

AT THE CORE: THE PEOPLE POWERING THE TRANSITION

THE MINING ASSOCIATION OF CANADA AND MILLANI INC. PRESENT: MINING IN TRANSITION

Over the past several years, the Mining Association of Canada (MAC) and Millani have been working together to foster dialogue between mining issuers and Canadian institutional investors on a range of environmental, social and governance (ESG) topics. This report is an outcome of **Mining in Transition: People Powering the Transition**, a conference and roundtable session sponsored by Rio Tinto and Addenda Capital hosted in Montreal in May 2022, which included more than 40 mining industry and investor representatives.

This latest discussion comes at a pivotal time for the Canadian mining industry. As the world relies on more minerals and metals in support of the transition to a lower-carbon economy, even with automation and other new technologies, the industry will need more people to make this happen. But how is the industry currently placed to attract and retain this talent? What is the state of equity, diversity and inclusion (EDI) in the industry? Can disclosure on workplace culture and EDI help companies make positive and lasting changes? It was against this backdrop that Millani and MAC brought mining companies and investors together, where discussions revealed the challenges and opportunities of influencing culture to improve EDI outcomes and communicate in a meaningful and transparent manner.

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THE CONTEXT

The transition to a lower-carbon economy is underway, requiring metals and minerals for clean energy technologies including solar, wind and geothermal energy.ⁱ Organizations like the International Energy Agency emphasize the need for more mined materials, given that a typical electric car requires six times the mineral inputs of a conventional car and an onshore wind plant requires nine times more mineral resources than a gas-fired plant.ⁱⁱ Requirements for energy storage, the maintenance of low-carbon energy equipment, and the increasing dependence on technology in our daily lives will further increase this demand.

However, these needs cannot be met without the people to power this transition. Currently, there is a shortage in Canada's mining talent pipeline. Statistics Canada shows job vacancy rates in the mining, quarrying, and oil and gas sector at 4.2% in the first quarter of 2022, representing more than 8,600 open positions, compared to other resource sectors such as agriculture, forestry, fishing and hunting at 6.2% and construction at 6.5%.ⁱⁱⁱ Meanwhile, the Mining Industry Human Resources Council (MiHR) anticipates a gap of roughly 80,000 to 120,000 workers in the mining industry by 2030.^{iv} In addition, MiHR forecasts that more than 57,000 employees will retire from the sector by 2030, representing over 25% of the industry's current workforce. Without sufficient planning, this could lead to a significant loss of industry knowledge and experience.^v

Mining companies need to attract, train, and retain talent to operate and get products to market. Millani and MAC's recent event highlighted how an inclusive and respectful workplace culture – or lack thereof – can impact a company's ability to attract and retain a diverse workforce.

To put this into context, the mining industry is proportionally already the largest private sector employer of Indigenous peoples in Canada. Indigenous people represented more than 7% of the mining workforce in Canada in 2016, up from roughly 5% in 2011^{vi} – and the potential for increased Indigenous employment remains strong. There are 209 producing mines and more than 2,500 exploration properties located within 200 km of Indigenous communities, and many mines and projects are located on traditional lands. Indigenous people across the country are, therefore, ideally situated to access employment opportunities and other benefits from the mining industry. A workforce that is welcoming of diverse views and appreciates and deeply respects Indigenous culture will be important to continue to attract and retain Indigenous workers, and further, to increase their advancement to leadership positions.

When it comes to women's representation in the industry, there is still opportunity to improve. While Canada's 2016 census data show female representation has increased across all industries (from 27% in 2011 to 31% in 2016), the mining industry, though not unique among industrial sectors, has yet to realize similar improvements. Currently, women make up only 15.5% of the mining workforce, though this reflects an increase from 12% in 2016.^{vii}

Among the motivations for the joint Millani and MAC event was MAC's development of a new EDI standard within its [Towards Sustainable Mining](#) program (TSM), as well as the publication of the [Report into Workplace Culture at Rio Tinto](#), an independent report that Rio Tinto commissioned, based on findings from over 10,000 voluntary survey responses, 100+ listening sessions, and confidential testimonials.^{viii}

The report, published in February 2022, uncovered systemic bullying, racism and sexism at the company and proposed a Framework for Action to help address these issues.^{ix} While focused on Rio Tinto, the report provides important lessons and recommendations for any organization seeking to talk about, and strengthen, its workplace culture. One of TSM's objectives in developing a new EDI standard is to incorporate these recommendations, combined with other inputs, and set clear and comparable expectations to help drive improvements in workplace culture.



