

# UNFC–2009 E AXIS INTRODUCTION TO ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

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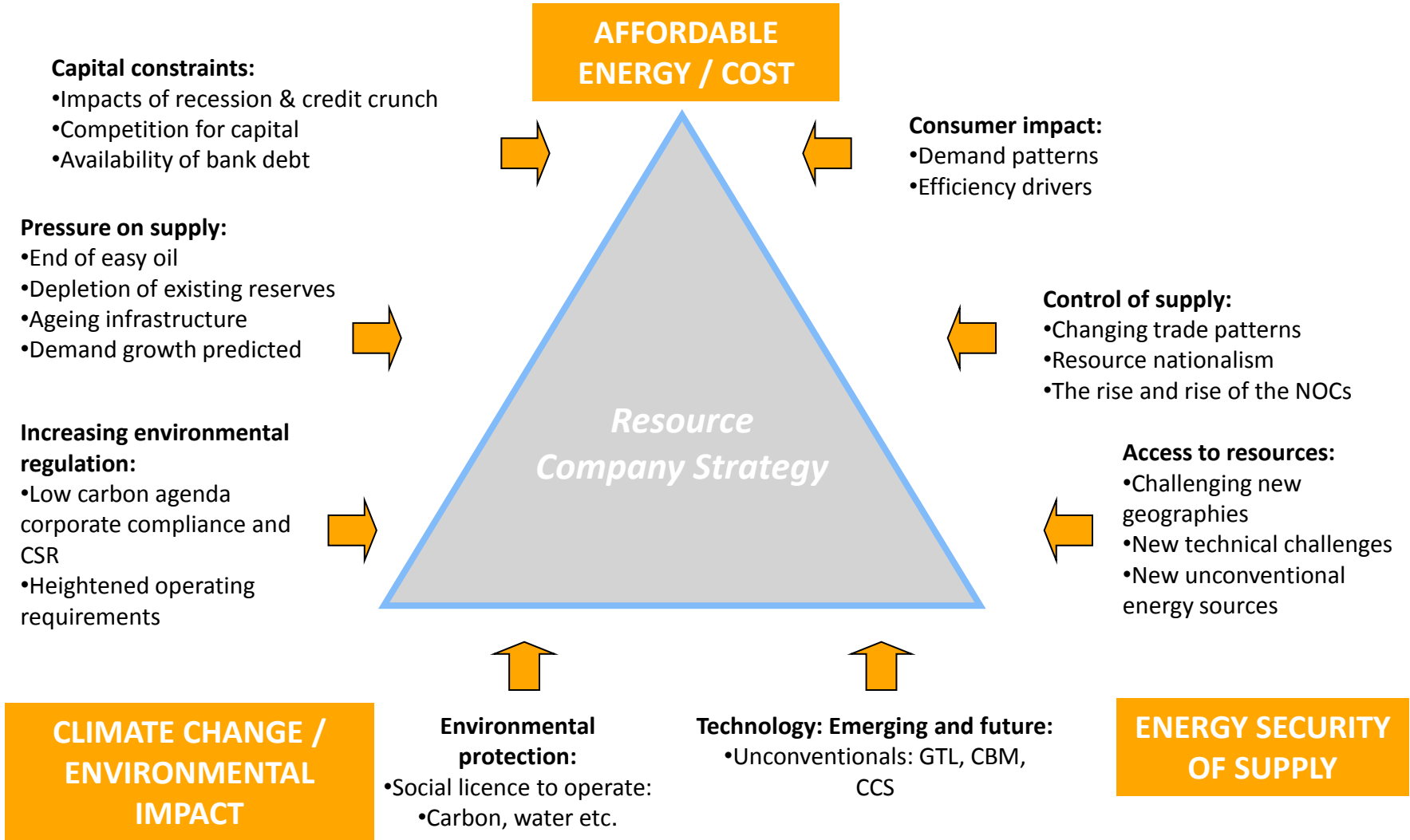
EGRC 5<sup>th</sup> Session, Geneva, 28 April to 2 May 2014

- E1 – Extraction and sale has been confirmed to be economically viable
- E2 – Extraction and sale is expected to become economically viable in the foreseeable future
- E3 – Extraction and sale is not expected to become economically viable in the foreseeable future or evaluation is at too early a stage to determine economic viability

The phrase “economically viable” encompasses economic (in the narrow sense) plus other relevant “market conditions”, and includes consideration of prices, costs, legal/fiscal framework, environmental, social and all other non-technical factors that could directly impact the viability of a development project.

