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Tracking the trends 2022

Redefining mining

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Introduction

Redefining mining

What will successful mining and metals companies look like in a low-carbon, low-waste, purpose-driven future?

The beauty of this question is that there is no definitive answer. While the core objective of the mining industry remains unchanged going forward: to extract and provide metals and minerals to downstream sectors, many of the factors that have influenced how mining companies should look, feel, and act in the past, have shifted in recent years.

The way in which companies fulfil this mission is now open to interpretation. And today, there is a rare opportunity for leaders to reorganize, generate new value, and forge partnerships to create a more responsible and attractive future for the industry.

While some early movers saw the need for change coming 10, 15, even 20 years ago and have been redefining their organizations and operations accordingly, for many firms, the necessity for fundamental change only really hit home in 2020-21. The convergence of factors including the ongoing effects of the COVID-19 pandemic on the world of work, continued drive towards digitization, the growing need to integrate ESG commitments with central business functions, and the need to pivot in response to fast-moving business and operating environments, has opened many choices for companies.

Of course, the biggest underlying driver and opportunity for transformation lies in the green energy transition. The 2021 United Nations Climate Change Conference (COP26) held in Glasgow in November, highlighted the mining industry's integral role in supplying the metals and materials critical for a low-carbon future¹. The way in which mining companies position themselves today in preparation for this change, will determine their sustainability, and could make or break their competitive advantage over the next decade.

Change on this scale is undoubtedly daunting, which is why in this, its 14th year, Tracking the trends has focused on effecting transformation. The following 10 trends provide a toolkit to help mining companies start thinking through, and moving towards, their vision of future success.

In them, our global team of experts share insights and case studies designed to get ideas flowing. We explore how to evolve traditional mining and metals businesses through new business models, capital allocation, agile work practices, and data-driven technologies to create organizations fit for the 21st century; ones that can not only survive but profit from whatever the future might throw at them and leave a positive social impact in their wake.

The next decade will be one of the most exciting and transformative in the mining industry's history. We look forward to discussing the trends with you and supporting your company on its journey. Thank you for your ongoing support.

Endnote:

1. Judith Magyar, "COP26 Takeaways: Renewables Replace Fossil Fuels As Metals Become A Major Force", published 28 November 2021 <https://www.forbes.com/sites/sap/2021/11/29/cop26-takeaways-renewables-replace-fossil-fuels-as-metals-become-a-major-force/?sh=948a2f626763>, accessed 3 December 2021.



Trend 6

Establishing a new paradigm for Indigenous relations

Creating partnerships for progress

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Public interest around Indigenous rights and the types of relationships that corporate organizations forge with traditional landowners continues to grow. Mining companies are now under pressure from multiple angles to rethink their strategies and set the stage for future relationships that offer economic and social prosperity for all.

Today, it's clear that Indigenous communities around the world no longer want to be positioned as stakeholders in transactional-style relationships. They are keen to establish a new type of connection and understanding with all entities that participate in their environment, including mining companies, about responsibility for the landscape.

More than an ESG issue

It is this connection with the land that has seen Indigenous engagement lumped in with mining companies' environmental, social, and governance (ESG) agendas in recent years. While increased collaboration with Indigenous communities offers many opportunities in this respect, it's important to examine how a better underlying relationship could benefit all functions within mining companies, and how ESG strategies could better serve traditional landowners, too.

Issues such as decarbonization and natural-resource management, securing diverse talent, even leadership, are all subsets of how Indigenous peoples can help mining companies better relate to and fulfill their responsibilities as actors within a landscape.

Joe Hedger—Partner, Indigenous Services Group, Deloitte Australia, says, "What we are seeing now is Indigenous people standing up for themselves and wanting to take more agency in shaping the future of their nations. What that means is that the legal, economic and social relationship between Indigenous people and the rest of the nation is going to change dramatically."

Awareness of indigenous rights, particularly in relation to social license, has grown hugely in the past decade. Social license ties into investment, project risk, and the environmental component of project permitting, as well

as regulatory and legislative functions for mining project proposals in many jurisdictions.

Governments keen to sustain industry investment are slowly developing their processes and legislation to reflect the need for greater consultation and ownership by both parties. For example, in Canada, modern treaties are now being negotiated between First Nations and Crown Governments that cover a range of rights for Indigenous people with respect to land, water, and resource development.¹ There are also various legislative acts, both at the federal and provincial level, which incorporate principles from the United Nations Declaration on the Rights of Indigenous People Act.²

Progress through partnerships

Developments like these are positive steps toward a better future and, going forward, there is enormous potential for the mining industry to work collaboratively with Indigenous peoples in different countries to advance their business strategies and goals, particularly around critical mineral deposits. However, before this can happen, a new paradigm for Indigenous involvement in mining must be established. Where injustices have occurred, proper reconciliation must take place, and a new equitable foundation laid for future collaboration; one that is built upon communication, mutual trust, and respect. This will take time and investment, as well as a shift in governance.