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To set the stage for the Millani and MAC conference, Rio Tinto delivered a keynote address, sharing its motivation for commissioning this work, the main findings, and the company's progress to date in implementing the report's recommendations. Participants acknowledged Rio Tinto's decision to publicly share information that had potential for reputational damage, and the importance of this action, noting that dialogue and disclosure are critical steps to implementing systemic cultural change. As noted in the report, "the process underpinning this Project will have already resulted in many conversations about culture. This, together with strong employee engagement, has built momentum for change and will accelerate culture reform."^x

NUMBERS HELP START THE CONVERSATION...

The investment community continues to focus heavily on ESG integration (the inclusion of environmental, social and governance factors in investment analysis and decision-making). For investors, and other capital markets participants, an essential ingredient of successful ESG integration is transparent disclosure. Regulation and disclosure around ESG topics are becoming more stringent – both for corporate issuers managing their ESG risks and for investors who integrate ESG considerations into their investment processes. While the term *greenwashing* refers to companies overemphasizing their commitments to minimize environmental impacts, terms like *pinkwashing* are now being used to describe companies that tout the virtues of diversity without meaningful action.

The Report into Workplace Culture found bullying and sexism to be systemic across Rio Tinto worksites, with almost half of survey respondents having experienced bullying in the workplace. Additionally, more than a quarter of women (and 6.7% of men) reported experiencing sexual harassment at work and 21 women reported actual or attempted rape or sexual assault.

Racism was also found to be prevalent across a number of locations. The survey showed people working in a country different to their birth experienced higher rates of racism than those working in their country of birth. In addition, 39.8% of men and 31.8% of women surveyed and who identify as Aboriginal or Torres Strait Islander reported experiencing racism.^{xi}

While there is clear potential for a more respectful, equitable, diverse and inclusive mining workforce, many companies are struggling to achieve this objective. As EDI becomes a central tenet in the ESG narrative, companies are rightly

being held accountable by investors and the public at large to improve their EDI performance.

Metrics are a key part of analysis, and can play an important role for investors and other stakeholders seeking to evaluate a company's ESG performance. They help identify gaps, forecast trends, and understand relevant context to make investment decisions. However, when it comes to qualitative issues like diversity, inclusion, and workplace culture, identifying relevant quantitative data points can be challenging. Event participants discussed the current lack of a common framework for reporting on workplace culture and, indeed, whether a standardized approach relying on consistent metrics is even feasible or appropriate to foster meaningful change in diverse workplace settings. This begs several questions: Which data are important to gather? How can they be gathered? Is it possible to compare data across countries and cultures? Who should be gathering, tracking, and publishing this data? Millani's recent *ESG Sentiment Study* asked 37 institutional investors what type of information they would like to see on human capital and EDI disclosures. Investor responses varied from "gender representation on Boards and in the workforce, the ratio of executive pay to average employee pay, turnover, Indigenous policies, and other commentary related to the organization's culture."^{xii}

...BUT PEOPLE AND CONTEXT MUST COMPLETE THE STORY

The discussion at Millani and MAC's event also highlighted the value of deeper investigation beyond numbers, including methodologies to uncover qualitative insights, to understand the broader workplace context and identify root causes of systemic behaviours. Rio Tinto shared that gathering first-hand, qualitative data was an important step in the process behind the *Report into Workplace Culture*. As employees' stories were being shared through the research process, the context and root causes of bullying, discrimination, racism and other behaviors started to emerge. This process helped inform much more tangible and practical recommendations. While this is a time-intensive, challenging and often confronting step that may feel daunting, it is clear that doing so is essential to understanding and addressing the root causes of the problem.

Investors at the Millani and MAC roundtable discussion recognized the value of qualitative insights to inform their understanding of EDI and workplace culture. It was noted that if such insights are not evident through data or direct engagement and dialogue with companies, investors will use other sources, including employee review websites