- UNFC – 2009 is designed to take account of the importance of environmental and social issues in the context of resource extraction.
- In classifying estimated quantities.....the E-axis categories are explicitly defined to include both environmental and social issues that may be relevant to the commercial viability of such a venture.....

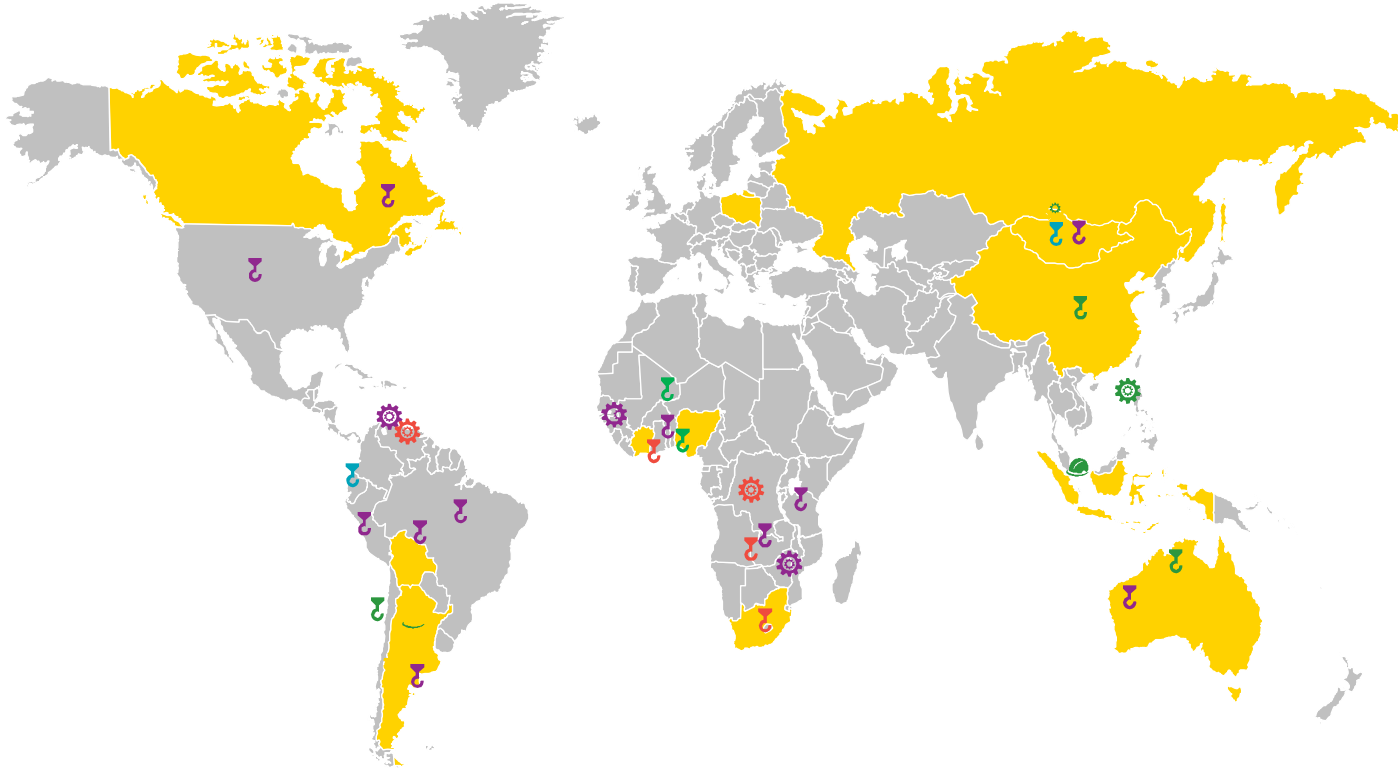
- In particular, .....all known environmental or social impediments or barriers to the project during its entire life cycle is recognized as an integral part of the project assessment
- The presence of environmental or social impediments can prevent a project from proceeding or it can lead to the suspension or termination of activities in an existing operation





