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## GMS: Rise of ESG comes with risks and opportunities for miners



The Q1 2022 Global Mining Symposium's ESG Thought Leadership Panel, with (clockwise from top left) Ani Markova from Onyen Corp., Jamie Horvat from Oberon Capital and Clean Air Metals' Abraham Drost. THE NORTHERN MINER

BY DANIEL SEKULICH

**E**nvironmental, social and governance (ESG) reporting has become more important in the mining industry, especially as companies seek fresh capital for projects, and as investors start to scrutinize ESG disclosures.

A Thought Leadership panel at The Northern Miner's Q1 2022 Global Mining Symposium in late February explored the issues. Moderator Ani Markova, co-founder of Onyen Corp., began the discussion by pointing out that fund managers increasingly have a responsibility to disclose how they are using ESG information in the context

of investment decisions. This will become even more important, she said, because "very soon, we will have a mandatory [requirement] related to disclosures imposed by Canadian regulators for all public companies."

Jamie Horvat, chief investment officer of Oberon Capital Corp., a capital markets company that focuses on structuring and arranging charity flow through financing for mining companies, said ESG factors are important aspects in planning investment strategies. From his perspective, looking at core values in depth and holding people accountable for their actions can create a positive investment environment that is both sustainable

and beneficial to investors.

Horvat's experience dealing with flow-through financing for juniors has also given him insight into the risks and opportunities that can be affected by ESG disclosures. One observation he made is the way ESG issues have come to be self-policed by the mining and financial sectors, owing to changes in governmental oversight, such as environmental protection.

"In the past we used to have environmental factors largely the responsibility of governments," Horvat said. "But as governments have seen their debts and tax dollars really stretched, you're seeing these environmental regulations being pushed out

## GMS: RISE OF ESG COMES WITH RISKS AND OPPORTUNITIES FOR MINERS, continued



The core shack at the Thunder Bay North PGE-copper-nickel project in Ontario. CLEAN AIR METALS

to consultants, and then it's being pushed down to the companies and the boards and the investors to monitor their environmental footprint and the impacts."

Horvat believes this is a positive process, as more investors are looking in greater detail at how mining companies operate. In his opinion, this brings more 'eyeballs' to such aspects of mining as "education, training, local benefits, diversity, inclusion partnership with locals," which, in turn, enhances a company's social licence and increases its appeal for investors.

"If you have a positive strategy, and you're setting your goals, you can use these ESG factors to set your long-term goals within your organization. So, they're creating clear and accountable reporting lines and structure," he said.

Abraham Drost, CEO of **Clean Air Metals** (TSXV: AIR), a platinum and palladium exploration company, talked about how he has become more aware of the importance of ESG reporting for the industry. It is something the mining executive said he understands is a hot button issue in the media, but one that is also crucial to the industry's future. Drost believes being cognizant of the level of risk involved with projects in an open, transparent manner is critical for any business model.

"Let's face it, we're in the mining business," he told the GMS audience. "At the end of the day what we do will have an impact, pure and simple. So how can we ultimately ensure that our footprint is minimized? And that our long-term impact on the environment and the stakeholder groups — First Nations, Métis — are kept to a minimum? And how do we actually design our project in such a way that we maximize the benefits to our

stakeholders of the operation?"

According to Drost, Clean Air has created a 'driving force' for its ESG reporting. He said this was established early at the non-income generating exploration stage of their projects, creating a baseline that could show active and ongoing progress as the company moved through to the development cycle and then into production.

While Drost agreed with Horvat that governments no longer want to be solely responsible for policing the industry, he emphasized the need for the mining sector to become more active in managing their ESG reporting, and to look at the small details that make up a project.

"That's all being pushed down further now, to board management and investor level, which is ultimately their responsibility. And hence, you need that granularity," Drost said. "If you're not providing that granularity, you're just not going to get allocated the capital at all. Plain and simple."

Oberon's Horvat noted that, ultimately, it is up to investors to look at all the information available as they make their financial decisions.

"Investors have to make a choice as well and they have to think about what's important to them," he said.

They also need to decide whether they want to be 'active' or 'passive' investors.

"Do I want to be a passive investor and go with these large index ETF-type of firms? Or do I want to take a hands-on approach and invest for myself with purpose and really focus on sustainable investing and that social licence and that whole ESG aspect. We can't forget that investors have that choice about whether they want to be engaged or not." <sup>TNM</sup>