Addressing Transparency Expectations in the Metals and Mining Sector

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The "Age of Transparency" is a term that has been widely used to describe society's growing demand for information, but how does sustainability fit into these expectations? As Steve Baer noted in his article on the evolution of green building requirements, these demands are being translated in a very direct way in the building and construction sector. For that sector and others transparency is the vehicle driving awareness about environmental and social performance and ensuring the next generation of products are more environmentally and socially responsible than their predecessors.

This approach comes with its own challenges as simply having more information is not always a direct route to improvement. Consumers often suffer from 'Green Fatigue', which can leave them feeling overwhelmed or confused by conflicting or unclear claims and unsure how to pick the product with the best sustainability performance. As efforts proliferate to drive full transparency, there is considerable attention on the sustainability (environmental, social and economic) of materials. While many of these efforts are driven by product manufacturers or other users of these materials, efforts are also under way from the financial investment community. The U.S.-based Sustainability Accounting Standards Board (SASB), for example, is developing sustainability accounting standards for public companies to support the improved disclosure of sustainability issues for use by the public and investor community. SASB's standards are being developed for more than 80 industries in 10 sectors, including non-renewable resources.

Differences between sectors aside, most initiatives include a clear effort to make supply chains more transparent and therefore materials more sustainable. So with these types of activities and expectations expanding in product-focused markets, how are materials-producing industries responding?

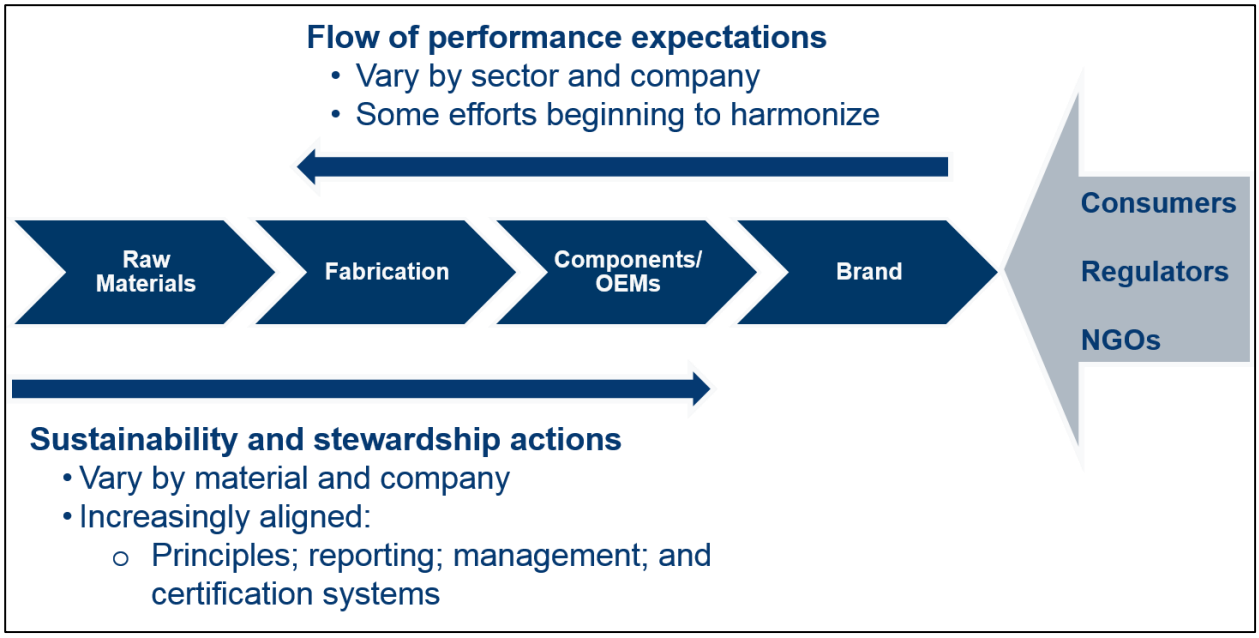

Figure 1: Aligning actions with expectations

The metals and mining industry has been working to address sustainability for many years and its efforts are geared increasingly towards transparency. However, just as materials are assessed differently in different product sectors, there is no 'one-size-fits-all' approach for metals and mining companies to communicate and demonstrate the sustainability attributes of their materials. Activities in this sector are somewhat dependent on the specific metal/mineral being produced and typically focus on the topics or issues that are seen as the biggest risk or possibly the biggest benefit associated with a given material.

That said, there are three common approaches in the sector, which in part were developed to address the transparency expectations of customers, product manufacturers, regulators and other interested groups. These approaches include activities focused at the corporate, product and material or commodity level. In some cases, organizations are using a mixture of these activities either simultaneously or in a phased approach.

1. Corporate Reporting

Reporting on corporate sustainability performance in a standardized way is an essential piece of the transparency puzzle. This is an area where there is considerable alignment between performance expectations and industry-based sustainability activities. Much of this has been achieved through implementation of the Global Reporting Initiative (GRI), an internationally accepted framework for reporting on sustainability performance. Most of the major metals and mining companies have developed corporate sustainability reports aligned with the GRI over a number of years. Recently, the 21 metals and mining companies that make up the International Council on Metals and Mining (ICMM) committed to "prepare their sustainability reports in accordance with the core option of the recently launched GRI G4

Guidelines."[1] The ICMM members have made similar commitments since 2009 related to GRI and there is now a wealth of publicly available information on the performance of the industry.