↑ Up from 2012    ↓ Down from 2012    – Same as 2012    \* New entry

# Resource nationalism spreads across the globe 2008 - 12



### Type of resource nationalism

- Beneficiation
- Government ownership
- Taxes/royalties

### Colour reflects year

- 2008
- 2009
- 2010
- 2011
- 2012**

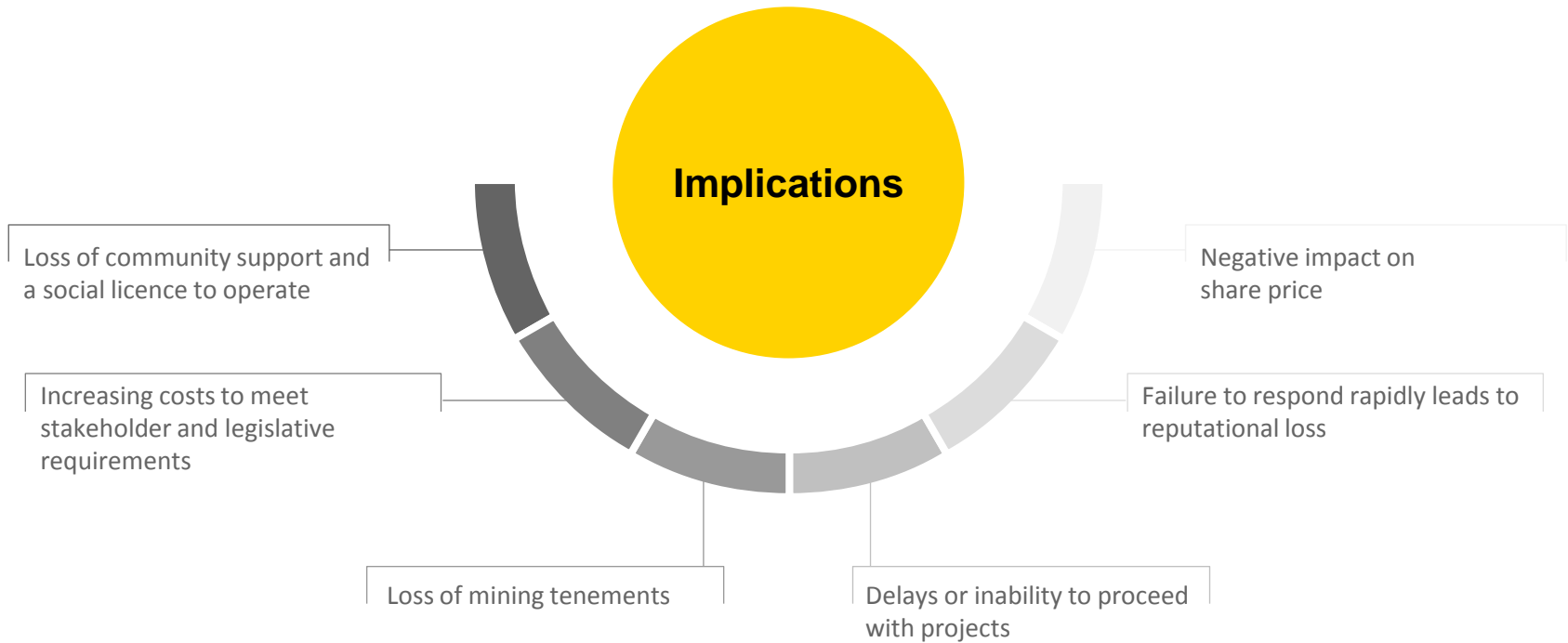
*Includes proposed changes*



- Focus on relationships with all stakeholders
- Never too early to start
- NGOs are tapping into community concerns over issues
- Stakeholders increasingly sophisticated
- Pro-activity with planning so prepared to deal with new issues
- How can mining companies better communicate how they add value?

