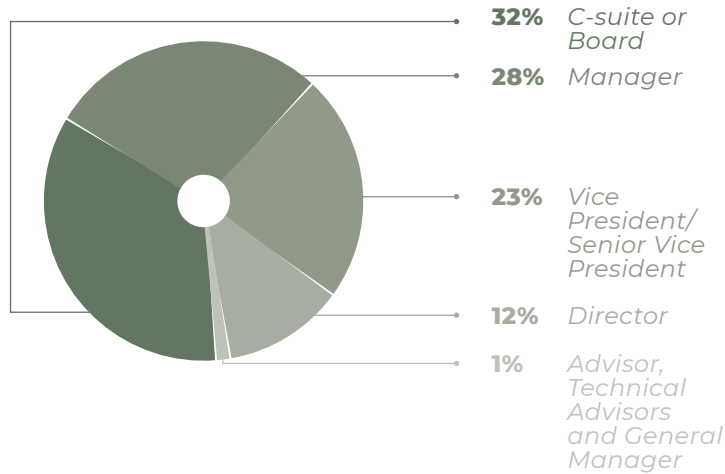
Our respondents came from the following disciplines:



To streamline the report, we grouped the participants into five categories. Most respondents fell into mining operations (27%), followed by executive and Board (25%), services (24%), geology and exploration (12%) and projects (12%).

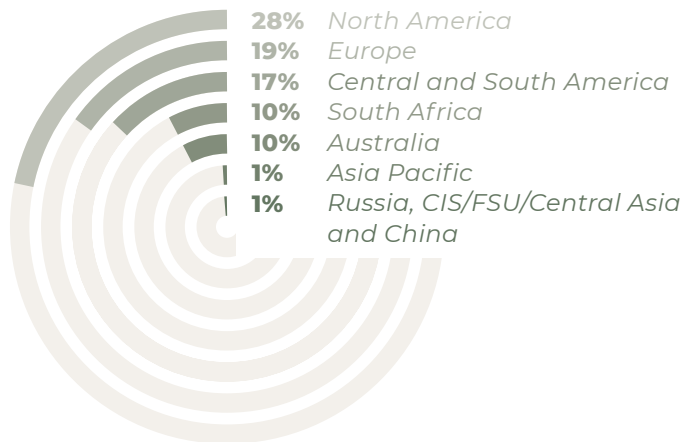
THE SURVEY PARTICIPANTS

Position of respondents in their respective companies:



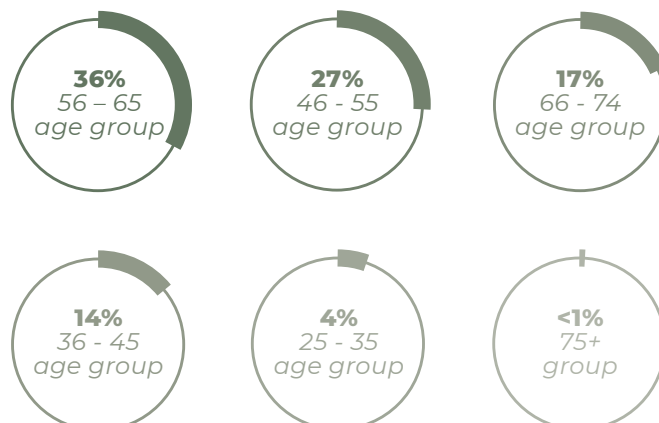
67% of respondents held the position of C-Suite/ Board member, Director or Vice-President within their organisation. Managers comprised 28% of respondents, and Advisors a small 1%.

Geographically, we received responses from people working in organisations in the following regions:



Overall, the survey's respondents represented 29 countries from around the world. Most respondents were from North America (28%), followed by Europe (19%), Central and South America (17%), South Africa (10%), and Australia (10%). Combined, Asia Pacific, Russia, CIS/FSU/ Central Asia and China make up 2%.

Respondents by age:



More than 50% of respondents were 56 years and older, with only 4% of respondents aged between 25 and 35 years. Unsurprisingly, it continues to reflect the mining industry's ageing population and raises the concern that the sector isn't attracting young, dynamic leaders as rapidly as it needs to.

LEADERSHIP & ESG IN MINING

Prioritising ESG and the issues it champions starts with decision-makers. We wanted to know if mining organisations are still treating ESG as a sub-discipline of Health & Safety or a standalone. And which values are driving ESG decisions?

In years gone by, environmental, social, and governance matters have fallen to Health & Safety teams or junior managers to implement and monitor with little input from ExCo. That's all changing.

Mining decision-makers now recognise that ESG must form a core component of their organisation's policies and strategies.

But how is the ESG discipline currently integrated into mining organisation structures, and what resources are being dedicated to the cause?

02

LEADERSHIP & ESG IN MINING

2.1 THE ESG DISCIPLINE WITHIN ORGANISATIONS' STRUCTURE

We asked our participants where the ESG discipline sits within the executive structure of their organisations. We now know that, in most cases, ESG is represented in leadership and decentralised throughout the organisation.

