

PRESSURE FROM ALL SIDES FOR MINES TO MANAGE E&S RISK

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As the scope for renewed mineral exploration in Africa broadens in light of mining's recent global recovery, it is more vital than ever that miners and explorers address their environmental and social (E&S) risks with international standards and operational integration in mind.

According to SRK Consulting partner and principal environmental consultant Darryll Kilian, the mining sector has come a long way in how it understands and addresses E&S issues; in addition to tighter legislation in most countries, there is also considerable pressure coming from banks and lenders.

"Among the key frameworks guiding the sector are the Equator Principles, which have been adopted by over 90 financial institutions in 37 countries," said Kilian. "This means that E&S considerations are high on the agenda in relation to most of the world's project finance debt within developed and emerging markets."

Currently 92 Equator Principles Financial Institutions (EPFIs) in 37 countries have officially adopted the EPs, covering the majority of international project finance debt within developed and emerging markets.

This is a clear indication of the growing impact of poor E&S risk management on the sustainability of mining initiatives – with significant projects being disrupted or even halted in recent years by protests arising from environmental concerns or social opposition. Key to effective intervention on this front is an integrated range of in-depth technical studies – and fit-for-purpose solutions – related to environmental risk areas such as water quality, dust control and biodiversity.

Increasingly important, he added, was a concerted and well-resourced process of community engagement, to adequately study and address the economic and other impacts that a mine would have on its surrounding communities.

"In most parts of Africa, mines are generally established in remote, rural areas which are in many cases economically impoverished," said Kilian. "In these situations, a mine usually becomes an island of prosperity in a sea of relative

poverty; this complicates the mine's relationship with local stakeholders enormously, and needs careful and professional management starting well before the opening of the operation."

He acknowledged that while awareness and policies in the sector had improved considerably, there were still challenges in implementing the right strategies on the ground. "It is clearly easier for larger mining companies – with deeper pockets and a greater depth of in-house skills and experience – to comply with international E&S standards," he said, "whereas smaller firms often struggle to meet the demands on their finances and expertise that these standards – as well as local legislation – place on them."

But he also pointed out that a common issue across the board was a disjuncture between fine-sounding corporate policy at the top level, and the actual ability and resources to implement risk-management strategies at the operational level. In addition, the detailed decisions taken at corporate level are not always communicated well and regularly throughout an organisation.

He explained that many companies still worked in silos, with a focus on the legal approach to compliance: doing the minimum required to comply with in-country environmental laws. The problem with this mentality was that the company aimed only to achieve its positive record of decision and other environmental licences, and was then content with that result.

"Mining companies who take this approach do not fully appreciate the importance of the social licence to operate – which demands measures beyond pure compliance, and relies on robust stakeholder relationships built on a philosophy of shared value," he said.

He highlighted that E&S management had previously suffered from being conducted in an ad-hoc fashion, with these responsibilities being delegated to an operational unit that was often under-resourced. This was changing, however, as many companies came to

realise the value of integrating their E&S strategies with their overall strategic direction. ■