***“Social concerns about impacts are beginning to lead to increased regulation”***

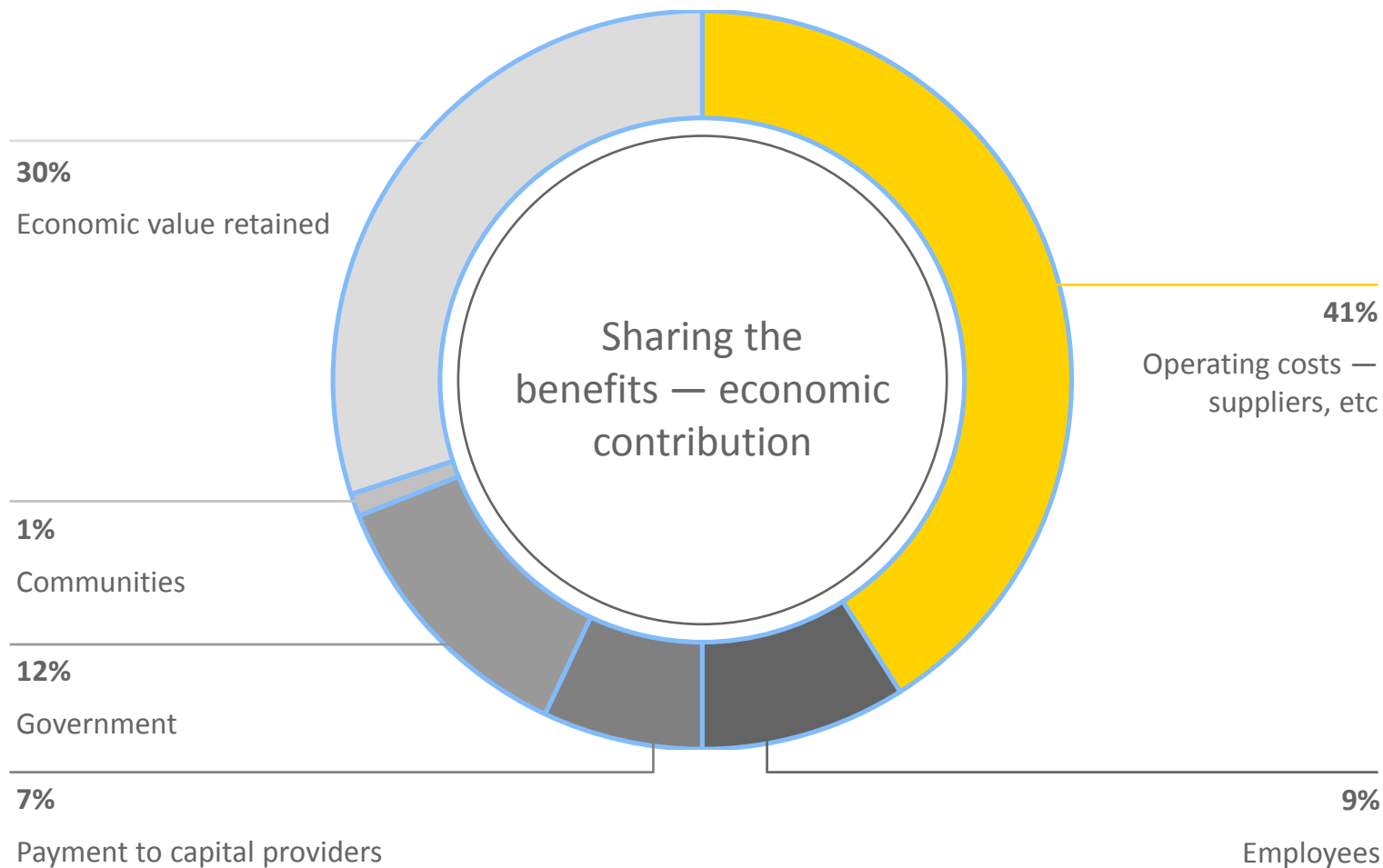
Top 20 mining company



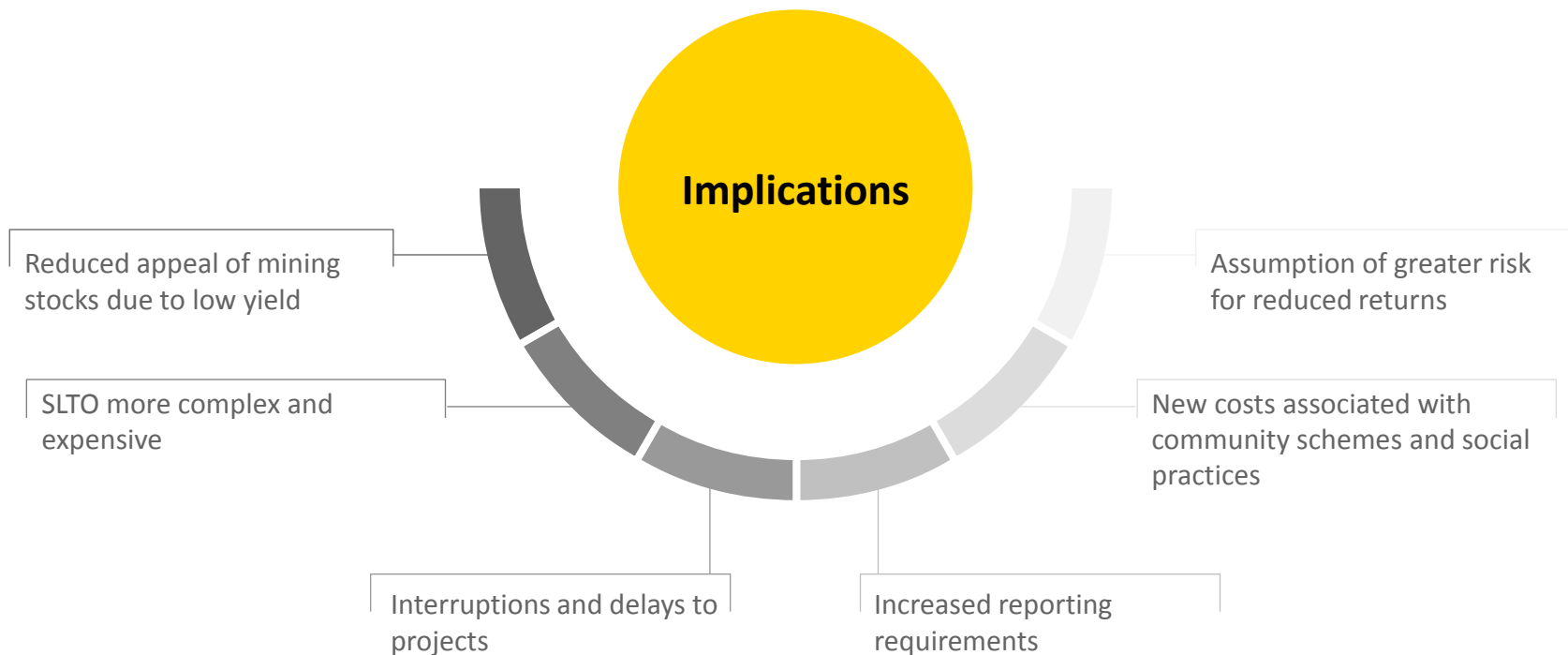
- Increasing demands from stakeholders
- A lag between reducing profits and increasing expectations
- Demands for more than just financial benefits
- Proactive long-term view
- Clear communication

***“Earth provides enough to satisfy every man’s needs, but not every man’s greed” Mahatma Gandhi***

**More effort is being expended in sharing the benefits rather than growing the benefits.**



Source: EY analysis based on 2012 sustainability reports of top 5 diversified miners





Communities have two expectations from miners:

- Mining activity will have minimal disruption or negative impact on them
- They will benefit both economically and socially

Attitudes changing rapidly, subjective perception

Speed in responding to issues is critical

- Greater compliance and regulatory burden
- Cross border complexity in operations
- Varying reserves/financial reporting standards
- Corporate governance structure
- The expectations of minority shareholders
- Health & safety, corporate social responsibility
- Need for greater transparency (especially if capital raising)
- Opposition from special interest groups
  
- **These trends are likely to continue.....**

- Impacts assessment of new projects, but
- Impacts existing projects, and
- Regular review is necessary to see if conditions have changed



- Was the mention of Environmental and Social Considerations an afterthought?
- Should the UNFC – 2009 be more specific?
- Does it need an additional sub-category?
- More guidance?

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