According to the results,

49% *Identified ESG as a standalone discipline in their organisation*

6% *Said their ESG function sits within corporate and operations, finance, risk and sustainability, and health and safety.*

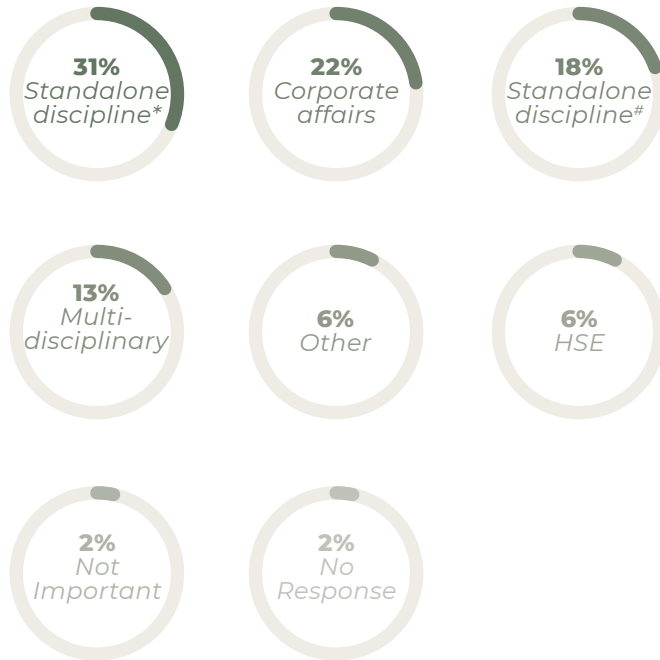
This demonstrates that ESG is no longer considered a sub-discipline of the HSE portfolio.

And its position in the Corporate Affairs department gives environmental, social, and governance issues in mining greater ExCo exposure. Therefore there is every opportunity to discuss ESG strategies with decision-makers, identify risks, and review performance.

When asked where the ESG discipline sits within board structures, 83% of respondents said it's either a central board function or a standalone sustainability committee.

Based on our findings, we can confirm that mining leadership and stakeholders are committed to prioritising and driving ESG initiatives.

Where does the ESG discipline sit within your executive structure?



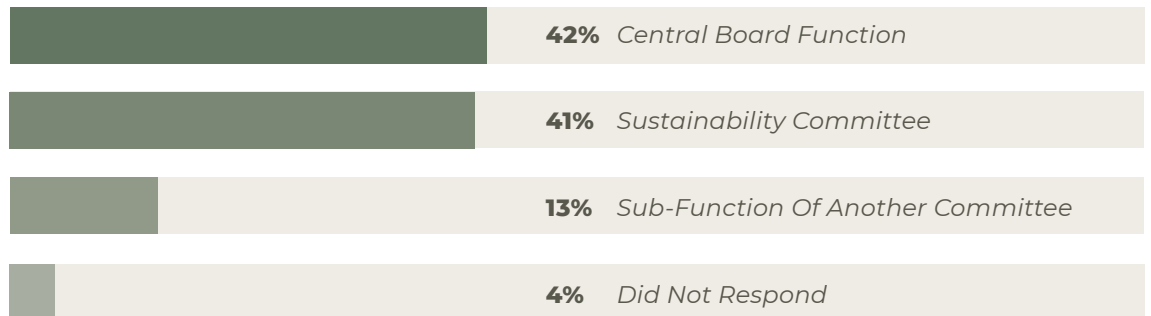
- Standalone discipline (including ExCo seat) for 31% of the respondents
- Corporate affairs (22%)
- Standalone discipline (excluding ExCo seat) (18%)
- Multidisciplinary (13%)
- Other (6%)
- HSE (6%) within the executive structure

Of the remaining 4%, 2% said ESG was not a priority for their organisation, and 2% did not respond to the question.

*including ExCo seat

#excluding ExCo seat

ESG Discipline within Board Structure:



Of the 13% who selected a sub-function of another committee, these are the listed committees: Central Executive, ESG Committee, Local Mine Site Management, Not Formal, Separate Revenue Stream, Social and Ethics Committee, and Technical Committee.

2.2 ESG DRIVERS WITHIN MINING ORGANISATIONS

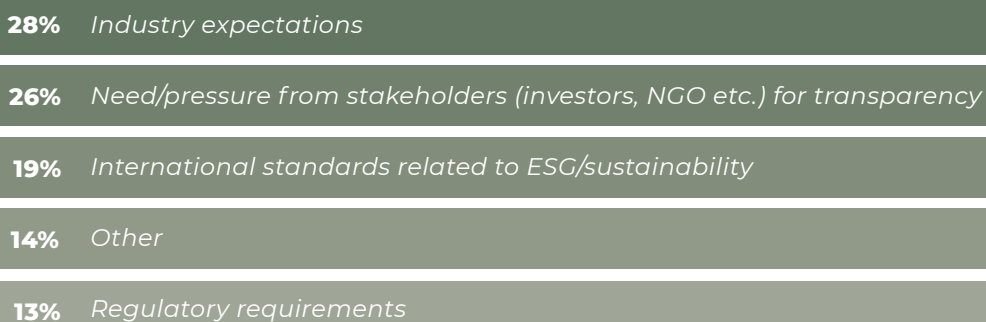
Over the last decade, the mining industry has faced negative publicity due to various socio-economic and environmental disasters. Had those firms given due consideration to potential ESG risks, might these events, hypothetically, have been avoided or their impact reduced?

