

Summary

About the Report

Sustainability Reporting in the Mining Sector: Current Status and Future Trends was published by UNEP in September 2020 with the support of the Group of Friends of Paragraph 47, a consortium of governments promoting effective corporate sustainability reporting. The report was funded by the Federal Office for the Environment of Switzerland and benefitted from contributions and insights from various organizations and governments.

The report provides a comprehensive overview of the status of sustainability reporting in the mining sector, including a focus on transparency and reporting in the mineral supply chain. Through recommendations and inspiring examples, the report supports and guides governments in enhancing sustainability reporting of mining companies. In particular, the report supports governments in their efforts concerning Sustainable Development Goal (SDG) 12 on Responsible Consumption and Production and the implementation and follow up of the resolution on Mineral Resource Governance of the fourth session of UN Environmental Assembly in March 2019.

Key Conclusions

The world needs increasing amounts of metals and minerals to support its growing population and the increasing production of renewable energy to meet the urgent global challenges of climate change. Amidst this growing demand, **there has been pressure on mining companies to enhance their economic value contribution to local communities while also improving the management of their environmental and social impacts.**

The urge for greater and more meaningful reporting of the mining sector's sustainability impacts comes from a variety of sources, notably communities affected by mining activities, and investors that increasingly value ESG (Environmental, Social and Governance) factors. Currently, sustainability reporting of mining companies is largely conducted at the corporate level, and not on the specific mining activities. **An increased focus on mine-site level reporting is an essential factor in enhancing the quality and relevance of sustainability reporting of mining companies for their stakeholders.**

The Sustainable Development Goals (SDGs) have emerged as an important element in encouraging sustainability efforts of mining companies. To date, mining companies have taken a selective and relatively shallow approach to integrating the SDGs into their sustainability strategies and reporting. Although official reporting on the SDGs is in the hands of governments, **it is imperative that governments work with mining companies to gain a clearer understanding of how to scale up progress towards achieving SDG targets of national and local priorities.**

The proliferation of sustainability reporting initiatives and lack of harmonization, have contributed to confusion amongst mining companies and their stakeholders. In addition, the lack of national regulation on sustainability reporting for the sector may have played a role in the perceived inadequacy of reporting efforts. **There have been some recent developments that provide hope for strengthened sustainability disclosures of the sector.** These include disclosure at the mine-site level and third-party verification requirements in the updated Principles of the International Council of Mining and Metals.

Local procurement is emerging as an area where mining companies, communities and governments can find mutual benefits, and where transparency through reporting is essential to mitigate risks (for example risk related to corruption). **Governments have a key role to play in encouraging local procurement practices of the mining sector,** and help the sector and affected communities to be better prepared and resilient to meet potential future health crisis that may impact or halt mining operations, as has been the case with COVID-19.

There has been growing public awareness of the human and environmental costs of metals and minerals used in consumer products. But many challenges still exist to gain visibility on the origin and sustainability impacts of minerals and metals along the mineral supply chain. **The increasing focus on responsible mineral sourcing is an important element of enhancing progress on SDG 12 on Responsible Consumption and Production** and is pushing mining companies to show that they operate in an environmentally and socially responsible way.

Although research has shown that government regulation is a key factor in improving sustainability performance and transparency of the mining sector, governments have generally not been proactive in developing specific policies and initiatives for the sector. **There is an important opportunity for governments to play a stronger role in providing the necessary direction and national context for sustainability reporting of the mining sector** and more widely in helping the sector in defining how to assess its sustainability in the national and local context.

Examples of countries that have taken concrete steps towards enhancing the sustainability management and transparency of the mining sector include South Africa and Canada. The two countries have taken widely different approaches, reflecting their respective international and national contexts.



Recommendations

Recommendations for the international community and governments

- **It is recommended that governments play a more active role in guiding and/or directing the mining sector in determining what aspects to focus on in their sustainability management and reporting at the mine-site level,** to better meet the needs of local communities, investors and other stakeholders. As follow-up to the UNEA-4 resolution on Mineral Resource Governance, the international community, including UNEA/UNEP, could support governments in this process.
- **In framing policies and strategies for the approval of mining projects, governments should, at the outset, integrate a review of environmental and social impacts alongside economic factors.** Having a clearer understanding of the perceived positive and negative impacts of the project, with associated action plans, will provide for a better understanding of the key areas that would need specific management and should be highlighted in the mining company's sustainability reporting. The international community could support countries in that endeavor.
- **Governments should play a role in enhancing the link between the outcomes of Environmental Impact Assessments (EIAs) and the eventual disclosure requirements of mining companies for their environmental and social performance.** This link may be advanced through encouragement of sustainability disclosures at the mine site (project) level. The enhanced connection between EIAs and sustainability reporting would also benefit from a strengthened connection with national environmental, social and economic priorities related to sustainable development and the SDGs at the national level.

