


# ESG:

## Beyond Environmental, Social and Governance Disclosure in Mining



Water samples are collected at the Key Lake uranium mine and mill in northern Saskatchewan, as part of the operation's environmental management system. – Photo courtesy of Cameco Corporation.

*The* past decade has seen the rise of environmental, social and governance (ESG) disclosure and regulations in securities around the world. For the mining industry globally and right here in Saskatchewan, it has meant increased focus on ESG factors, their inherent risks and the application of best practices.

Indeed, today's investors, and the general public, expect mining companies to not only operate ethically and sustainably, but also to ensure they do everything in their power to mitigate potential environmental impacts on water, soil, land and greenhouse gas emissions. They also expect companies to protect the safety of employees, contractors and the broader community, while emphasizing local employment and procurement, and respecting Indigenous rights through a reconciliation approach. All of this has led to the development of ESG disclosure in the mining sector.

"Good ESG risk management starts with strong governance. Investors are looking

for companies that have established robust policies, procedures and practices related to material environmental, social and governance risks," says Aaron White, Vice President, Sustainable Investments for CIBC Asset Management.

In securities markets, ESG analysis is rapidly becoming a substantial decision factor for investors. "This increasingly pressures investment firms to develop more robust analysis of ESG factors and will further pressure companies that are laggards in ESG risk management and reporting. The evolution of ESG analysis has also led to an increase in investment products that are catered towards sustainable outcomes. This has real implications for the cost of capital for mining companies as ESG performance will have a direct impact versus their peers," adds White.

In Saskatchewan, many mining companies were early adopters of ESG risk management and reporting. Uranium miner Cameco, for example, issued its first

"sustainability report" in 2012. Cameco used the Global Reporting Initiative's Sustainability Framework (GRI) to incorporate globally recognized key indicators, in addition to some unique corporate indicators, to measure and report their performance on environmental, social and economic impacts.

"Cameco's commitment to sustainability starts at the top," says Jeff Hryhoriw, Director Government Relations & Communications at Cameco. "Our board of directors is responsible for overseeing management, strategy and the integration of sustainability and ESG principles throughout the company. ESG governance, risk oversight and disclosure are therefore regular topics of discussion at board and committee meetings. The board oversees annual corporate objective setting and approves incentive compensation for senior executives – all of which are based on performance against our four measures of success: a safe, healthy and rewarding workplace, a clean environment, supportive communities and outstanding financial performance."

Similarly, potash giant Nutrien has integrated ESG from the board of directors level all the way through to business unit operations at the employees' level. This year, Nutrien released its Feeding the Future Plan, which outlines its strategic sustainability commitments for the next ten years, with a focus on its ESG integration and targets. The company also released its second ESG report using several reporting frameworks, including the Sustainability Accounting Standards Board (SASB), the Task Force for Climate-Related Financial Disclosure (TCFD) and the GRI. These frameworks offer points of comparison with their peers and key performance metrics, some of which are geared specifically to the mining industry (e.g., tailings and waste management, employee safety, and engagement with Indigenous partners).



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– TODD COAKWELL, SENIOR DIRECTOR,  
SUSTAINABILITY AND ESG, NUTRIEN

“We are seeing about three or four times more questions from shareholders related to ESG compared to typical shareholder questions. We have had to incorporate new information into our annual reports, presentations, press releases and quarterly conference calls to address ESG matters. It has been an opportunity to shine a light on many of our company’s positive actions in this area,” notes Todd Coakwell, Senior Director, Sustainability and ESG at Nutrien. “ESG has become fully integrated into our daily operations and corporate decisions, and it is now part of our capital allocation strategy. We aim to improve upon our ESG targets and performance reporting going forward,” adds Coakwell.

Climate change is among the ESG hot topics. “Climate is increasingly becoming a concern for investors, with increased scrutiny from stakeholders and policy makers,” White says. “Mining companies are now working on and publishing climate & sustainability targets to reduce their carbon footprint and environmental impacts, with a clear focus on reducing absolute greenhouse gas emissions and intensity and achieving a net zero carbon within the next 20 to 30 years.”

In addition to the focus on climate, White indicates that “a strong social license is required for any mining operation in any jurisdiction of the world, and this includes prioritizing local employment at all levels

of the organization, ensuring robust local procurement processes, and establishing protocols for effective community investment programs.”

For Saskatchewan’s publicly traded mining companies, the importance of a strong social licence can be demonstrated by benefit agreements with local communities. Cameco, for example, has four collaboration agreements and one participation agreement encompassing 13 First Nations, in municipalities and Métis locals across northern Saskatchewan. It also has a memorandum of understanding with the Mississauga First Nation near its Blind River Refinery in Ontario. In these agreements, Cameco focuses on five key areas that reflect the stated needs of Indigenous and local communities – workforce development, business development, community engagement, community investment and environmental stewardship.

“Strengthening longstanding relationships and shaping them into mutually beneficial partnerships is the goal of these agreements. Working together for the benefit of all, while considering the communities’ unique needs and being accountable, that’s really the ultimate goal of today’s ESG focus,” concludes Hryhoriw. 🌱

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**SASKATOON**  
374 Third Avenue South  
Saskatoon SK S7K 1M5  
(306) 653-2000

**REGINA**  
800 - 1801 Hamilton Street  
Regina, SK S4P 4B4  
(306) 565-6500

[mckercher.ca](http://mckercher.ca)