These days there's mounting pressure on mining companies to commit publicly to ESG and the initiatives they embrace. But it's not just stakeholders and investors holding mining organisations to account.

The industry itself, from mining juniors to majors, is calling for greater transparency.

Ruben Fernandes, [CEO - Base Metals at Anglo American](#), said, "Society will not tolerate the way we [as an industry] operated before," referring to past mistakes and industry-wide issues such as pollution, deforestation and labour disputes.

We asked participants what has been the biggest driver behind their company's focus on ESG and the need to publicly disclose their ESG performance over the last 12 months?



As expected, stakeholder and private equity firm demands for greater transparency are a driving factor in the shift to sustainable mining practices.

Without an ESG strategy, mining firms will be hard-pressed to secure funding, and shareholder confidence, as increasingly highlighted, especially in the battery metals industry, offtake partners or clients. And talented mining professionals are unlikely to want to work for such businesses.

02

LEADERSHIP & ESG IN MINING

But what are the additional ESG drivers in mining organisations?

Those respondents who answered other highlighted the following additional ESG drivers:

Company values

Industry standards or best practices

Investors

Community engagement

Credibility with government

Equal consideration should form part of the ESG framework

02

LEADERSHIP & ESG IN MINING

“We put the community at the centre of what we do, in every consideration, because it is the right thing to do — this includes environmental issues. We don’t hire geologists or team members that don’t value the community and environment. At the Board level, we fill in scorecards for regulatory purposes. Every manager regards ESG as their responsibility. It’s why we’re welcomed in the communities we operate in. We’ve even turned down some very good projects because we couldn’t see a satisfactory way of integrating ESG into our work plan.”

“We believe that many of the embedded topics within the ESG framework are or should be best practice for the industry as part of the community licence to operate, thus are of equal consideration when undertaking the business.”

Notably, several respondents raised concern over a lack of industry standards. While many follow the 17 interlinked UN Sustainable Development Goals, there is a need for greater regulation and transparency within the mining industry. Otherwise, improving ESG standards falls to individuals.

As a result, more and more mining organisations are turning to independent accreditors such as [Digbee](#) to provide an unbiased assessment of their ESG processes and strategy.

2.3 WHAT IS THE PERCEIVED IMPORTANCE OF ESG?

Where before, it could be argued that some mining firms were ticking the ESG box to appease investors, the industry is increasingly showing a greater commitment to environmental, social, and governance principles.

We wanted to know how relevant ESG is as part of the decision-making process at Board level?

71% of our respondents consider ESG important in the decision-making process.

1

How important is it for your management team to compare their ESG credentials to peers in the sector?

66% of respondents think it's important for management teams to compare their ESG credentials with peers.

2

How important or valuable is an independent analysis of your ESG credentials?

63% of our respondents said an independent analysis of their firm's ESG credentials is very important.

3

To what extent do you believe your company benefits or will benefit from a corporate ESG strategy that recognises the importance of a sustainable development/operation of a mining asset?

79% of respondents believe their mining firms will benefit from a corporate ESG strategy that prioritises the sustainable development or operation of a mining asset.

Now more than ever, ESG is critical to the continued success of mining firms. If leadership cannot explain how they will implement ESG into their business plans, their investors will hold them to account.

Losing social support is the least of their concerns. Attracting financial backing will be virtually impossible.

4

ESG: PAST VS. FUTURE

Now that Environmental, Social, and Governance journeys are well underway, we wanted to know how ESG priorities are changing within the mining industry and which areas are being given greater attention.

Historically, ESG has not been a priority for many mining companies. Most tended to lump Environmental, Social, and Governance (ESG) in with Health, Safety and Environment (HSE). But is that still the case?

While many organisations are choosing to create new silos focused entirely on addressing environmental issues, 5.6% said their companies still keep their ESG discipline as a part of HSE.

But what about the broader issues at stake: issues such as social and governance?

According to our respondents, in the last 12 months, ESG strategies have largely encompassed environmental issues, focusing on waste management and air and water pollution.

So will priorities shift towards dealing with the social issues at play?

