

ESG FACTSHEET

What is ESG?

Environmental, Social and Governance (ESG) describes the three key non-financial factors used to assess the sustainability of a business and determine whether a company represents a socially responsible investment for shareholders, investors and financiers. ESG issues relevant to explorers in the resources industry may include environmental management, emissions, land access, community relations, water management, human rights, shareholder rights, board performance and remuneration and diversity.

Global momentum behind ESG is growing. This is being driven by trends in emissions reduction targets, the integration of ESG issues into investment analysis and decision making processes, growing customer demand and an accelerated effort to align capital markets with sustainability goals.

There are growing expectations from investors and lenders regarding the disclosure of non-financial metrics that are not typically captured by traditional financial reporting. Businesses operating in all sectors are increasingly adopting policies and principles that drive ESG throughout their business and supply chain to address these expectations.

The high standard of existing regulation in Queensland already gives industry a comparative advantage in ESG credentialing. Exploration companies operating in Queensland are already required to meet high regulatory standards as conditions of their tenure. By virtue of the high existing standards in Queensland, many companies are already meeting some of the global expectations in ESG practices and policies. As such Queensland's exploration companies are well positioned to deliver on growing shareholder, financier and customer expectations with respect to continuously driving world leading sustainable ESG performance through their operations.

In the coming years, it will be increasingly important for explorers to continue to demonstrate their ESG performance to secure and hold acreage, attract investment, and remain globally competitive.

An initiative of the



ESG TOOLBOX FOR EXPLORERS

FACTSHEET

Why is ESG important for Explorers?

A focus on strong performance in ESG during the earliest stages of a project can pave the way for speedier resource development, stronger relationships with key stakeholders and eventually successful progression to mine development.

Transparency and performance on ESG-related matters is critical to a business's access to land, capital, value chain and people and there are a number of reasons why explorers should focus on ESG:

- Investors, lenders and insurers are increasingly focussed on ESG factors when making investment decisions and include a broad range of non-financial metrics in their assessment of a company. This means that in many cases, in order to access capital or enter joint ventures, explorers will need to demonstrate commitment to ESG concerns and report on their performance.
- Commodity customers and equipment and service providers are also feeling the pressure of their own lenders and shareholders to ensure those companies with whom they transact, or intend to transact, uphold expected standards of ESG performance.
- Existing and potential employees are seeking alignment between their own values and the culture and values of their employer. To be an employer of choice that is able to attract and retain the best talent, organisations need to demonstrate behaviours and actions which drive positive ESG outcomes.
- Exploration acreage released for tender by the Queensland government typically includes criteria associated with good ESG practice, including environmental management, landholder and traditional owner engagement, cultural heritage management and community consultation.

Establishing and maintaining strong systems and approaches to areas of ESG will help to ensure the success of exploration projects and progression in line with global sustainable mining initiatives.

What other value can be driven from ESG reporting for Queensland Explorers'?

Voluntarily reporting on ESG actions, outcomes and performance can drive additional value beyond those noted above:

- Strong relationships with local communities and Traditional Owners built on trust and mutual benefit may expedite project progression through shared benefits.
- A record of excellence in environmental performance and transparent disclosures will engender further stakeholder trust and maintain a company's good-standing as an operator with the relevant regulators.
- Stronger governance practices may lead to overall business improvement through the establishment of systems and processes with built in internal controls and risk management.
- Streamlined regulatory compliance and support.
- Increased positive public sentiment for the exploration industry and broader resources sector.

Where can I find out more?

<https://esg.qe-connect.com.au>

- QEC ESG Voluntary Guidance Framework
- ESG: A global phenomenon trading new ground in 2022 (five major sustainability developments of note in 2022), BDO
- Top 10 business risks and opportunities for mining and metals in 2023, EY.

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