Efforts that promote industry-level agreement on reporting approaches or commitments can encourage transparency and also help to achieve a common understanding and measurement of performance across the sector. However, while this approach creates a more standardized way to report on organizational performance it places the burden for understanding and comparing the performance of the material producers on the companies seeking to use various materials. Publicly available information may or may not get into the hands of product designers or decision makers that are selecting materials. It is also more focused on organizational performance rather than on particular materials as these companies often produce multiple metals/minerals.

2. Product disclosure / transparency

The metals and mining industry is also responding directly to demands from customers and downstream users regarding product disclosure/transparency. Many leading metals and mining companies and associations have created Environmental Product Declarations (EPDs) for a number of years. Similarly, some organizations have produced Environmental Profiles for their materials or products, which provide data from life cycle assessments (LCAs) as well as information on how the material or product is produced and used (See this example from the International Zinc Association for an association approach or this example from Kennecott Utah Copper for a company-based approach).

Recent initiatives in the building and construction sector that have introduced greater transparency about the health hazards associated with products and materials have put pressure on the metals and mining industry to also disclose this type of information, for example through use of Health Product Declarations. While HPDs are much newer than EPDs, it is likely that many metals and mining companies and associations will begin to align with these types of initiatives, which are already being requested by leading architects and design firms.

The benefit of this type of disclosure, for companies which use metals/minerals in their products, is that the data is more standardized and specific to a given material than the information in sustainability reports. Industry has increasingly embraced EPDs to communicate environmental performance data. As a result, organizations are producing EPDs much more quickly and efficiently than was previously possible (See this example from Zumtobel about scaling and speeding up efforts related to EPDs).

3. Responsible Sourcing Schemes

Responsible sourcing schemes can help to define what it means to manage the supply of a given material or product, taking into account the relevant environmental and social benefits and impacts. These schemes are typically intended to set the performance standards across a specific industry and ensure continuous improvement of environmental and/or social performance. Transparency is a key piece of

[1] Source: http://www.icmm.com/news-and-events/news/icmm-member-companies-commit-to-the-gri-g4-guidelines

many leading responsible sourcing schemes, which often focus heavily on disclosure of performance data by participants in the scheme.

Several leading schemes have worked to align with the ISEAL Alliance which highlights transparency as one of its "Credibility Principles". ISEAL refers to these principles as the "core values upon which effective standards are built". Many people's experience with responsible sourcing schemes is through various labels on consumer products such as the Forest Stewardship Council (for wood/paper products) or various Fairtrade certification programs (e.g., coffee). This concept is also beginning to take hold within metals and mining, with a number of schemes driven by emerging or recently released regulations related to the so-called 'conflict minerals' (commonly known as gold, tin, tantalum and tungsten). These approaches (e.g., Conflict Free Gold, Conflict Free Smelter, ITRI Tin Supply Chain Initiative) are typically focused on a particular impact or issue within the supply chain and are, in a sense, fairly advanced and proactive forms of compliance, as they developed in part as a response to emerging legislation.

Two other sourcing initiatives currently under development have emerged independently from any specific legislation, but in anticipation of broader societal expectations on sustainability performance. In Australia, the Steel Stewardship Forum (SSF) is developing a sourcing scheme called Responsible Steel and similarly the Aluminium Stewardship Initiative (ASI) has recently released a first draft of its standard. The SSF and ASI approaches incorporate performance criteria across various environmental and social issues and both involve organizations from throughout their value chains. This integration of various groups across the product value chain allows for more direct alignment of material producers activities with downstream performance expectations.

So is all this activity really addressing transparency expectations and driving improvement?

For companies and associations that are doing these activities proactively – yes. These companies can find ways to provide the requested data or information efficiently. Leading companies recognize the value of being proactive and are working to scale those solutions up to a point where they can gain a competitive advantage in the market against material producers that are unable to do this.

However, many metals and mining organizations are cautious about signing up to some disclosure or transparency efforts, often because they are being asked to disclose data without a clear definition of how or if the information will be used to make material comparisons based on performance. There is also concern in some sectors that initiatives do not consider how materials are used in product applications, which often affects how those materials interact with people and the environment. For example, a potentially hazardous material may be inert in a given product application, but this level of detail may not be captured in the data and information being collected.

Yet this approach of requesting disclosure/transparency without specific performance requirements is in many cases quite intentional. It is seen as a first step in a longer process of assessing performance and a way to encourage participation regardless of current performance challenges. In some cases, this approach is enough of an incentive by itself to drive improvements to products or processes, because companies want to improve their performance before making it available to their customers.

While all the approaches outlined in this article help to address the increasing demand for data and information on material performance, both product developers and broader society see the last two – related to disclosure and responsible sourcing schemes – as the way of the future. The data generated from these approaches is likely to be used to assess performance across various environmental and social attributes of all materials, with product designers or architects using the data to feed into screening and design tools (e.g., the Tally application for building and construction) to select materials before they ever make it into a product or application. While we cannot predict when that type of decision making will become common place, we can expect that material producers that do not have the data (e.g., EPDs, proof of a responsibly sourced material) may be ruled out before any comparisons to competing materials can even be made.