3.1 ESG PRIORITIES IN THE PAST 12 MONTHS

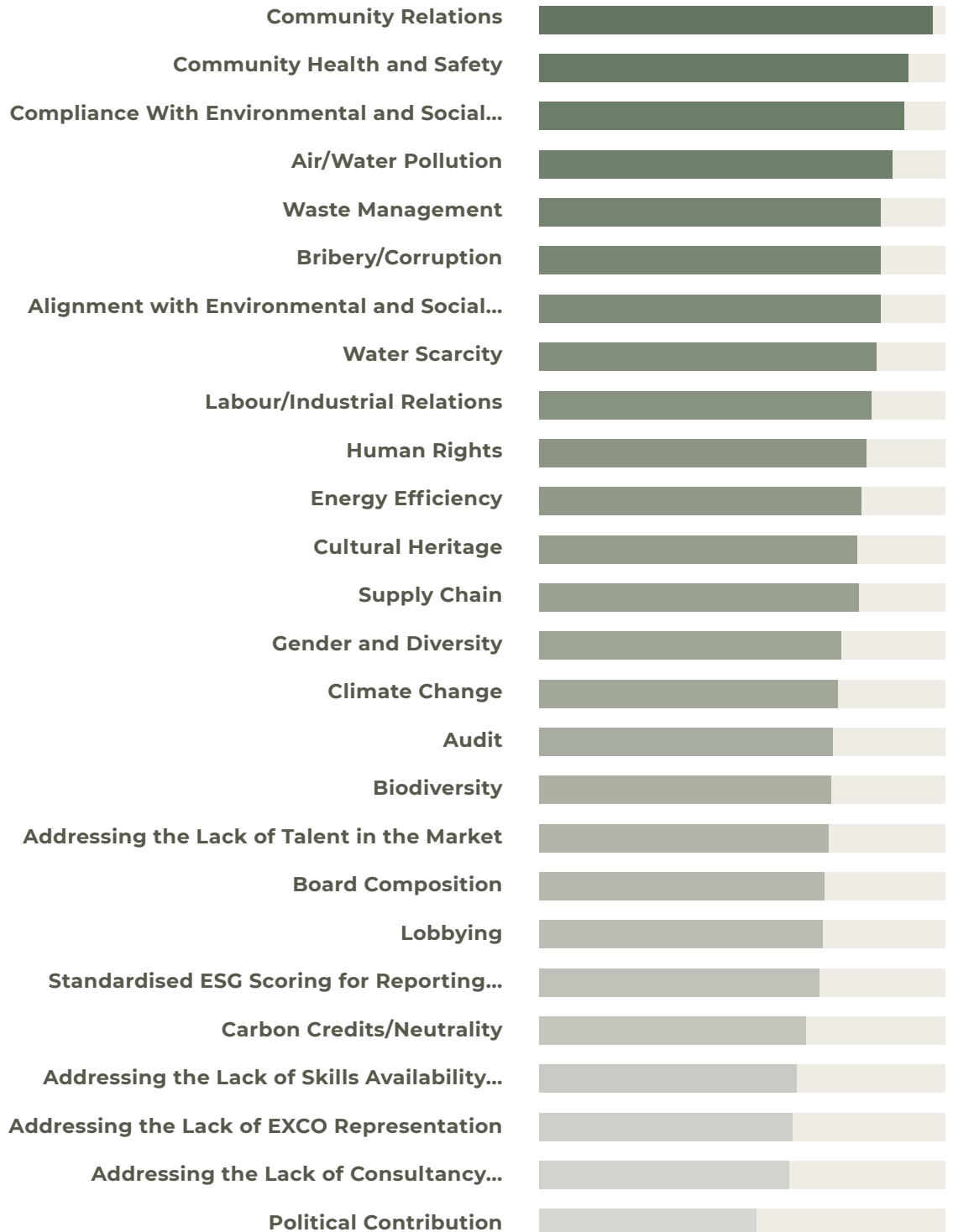
Across the ESG areas assessed – environment, social, governance, skills availability or deployment – these were the highest rated:



03

ESG: PAST VS. FUTURE

The lowest rated were political contributions, addressing the lack of consultancy availability, addressing the lack of skills availability for EXCO hiring, and carbon credits/ neutrality.



