



ENVIRONMENTAL, SOCIAL AND GOVERNMENTAL FACTORS IN MINING INVESTMENT DECISION-MAKING

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Why?

- ESG as an important building block to promote corporate self-regulatory environment (Long-term Infrastructure Investors Association)
- Recognize governmental and global standards but seek to promote best practices
- Rationale – ESG can promote better rates of development and return over the long term
- “Summary of practices, standards and tools that long term investors apply today to realize better performance on environment, social and governance dimensions (ESG) and to sustain that performance over a long time”

While there are no universally agreed upon standards...

- ESG attempts to create consensus – development of a stable context for investment and development
- Incorporation of other broadly defined development frameworks and best practices – UN SDGs; ILO; UN – human rights;
- By addressing environmental, social and governance factors everyone knows what to expect over the long run
- Diffusion of community resistance, stability of investment contexts, creation of factors for success
- In general creates a corporate regulatory context that promotes best practices for success -

ENVIRONMENT

1. climate change *

2. energy efficiency *

3. energy security *

4. energy infrastructure *

5. Pollution *

6. Biodiversity *

7. resource and depletion *

8. water scarcity

9. water infrastructure*

10. land resources*

11. agriculture and food*

12. transport infrastructure*

SOCIAL

1. demographic – life*
2. demographic –dynamic*
3. economic inequality*
4. gender inequality*
5. employment*
6. labour and social protection*n
7. education*
8. innovation and human capacity*
9. health issues*
10. health infrastructure*
11. vulnerability*
12. Lifestyle risks*

GOVERNANCE

1. democratic life*

2. **political stability***

3. corruption

4. political effectiveness*

5. **security***

6. **financial stability***

7. rent dependency*

8. business rights*

9. **economic attractiveness***

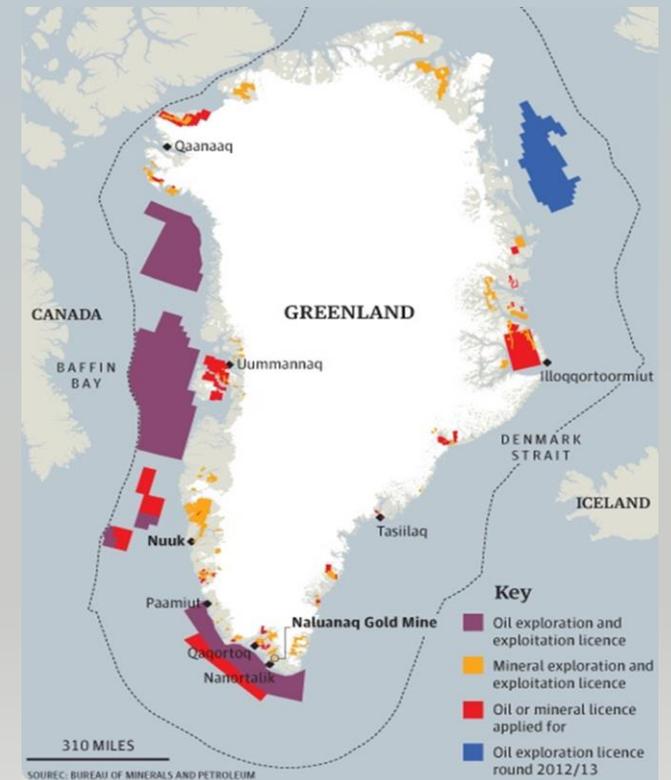
10. **economic openness***

11. **economic investment***

12. industrial strength

Relevance of ESGs to long-term investment in Greenland's extractive industries

- Greenland gained autonomy over its mineral resource policy from Denmark in a 2009 referendum
- Subsequent pace of mining sector development encounters a number of ESG factors unique to Arctic states and to Greenland in particular
 - environment –climate change (ice sheet melting)
 - social - employment and economy (education, demography/ diversity)
 - political climate and community support (uranium ban to 2013)
 - broader international geopolitical, IR and investment considerations (US, China)
 - corporate governance - investment opportunities and corporate strategies, finance and investment goals (Greenlandic plus)



Greenland has sought to encourage extractive practices that are consistent with well-regulated best practices...

- Greenlandic regulations, for example, require foreign companies to create Greenlandic subsidiaries (Corporate Governance - disputes and regulatory issues then fall under Greenlandic and Danish jurisdictions)
- Mines must have a bond in place to cover cleanup costs in the future should companies go bankrupt (Environment)
- Before a project goes into production, companies must sign an Impact and Benefit Agreement (IBA) with the Greenlandic government and the municipality of the mining site in question. This arrangement determines how much of the workforce should be sourced locally (Social)

Overall, for Greenland, extractive industries create an opportunity to diversify a fairly narrow economic base...

- Currently, the Greenlandic government has implemented a regulatory framework that seeks to see jobs remain in communities, a mining sector that has strong Greenlandic corporate roots, and is mindful of local environments
- Provided that the multiplier effects of mining sector development accrue *at local as well as global level* (royalty agreements)
- government investment in an engineering and “Arctic technology” university program in Sisimiut to help prepare a workforce for the future
- Science and innovation addressed at post-secondary level

ESG...A two-way street

- ESG best practices ensure a match between Greenland's desire for greater levels of investment and development, investor's desire for long term investment returns and a risk adverse environment – consistent with special conditions of long term infrastructure investment



To date.....

- In general, companies have chosen to meet broad ESG considerations, and in doing so have successfully navigated community concerns and gained political support
- IBAs, employment agreements, royalty arrangements, environmental mitigation



ESG – potential to resolve problems of community benefits, employment and education, to create a stable, rules-based climate in Greenland

- Problem-projects should be carried out responsibly and in a way that maximizes benefits to Greenlanders - met by communities that have ready and skilled workers
- Rules about local job creation embedded in regulatory framework than benefit Greenlanders, new post-secondary education opportunities, opportunity for investment
- Overall need for ESGs and strong leadership using ESG practices – recognition of broad array of impacts and need for a strategic plan to address them
- It is a two-way street