- In line with the implementation of national action plans and reporting on the SDGs, **governments are encouraged to communicate to mining companies the key environmental and social issues that relate to the SDGs, and other key environmental and social issues, at the national level.** Governments could, eventually provide reporting guidance on what Key Performance Indicators should, at a minimum, be included in the reporting of mining companies.
- **Governments should engage with the mining sector to provide the national environmental, social and economic context for mining projects, including in the context of the SDGs.** Depending on the national context, this engagement could include communicating relevant data (e.g. on water quality and availability), using open data principles, that mining companies can integrate into their sustainability strategy, management, and reporting. An active engagement between governments and the mining sector is also encouraged for the development and implementation of action plans for the SDGs.
- **For countries where the trading of minerals and metals is an important sector, governments are encouraged to engage in enhancing the transparency of the trading of minerals and metals.** This recommendation relates both to transparency of the financial aspects of trading as well as increased transparency of the origin of minerals and metals in the context of responsible mineral sourcing. In defining actions in this area governments are encouraged to refer to the relevant work of the Extractive Industries Transparency Initiative.
- In order to enhance the quality and reliability of sustainability disclosures of mining companies, **governments should encourage or mandate third-party verification (assurance) of sustainability reporting of mining companies, at the mine-site level.** In this respect, governments can consider referring to Initiative for Responsible Mining Assurance (IRMA)'s mine-site focused multi-stakeholder standard, which offers independent third-party verification and certification for industrial-scale mining and promote IRMA certification of the mines operating in their countries.
- It is recommended that the international community, including UNEP, engage in a discussion with governments on how to move towards more coherent and harmonized Voluntary Standard Initiatives (VSIs) to enhance their effectiveness in achieving responsible mineral sourcing. Following these discussions **governments are encouraged to explore the impacts of VSIs operating in their jurisdictions and how VSIs could eventually be used to complement, or integrate, into relevant regulations.** Governments could also explore whether VSIs could be used as platforms for engagement with businesses on topics where the technical expertise of the VSI would be of value.

Other recommendations

- In terms of their sustainability reporting, mining companies may opt for reporting both at the local and global level to meet the information needs of their different stakeholders. However, sustainability disclosure data at the mine-site level should at least be available for the communities affected by the mining project and other relevant stakeholders.
- Mining companies should explore the use of modern technology for real-time monitoring of environmental and health and safety data and adapt their communication to stakeholders accordingly.
- Mining companies are encouraged to report granularly on their environmental and social impacts at the mine-site level, taking into account the needs of the affected communities, and obtain independent third-party verification of the reported data.
- In the upcoming creation of a new Global Reporting Initiative (GRI) Standard for the mining sector, GRI is advised to direct their reporting guidance for mining companies to the mine-site level, eventually in addition to the corporate level.
- Given the lack of a global understanding of what can be considered as environmentally and socially sustainable mining operations, it is recommended that interested international organizations explore the development of a holistic sustainability assessment standard with Key Performance Indicators and alignment with the SDGs for the large-scale industrial mining sector, in collaboration with governments, the mining sector and other relevant stakeholders.

Key Messages

- The management of environmental and social aspects, and sustainability reporting of mining companies is currently not meeting the expectations of interested stakeholders, notably communities affected by mining operations and investors.
- In general, governments have not specifically targeted sustainability reporting of mining sector but the sector often falls under wider policies, including regulations that address sustainability reporting of large or publicly listed companies. Governments that have taken concrete steps to address the sustainability and associated reporting of the sector include South Africa and Canada.
- Governments have an important role to play in enhancing the sustainability reporting of mining companies operating in their jurisdictions, such as through policies or guidance on what environmental and social aspects are most important in the local and national context and support the attainment of the Sustainable Development Goals (SDGs).
- The COVID-19 pandemic is disproportionately affecting vulnerable communities, including around mining operations and disrupting supply chains. Mining companies can support the economies of affected communities such as through local procurement (supports SDG 8), which can also be beneficial in a situation such as COVID-19 that puts limits on the effectiveness of international supply chains.
- Mining companies and governments can consider modern technologies available for real time monitoring of social and environmental impacts of mining operations. This can help in transferring information from mining companies to the government, such as for SDG reporting, but also to other stakeholders such as local communities. Open Data Principles are an emerging tool for governments to adopt for enhancing and streamlining the sharing of information.
- There is increased focus on the environmental and social impacts of the wider mineral supply chain, including the operations of trading companies. Several Voluntary Sustainability Initiatives (VSIs) have been formed to enhance the sustainability and transparency of the different actors of the mineral supply chain. Governments can consider using VSIs when designing relevant policies in this area.
- Sustainability reporting of mining companies needs to further integrate the SDGs. Governments have an important role to play to provide mining companies with the relevant information and data relating to national SDG priorities and actions plans, to inform and focus the mining companies' sustainability reporting.
- Governments can play a role in enhancing the link between Environmental (and social) Impact Assessment (EIAs) and the information reported in sustainability reporting of mining companies.
- When evaluating the feasibility of mining projects, governments should consider, in an integrated way, the economic, environmental and social impacts of mining projects. At present, economic factors are often considered separately and final decisions fail to adequately weigh in environmental and social aspects of a proposed mine.