3.2 ESG PRIORITIES IN THE NEXT 24 MONTHS

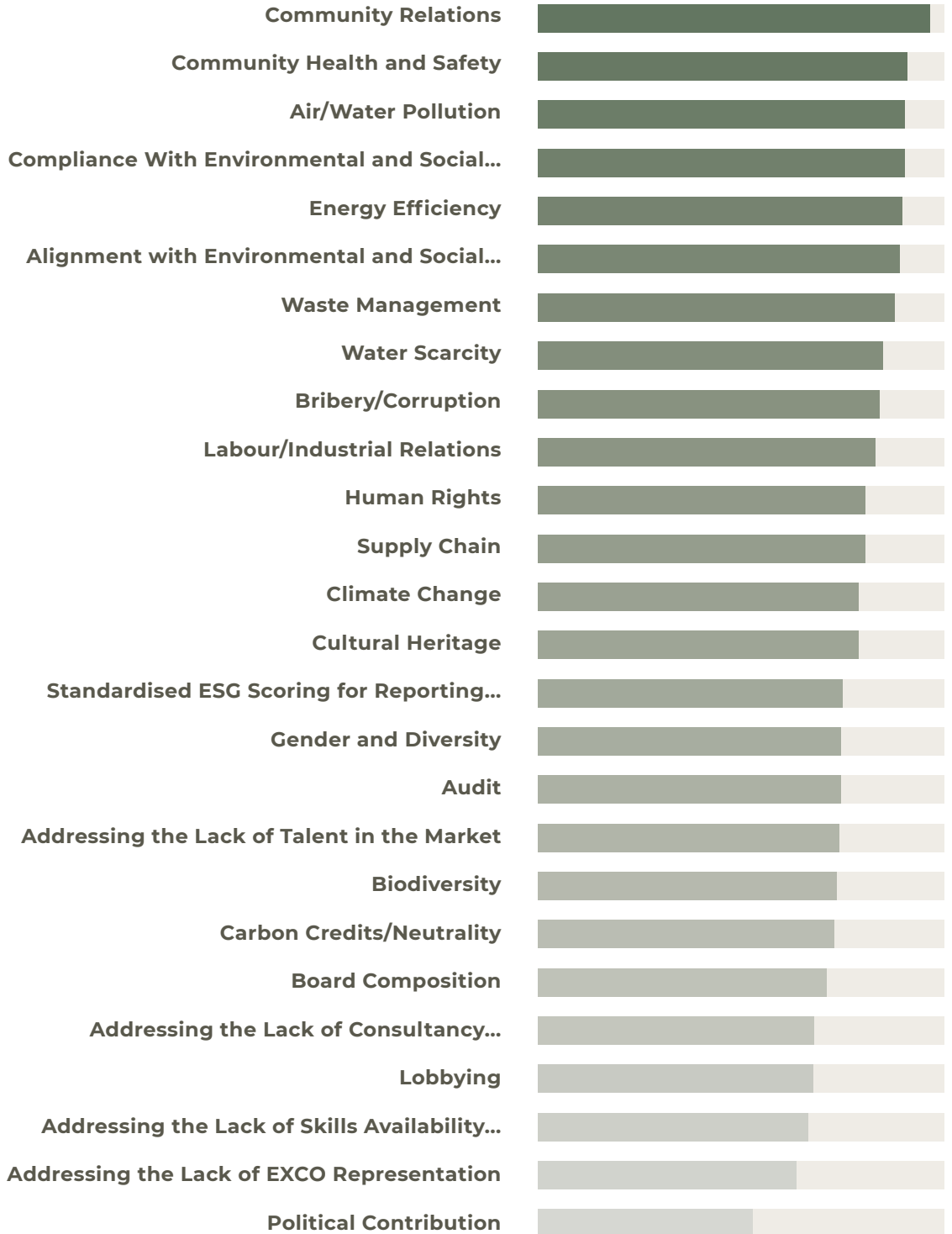
Across the ESG areas assessed – environment, social, governance, skills availability or deployment – the highest rated future priority areas are:

- 1 Community relations
- 2 Community health and safety
- 3 Air or water pollution
- 4 Compliance with environmental and social regulatory requirements
- 5 Energy efficiency

03

ESG: PAST VS. FUTURE

The least ranked were political contributions, addressing the lack of EXCO representation, addressing the lack of skills availability for EXCO hiring, lobbying, and addressing the lack of consultancy availability.



3.3 HOW ESG PRIORITIES ARE CHANGING

More importantly, have ESG priorities shifted in recent months (especially when considering the energy crisis and its potential longer-term impact that emerged after the Russian invasion of Ukraine)? And what can we discern from these changes?

ENVIRONMENTAL PRIORITIES

Top environmental priorities in the past 12 months

The following have been ranked in order of importance, with number 1 being the most important and 7 least important.

- 1 Air/water pollution
- 2 Waste management
- 3 Water scarcity
- 4 Energy efficiency
- 5 Climate change
- 6 Biodiversity
- 7 Carbon credits/neutrality

Top environmental priorities in the next 24 months

The following have been ranked in order of importance, with number 1 being the most important and 7 least important.

- 1 Air/water pollution
- 2 Energy efficiency
- 3 Waste management
- 4 Water scarcity
- 5 Climate change
- 6 Biodiversity
- 7 Carbon credits/neutrality

Based on the findings, we can see that energy efficiency will be far more critical in the future. With the substantial increase in oil and gas prices, mining companies are looking for ways to reduce overheads.

Many are switching to low-energy bulbs on site and using electric cars in favour of petrol or diesel vehicles.

Improving energy efficiency also reduces carbon emissions and pollution, which positively affects climate change and local biodiversity.

ESG-compliant mining firms are more likely to attract better candidates and funding from investors looking to work with tech-forward green companies.

SOCIAL PRIORITIES

Top social priorities in the past 12 months

The following have been ranked in order of importance, with number 1 being the most important and 7 least important.

- 1 Community relations
- 2 Community health and safety
- 3 Labour/ industrial relations
- 4 Human rights
- 5 Cultural heritage
- 6 Supply chain
- 7 Gender and diversity

Top social priorities in the next 24 months

The following have been ranked in order of importance, with number 1 being the most important and 7 least important.

- 1 Community relations
- 2 Community health and safety
- 3 Labour/ industrial relations
- 4 Human rights
- 5 Supply chain
- 6 Cultural heritage
- 7 Gender and diversity

While there was little change in social priorities, more concerning is the *lack of focus on gender and diversity*.

Historically, women in mining are found in female-driven roles such as HR, finance, and law. If the sector hopes to attract more female engineers and geologists willing to work on-site, it needs to change the perception that mining is a male-only field.

That starts with the youth: getting young girls interested in STEM from early in their school career. But if they have no female mining figures to aspire to, overcoming the gender and diversity gap in mining will be incredibly challenging.

GOVERNANCE PRIORITIES

Top governance priorities in the past 12 months

The following have been ranked in order of importance, with number 1 being the most important and 8 least important.