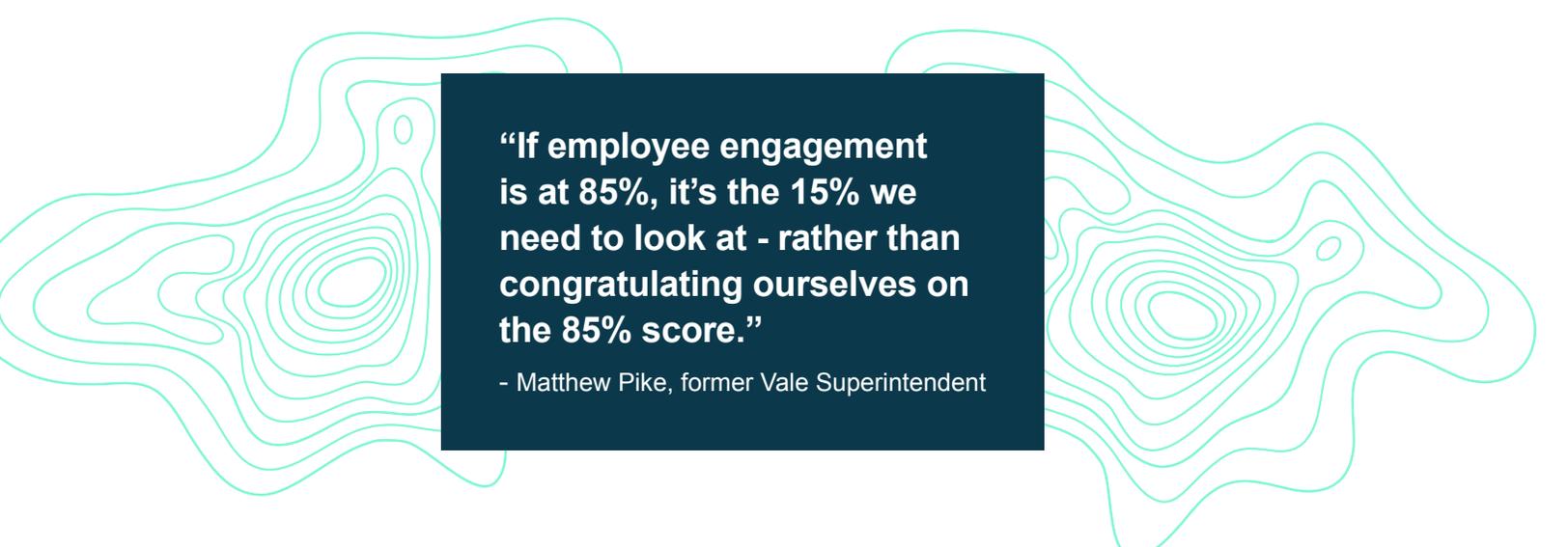
such as Glassdoor. Investors also reported the value of community visits to help further inform their views.

Matthew Pike, a panelist at the event and former Vale Superintendent emphasized the importance of seeking context around quantitative data and avoiding the risk of complacency around a seemingly 'good' score: "If employee engagement is at 85%, it's the 15% we need to look at – rather than congratulating ourselves on the 85% score. The 15% is where the improvements need to happen – and the only way of understanding where the challenge is coming from is through open dialogue. Qualitative context around the data allows for nuance, and an understanding of what the numbers represent."

In addition to data disclosure, event participants also discussed 'disclosure of outcome' and 'disclosure of process'. The latter demonstrates to investors how the risk is managed, while the former, using performance data, can signal possible risks or gaps that require action. The *Towards Sustainable Mining* (TSM) program – an ESG standard adopted by mining companies in Canada and around the world – largely focuses on implementing systems and processes to manage ESG risks, rather than stipulating the type of performance data to be collected and reported

by companies. Investors were encouraged to look to TSM for site-specific performance data and for context around mining issuers' quantitative performance disclosures.

MAC is working with other TSM partner associations and external experts to draft new TSM requirements to help foster inclusive and respectful workplaces. This will include having a corporate strategy that is complemented by site-level policies, processes, and performance. At the mine site, MAC and its members are defining criteria for comprehensive engagement with workers and relevant external stakeholders to develop effective EDI policies and processes – for example, reviewing human resources and other business processes to identify potential barriers and biases. At the same time, MAC is exploring criteria that promote safer and more respectful workplaces, including policies and processes to mitigate, respond to, and address instances of unsafe, harmful, or disrespectful behaviour. Important to the conversation with investors around EDI metrics and performance, the draft protocol also outlines approaches to data collection, reporting, and setting EDI objectives. This work is ongoing, with a public comment period for the draft protocol planned for late summer 2022.



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- Matthew Pike, former Vale Superintendent

KEY TAKEAWAYS

LEADERSHIP

A key takeaway from the event was leadership's influence on culture, both positive and negative. As culture is created, there must be intention behind that process. For people to feel empowered, there needs to be visible demonstration of the desired behaviours and encouragement from senior leaders to raise unacceptable behaviour. Listening to and engaging with impacted employees in the co-design of solutions is fundamental if changes are to be effective. Silence and inaction can also breed behaviours which may not align with intended outcomes. Rewarding positive behaviour and following through on consequences for poor behaviour send important signals. Building an inclusive and respectful workplace is an intentional, incremental process that requires leadership at all levels.

