

# Pressure builds on mining companies stuck in compliance mode

With the recently released King IV report urging boards to focus on effective outcomes rather than ticking compliance boxes, technical experts at [SRK Consulting](#) point to growing demands on a number of fronts that will push mines to integrate their strategies toward broader sustainability.

## Stakeholder-inclusive



Andrew van Zyl

“Pressure from shareholders, governments, communities, financiers and non-governmental organisations are adding to the general difficulty of surviving the commodity price slump,” says SRK principal engineer, Andrew van Zyl. “This must doubtless lead to more effective ways of analysing project risk and implementing well-integrated responses.”

Within the guidance in the King IV report is a reminder to governing bodies that organisations should adopt a “stakeholder-inclusive” approach that balanced the needs, interests and expectations of stakeholders over time.

“Growing conflict with communities and NGOs, for instance, has investors wanting to better quantify environmental and social risks – as these affect not just profitability but key governance, legal and permitting requirements that can threaten the social licence to operate,” he says. “We also see confirmation in King IV that corporate governance needs to be characterised by an ethical culture, good performance, effective control and legitimacy.”

## Risk management approach



Darryll Kilian

Financiers are also becoming more demanding in terms of mines’ environmental and social impacts, and there was still much room for improvement at operation level on this front, according to SRK principal environmental scientist Darryll Kilian.

“Even though over 80 financial institutions are now signatories to the Equator Principles – which ensure that borrowers integrate environmental and social management into their decision-making – there remains a widespread tendency to go no further than meeting legal requirements,” he says.

The real benefit to mining companies would be achieved when they took a risk management approach to environmental and social issues over the life-of-mine, and built these into their core management systems.

## Mired at the compliance stage

He highlights one of the King IV report’s principles which says governing body should govern compliance not just with applicable laws but with adopted, non-binding rules, codes and standards – in a way that it supports the organisation being ethical and a good corporate citizen.

While major mining companies were usually more proactive in addressing their social licence to mine at a higher level, most companies were still mired at the compliance stage.

“Stakeholder engagement, for instance, is frequently treated in an ad hoc manner rather than as a strategic function – leaving the business exposed to a number of high-level risks,” he says.

The good news, though, is that new approaches and tools were constantly being developed to guide companies through the difficult terrain of modern business. Building on the "five capitals" approach, some of the world's largest corporations – including Coca-Cola, Dow, Nestle, Shell and Tata – have developed the Natural Capital Protocol to create new opportunities for value creation.

## Natural capital



Paul Jorgensen

SRK environmental scientist, Paul Jorgensen says that natural capital was the foundation of all economies and societies, encompassing and enabling the other four sustainable 'capitals': social, human, manufactured and financial.

"The protocol offers a standardising framework for organisations to identify, measure and value their impacts and dependencies on natural capital," says Jorgensen. "This helps business to practically focus on the natural capital inherent in the surrounding environments, allowing a closer integration of sustainability thinking into business missions and strategies."

While most mines are familiar with their impacts on the environment, most do not really appreciate how dependent their operations are upon the "services" this ecological infrastructure provides.

"By nurturing this natural capital with appropriate strategies, there is also more scope for them to benefit financially and lower the costs of their built infrastructure," he said.

"With regard to water, for instance, the traditional technical response to address on-site water risks is usually focused on building treatment plants. However, the options also included investing in and supporting wider catchment management strategies and initiatives to enhance the role of ecological infrastructure."

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