- 1 Compliance with environmental and social regulatory requirements
- 2 Bribery and corruption
- 3 Alignment with environmental and social international standards
- 4 Audit
- 5 Board composition
- 6 Lobbying
- 7 Standardised ESG scoring for reporting or fundraising
- 8 Political contribution

Top governance priorities in the next 24 months

The following have been ranked in order of importance, with number 1 being the most important and 8 least important.

- 1 Compliance with environmental and social regulatory requirements
- 2 Alignment with environmental and social international standards
- 3 Bribery and corruption
- 4 Standardised ESG scoring for reporting or fundraising
- 5 Audit
- 6 Board composition
- 7 Lobbying
- 8 Political contribution

Governance matters for the mining industry saw several small shifts in priority areas.

Most notably, our findings reveal that standardised ESG scoring for reporting or fundraising is becoming more integral for Boards and executive committees.

This confirms what we already know: there's increased pressure from the industry and external stakeholders for mining firms to be more transparent and report their ESG strategies. It's not enough to set and communicate sustainable targets; investors, customers, and regulators want to see how mining organisations are progressing towards achieving those goals.

Failure to demonstrate that they're addressing governance-related issues will negatively impact future investment opportunities.

DEPLOYMENT PRIORITIES

Top skills availability or deployment priorities in the past 12 months

The following have been ranked in order of importance, with number 1 being the most important and 4 least important.

- 1 Addressing the lack of talent in the market
- 2 Addressing the lack of skills availability for EXCO hiring
- 3 Addressing the lack of EXCO representation
- 4 Addressing the lack of consultancy availability

Top skills availability or deployment priorities in the next 24 months

The following have been ranked in order of importance, with number 1 being the most important and 4 least important.

- 1 Addressing the lack of talent in the market
- 2 Addressing the lack of consultancy availability
- 3 Addressing the lack of skills availability for EXCO hiring
- 4 Addressing the lack of EXCO representation

While the sector's transition towards a safer, more efficient and sustainable industry is accelerating, there aren't enough ESG consultants available to meet this demand.

It's why future deployment priorities will focus more heavily on *addressing the lack of consultancy availability*.

Hiring people from non-traditional mining backgrounds, such as communications, law, and human rights, brings new skills often missing in the industry and a fresh perspective to innovating in environmental, social, and governance matters.

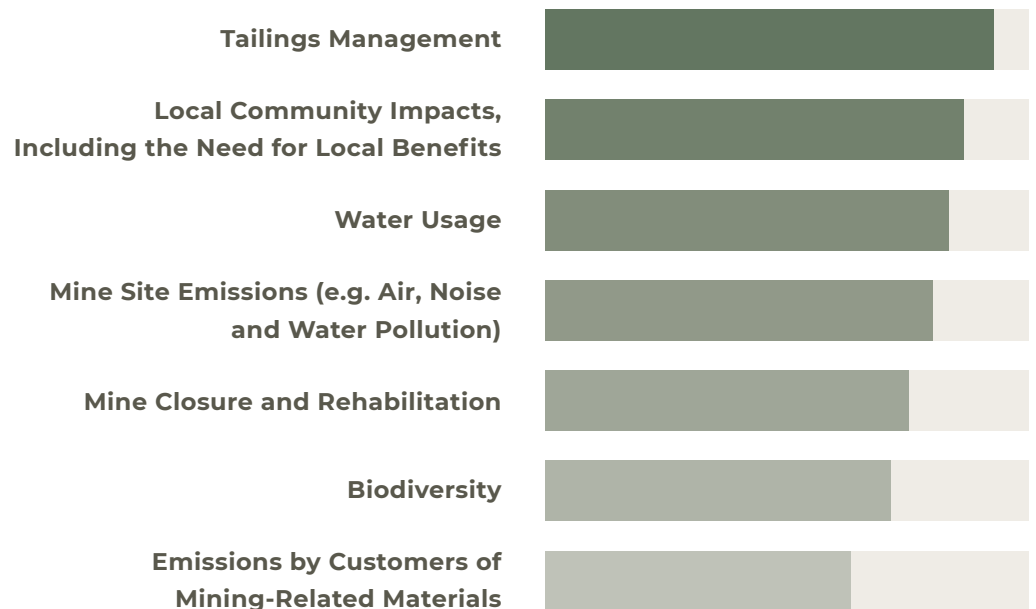
Innovative independent ESG accreditors like [Digbee](#) can help set a global standard for mining companies to implement and adhere to. With such guidance available and evolving in real-time, mining should be able to quickly see opportunities for ESG innovation and address potential risks.

3.4 ESG AREAS IN MINING THAT INVESTORS WILL SCRUTINISE MORE CLOSELY OVER THE NEXT 12 MONTHS

Knowing that investors are a key driving force behind the industry's rapid ESG transformation, we asked *respondents which areas of mining they believe will face the greatest scrutiny from investors over the next 12 months.*

Unsurprisingly, tailings management was identified as most important, followed closely by local community impacts, including the need for local benefits, water usage, mine site emissions, and mine closure and rehabilitation.

In comparison, biodiversity and emissions by customers of mining-related materials will receive less scrutiny from investors.