DISCLOSURE

Another important outcome from the event was that disclosing quantitative data points and metrics is no longer sufficient. Companies should aim to transparently disclose what they are doing to manage their culture, and how they are developing a diverse workforce and managing their talent pipeline in a tight labour market. As The Report into Workplace Culture at Rio Tinto demonstrates, sharing both in-depth quantitative *and* qualitative information helps give the business and external stakeholders significant insight into the workforce experience.

TRUST

Throughout the event, participants also emphasized that fostering trust is key. A culture that offers psychological safety and encourages underrepresented people to disclose or come forward is a culture that is well positioned to attract and retain the best talent. For example, now that Rio Tinto has published its report and is working through the recommended framework for action, this may encourage further dialogue at the company from individuals who may have not felt comfortable sharing their experiences for the initial report. For MAC, the new TSM standard addressing EDI will seek to incorporate as many of the recommendations from Rio Tinto's report as possible to enable the industry to benefit from these learnings. It will include indicators that address leadership from the top, culture change and psychological safety.

CONCLUSION

The transition to a lower-carbon economy represents an unprecedented opportunity for Canada's mining sector to demonstrate global leadership on all aspects of ESG performance. In order to take advantage of this opportunity, companies need to develop workplace cultures that will attract – and most importantly retain – a diverse and inclusive workforce. The objective of the Millani and MAC roundtables is to foster dialogue between investors and mining companies, identify opportunities to improve ESG disclosure and more decision-useful information, and help improve ESG performance and outcomes. We do this in recognition of the fact that no single investor or issuer has the answers and that we will come to stronger and more durable solutions when more voices are heard.

ENDNOTES

- i. Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition, The World Bank, 2020
- i. The Role of Critical Minerals in Clean Energy Transitions, International Energy Agency, March 2022
- ii. [Statistics Canada. Table 14-10-0326-01 Job vacancies, payroll employees, job vacancy rate, and average offered hourly wage by industry sector, quarterly, unadjusted for seasonality](#)
- iii. [New training program aims to tackle labour shortage, break barriers in Canadian mining. Mining.com, February 2022](#)
- iv. [Interactive Labour Market Dashboard, Mining Industry Human Resources Council, July 2022](#)
- v. [2021 Facts & Figures, the Mining Association of Canada, March 2022](#)
- vi. [Interactive Labour Market Dashboard, Mining Industry Human Resources Council, July 2022](#)
- vii. Report into Workplace Culture at Rio Tinto, Elizabeth Broderick & Co, February 2022
- viii. Report into Workplace Culture at Rio Tinto, Elizabeth Broderick & Co, February 2022
- ix. Report into Workplace Culture at Rio Tinto, Elizabeth Broderick & Co, February 2022
- x. Report into Workplace Culture at Rio Tinto, Elizabeth Broderick & Co, February 2022
- xi. Semi-Annual ESG Sentiment Study of Canadian Institutional Investors, Millani, July 2022



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ABOUT THE MINING ASSOCIATION OF CANADA (MAC)

The Mining Association of Canada is the national organization for the Canadian mining industry. Its members account for most of Canada's production of base and precious metals, uranium, diamonds, metallurgical coal, and mined oil sands, and are actively engaged in mineral exploration, mining, smelting, refining and semi-fabrication.

For the last 86 years, the Mining Association of Canada (MAC) has been the national voice of the Canadian mining industry working with governments, playing an education role for different stakeholders and encouraging sustainable practices, while promoting the Canadian mining industry's value creation and leadership worldwide. Through MAC's reporting framework, *Towards Sustainable Mining* (TSM), MAC members are guided by principles that align social, economic, and environmental performance with the priorities of the communities in which they operate.

For more information, please visit www.mining.ca.

ABOUT MILLANI INC.

Millani Inc. provides advisory services on ESG integration to both investors and companies. For the past 15 years, Millani has become the partner of choice for institutional investors and corporate issuers. By providing advisory services on integrating material ESG issues into their investment strategies and decision-making processes, we help our clients reduce risks, increase returns, and create value. Millani is also leveraging this expertise and its experience in ESG consulting to help reporting issuers improve their ESG disclosure to financial stakeholders and optimize their market value.

For more information, contact us at: info@millani.ca or visit our website: www.millani.ca.