Jason Rasevych—Partner, National Indigenous Services Leader, Deloitte Canada, says, "It is time for resource extractive industries to shift away from standard impact benefit agreements and move towards economic and equity partnership models that are focused on developing a long term relationship with Indigenous peoples. The future state of mining depends on corporate and government recognition of First Nations ancestral rights and inherent responsibilities as stewards of the land. We can also look at the many blueprints for success where First Nation rights holders have taken an ownership position in such projects. For example, in Canada, the Keeyask hydroelectric project was developed by Manitoba Hydro in partnership with four Cree Nations communities affected by the project who own 25% of the equity partnership."³

In South Africa's Rustenberg valley, the Bafokeng community has gone one step further. During the 1800s, the group placed some of its land into trusts. This undisputable ownership has enabled it to lease the mineral rights and claim ongoing royalties from platinum miners. These have been reinvested to establish a strong administration, civil service, and infrastructure for the region.⁴

Today, the nation's investments are managed through a wholly-owned investment company, Royal Bafokeng Holdings, which is the majority shareholder and manager of platinum mining and refining company, Royal Bafokeng Platinum.⁵

Cases like these provide tangible examples to governments, industry, investors, and Indigenous people of how a partnership approach could be successfully incorporated into future mining projects.

Push for greater inclusion in standards

Today, the adoption of ESG standards has become a basic requirement for most large companies and investment funds. Globally, ESG assets are on track to exceed US\$50 trillion by 2025, representing more than a third of the projected US\$140.5 trillion in total global assets under management.⁶

While their application should ensure best practice in social endeavors, many leading ESG standards like those established by the Global Reporting Initiative (GRI),⁷ or the Sustainability Accounting Standards Board (SASB),⁸ only contain minor references to Indigenous issues. Professor Deen Sanders OAM—Lead Partner, Integrity, Deloitte Australia, adds, “Currently applied ESG principles undermine the interests and concerns of Indigenous people. Working with Indigenous people on what's best

for the land and communities will help corporates, and the wider economies they operate in, to future proof profitability.”

Miners should consider lobbying for the evolution of these standards in cooperation with traditional landowners so that they better reflect the interests of both parties in a way that promotes and fosters reconciliation.

Aligning strategies and priorities for long-term growth

Most Indigenous communities are not anti-mining, they simply want to see it done in a way that respects their rights, honors their sacred connection to the land, and helps their own projects and communities to flourish.

When planning new projects, mining companies should look for opportunities that align with local communities' own goals and priorities. Where opportunities arise for a community to benefit from mining infrastructure, such as a road, rail line, or energy facility, discussions should happen as far in advance as possible to determine whether they are consistent with the community's aspirations and ensure the development won't compete with other interests.

To make projects truly sustainable, the planning process must incorporate the entire mine life cycle to ensure the site continues to represent value rather than a liability from a local community perspective after extraction finishes.

For this reason, it's important to establish overarching strategic ambitions for both parties from the start, as well as regular communication to ensure calibration on practical issues that are of immediate relevance to both the mining sector and communities who sit on the land.

Laying the foundations for mutual economic and social prosperity

- **Re-examine current ESG frameworks:** Current ESG frameworks have been developed to be easily auditable. While this is helpful from an audit or compliance perspective, it means they often don't adequately capture the importance of meaningful consultation.

To supplement standard metrics, companies could develop their own systems to record qualitative data such as the number and diversity of their Indigenous employees, whether they have Indigenous people on boards or committees, the number of Indigenous businesses that participate in their procurement and supply chains, and financial support or donations provided to Indigenous projects.

- **Develop templates that reduce risk and improve decision-making:** There are examples in Canada where First Nations are leading the permitting or regulatory process for major development projects or are involved with the environmental assessment. There are also examples in multiple jurisdictions where Indigenous communities are raising funds to increase their participation in a project or take ownership of enabling infrastructure. Mining companies should have a vested interest in building these types of relationships and encourage participation, as Indigenous insights could significantly improve the economic and environmental performance of mining projects.
- **Early engagement in a culturally appropriate manner:** Engagement with communities should begin as early on in a project as possible and continue throughout the project lifecycle. The investment required to establish a meaningful two-way dialogue is far less than that required for legal challenges, or to rebuild a relationship after litigation. Reputational costs should also be considered. Information should be provided to communities in a way that is culturally appropriate, and in their Indigenous language so that they can make informed decisions around consent.
- **Diverse governance:** Creating seats for Indigenous representatives on boards and in other positions of power within mining companies will give communities greater confidence in the purpose and direction of mining projects. It will also give them a central role in decision-making processes, including those related to mitigating environmental and social impacts.
- **Understand the need for different relationships and roles in different geographies:** While there is a global awakening underway around Indigenous issues, it is happening in different ways in different countries and regions. While there are some common themes, there is no universal blueprint for how community-mining company relationships and roles should be structured. Mining companies should therefore build flexibility into their planning, and come to discussions willing to listen, learn and act upon their findings.

Endnotes:

1. "Treaties and agreements," Government of Canada website, 2021 <https://www.rcaanc-cirnac.gc.ca/eng/1100100028574/1529354437231>, accessed 2 December 2021.
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