The emphasis on local community impact shows that social issues are now weighted as important as environmental concerns: a substantial change from past priorities.

3.5 THE FUTURE OF ESG IN MINING

So what changes can we look forward to in the future?

With society and investors demanding greater visibility into the impact of mining organisations' ESG efforts, there's less chance for greenwashing.

Prioritising environmental, social, and governance issues will shift the industry's negative public opinion from that of a necessary evil to a vital change-maker.

Communicating this in an efficient and credible manner through 3rd party assessments can leverage the impact being made throughout society. Further, ensuring accurate and bottom-up data is collected and shared will improve confidence in the sector as stakeholders increasingly prioritise ESG. The Digbee ESG solution was designed with leading financial stakeholders to ensure a sector-specific solution was in place to improve transparent disclosure and encourage positive impact while providing a communication platform to all stakeholders.

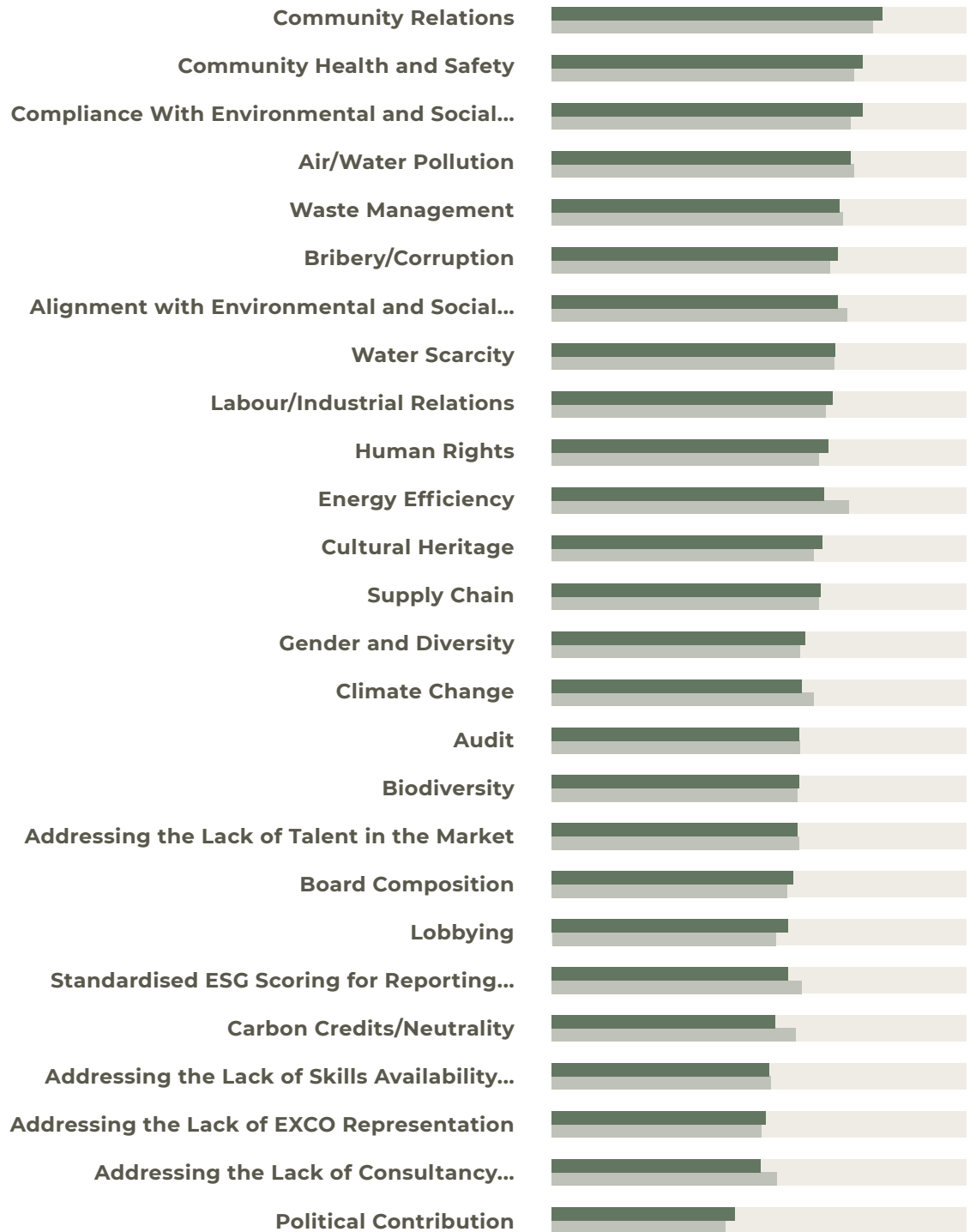
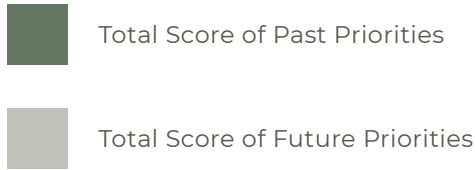
But rapid innovation requires new ways of thinking. It's why the industry is constantly on the lookout for new talent within the ESG field — particularly leaders in communications, law and finance as opposed to technical mining. These individuals bring a unique perspective to mining challenges and could be the catalyst needed for driving measurable change.

Based on respondents' feedback, we know that for the next 24 months, mining will be prioritising community relations, health and safety, human rights, and cultural heritage. Confirming that mining firms have adjusted their ESG strategy to focus on creating long-lasting impact in each standalone area of "E", "S", and "G" instead of just environmental.

With a move towards more energy-efficient mine sites, the mines of the future will look very different to those of the past. They are more likely to be smaller, safer, and technologically advanced.

03

ESG: PAST VS. FUTURE



FINDING ESG TALENT

Accelerating ESG's impact within mining organisations comes down to the people tasked with driving this transition. We wanted to know how mining firms have attracted ESG talent in the past and whether there are better ways of placing culturally fit people.

50%

of respondents said hiring for ESG was a priority.

Our research indicates that

up to 80%

of company hires are based on subjectively assessing people's skills, career experience, and a CV alone. Yet

up to 80%

leave their jobs due to culture fit.

At a time when corporate ESG strategies can make or break mining firms, finding the fit people to champion environmental, social, and governance matters is crucial.

How has your company attracted ESG-related talent in the last year?

Our findings revealed that most companies had attracted ESG talent through Communications, Adverts, and Direct Hire. This “traditional way” of recruiting poses several problems. By broadcasting a job ad, companies are often inundated with applications that aren’t suited to the role. And sifting through these applications takes time you probably can’t spare.

Unsurprisingly, many companies still use generalist recruiters or agencies to assist in their ESG search, but are they employing the services of a specialised recruitment and executive search firm?

With ESG clearly becoming not only critical but a binary requirement for any company to operate or raise capital, it’s interesting that many respondents noted that hiring for ESG was not a recruitment priority. Many would leverage personal and professional networks to identify ESG candidates, but how can they be sure of success or achieving a culture fit with the organisation in an increasingly candidate-driven market?

Some respondents admitted they’ve experienced difficulty attracting and hiring top ESG talent. It may be that mining firms need to look to other industries when searching for environmental, social, and governance champions.

Why is it so important to find the right people?

It's about fit and longevity.

“(Mining) is experiencing a real and irreversible acceleration of ESG...and the pace of change and rate of acceleration of expectations is increasing.”

– *Global Mining Sustainability Executive*

Hiring inexperienced professionals to lead your ESG transformation is a high-risk strategy with a potentially disastrous outcome.

Consider a specialised recruitment partner with an extensive network and a trusted process.

At [Stratum](#), we help you build a strategic approach to hiring the right fit people. Having proactively interviewed and assessed thousands of leaders (across disciplines), we use our scientific and behavioural assessment tool to focus on achieving culture fit. It's why Stratum has a 96% year-one retention rate guaranteed with our proprietary TalentAssay™ process.

Our rigorous assessments, referencing, and post-placement engagement help reduce hiring risk, save time and dramatically increase ROI.

WHERE TO NOW?

The Mining Industry has a unique opportunity to set a new standard for ESG globally and be seen as a hero rather than a villain. But changing your impact starts by putting ESG issues at the centre of everything you do.

Without a solid ESG strategy, mining organisations will find it far more challenging to attract funding and buy-in from local communities. It's vital to future investment and customer sentiment. It's also important to governments, NGOs, regulators, and employees.

But where previously, firms focused primarily on environmental impact, shifting attention to social and governance issues is just as critical. In fact, mining firms need to give greater consideration to sustainable social practices.

How can they improve the lives of the local communities their sites impact long-term?

Many success stories in mining have a history of generating employment, building schools and giving community members access to medical care, clean drinking water and better waste management. Training and upskilling local workforces so they can migrate and find work more easily once the mining lifecycle is complete. It's about leaving communities better off, and that's something to aspire to.

“ESG is about caring. Caring for the environment, people, and local government rules and regulations.”

05

WHERE TO NOW?

But advancing sustainability requires the right people.

That's why creating a dedicated standalone ESG role should be a priority for all mining organisations regardless of whether they're a mining junior, mid-tier or major. Those choosing to promote an internal candidate to ESG manager should ensure they have access to independent expert consultants or further training.

And while they will be the figurehead for driving ESG transformation at your company, they cannot do it alone. Every member within your organisation needs to mobilise and take responsibility for improving environmental, social and governance matters.

So what are the next steps?

If you haven't yet, you need to finalise your ESG strategy and align with experts to implement and measure it. Identify potential ESG risks and opportunities, and act. Monitor the changes you've implemented, adjust where necessary and report your results. It's key to achieving your ESG credibility.

If you need help hiring an ESG specialist, manager or executive, speak to [Stratum](#). With over a decade's experience sourcing and placing leading mining professionals in critical roles, and a 96% year-one retention rate, you're in good hands.

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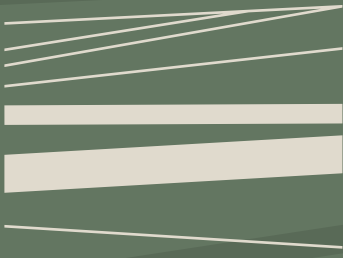


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