



## ESG: GETTING ON WITH IT

*By: Andrew McLaughlin, VP Legal Affairs and General Counsel, Major Drilling Group International Inc. and Jo Mark Zurel, Director, Fortis Inc., Major Drilling, and Highland Copper*

The ESG landscape has been evolving at a breakneck pace. While we're seeing an expansion of ESG funds and growing momentum on the regulatory front in moving from voluntary to mandatory ESG disclosures in the public markets, we're also witnessing blowback against ESG in some quarters. The debate even made the cover story of *The Economist's* July 23 issue. Meanwhile, ESG considerations continue to be further embedded in mainstream business practices and enterprise risk assessments. On the international stage, there have been significant advances in moving from a morass of disjointed reporting standards to a more harmonized playing field.

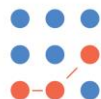
In navigating these rapidly changing and choppy waters, it's easy to lose sight of what's important and where boards should direct their attention. With record-setting weather events and the climate crisis now at the forefront of our collective consciousness, the best bet is to focus on moving from commitments to action.

### Moving From Commitment to Action

In the lead-up and aftermath of COP26, there was a flurry of net-zero pledges (e.g., by 2040 or 2050) by companies around the world. It's no secret that some of these companies made pledges without a credible plan on how to achieve them, perhaps believing this responsibility could be left to some future executive team. As the fanfare subsides and reality sets in, companies are now expected to make real headway in moving from emissions-reduction commitments and net-zero targets to concrete action and results. As companies chart this new course, their boards must consider the following questions:

- Is your emissions-reduction plan anchored in reality and science-based?
- Do you have a solid understanding of the emissions factors in your operations? What high-value opportunities could be addressed first? Can efficiencies in one part of your operations be deployed elsewhere?
- Do your board members have the necessary baseline climate proficiency to engage effectively on this topic?
- How is your company ensuring buy-in for these efforts across the organization? Do you have climate-related KPIs linked to compensation?
- Are emissions considerations baked into your company's procurement processes and operational budgets?
- Is your climate response governed effectively?

These questions have been front and centre at Major Drilling as we look to advance in this area. As a drilling services provider, we're part of the broader mining industry – a complex sector with significant challenges, but one where Canadian companies have ambitions to lead on climate globally. It's also a sector central to the net-zero energy transition, which the World Bank expects will involve a “massive



boost [in] demand for minerals and metals, requiring an estimated \$1.7 trillion in global mining investment.”<sup>1</sup>

Major Drilling has publicly reported on our GHG emissions through the CDP since our baseline year of 2018, and we’re now at the stage where we’re aiming to make real progress on emissions reductions. At this critical juncture in our journey, we’ve identified significant obstacles ahead:

- Procurement: Major Drilling operates 600 rigs in mining projects around the world. We don’t make these rigs – we buy them from suppliers. So, while we can exert pressure through the procurement process for more energy-efficient technologies, we don’t have direct control over the manufacturing of these rigs.
- Fuel Quality: We often depend on the type of fuel provided by our clients. The fuel quality available in certain regions of the world simply isn’t compatible with the latest energy-efficient engines.
- Remote Operations: We often operate in very remote areas, far off the grid (even far from operating mines). In these instances, we don’t have an option to tie into a cleaner electricity source.

But we also see great opportunities:

- As we’re part of our mining clients’ “scope 3” emissions, we have a unique opportunity to proactively partner with them in their broader efforts to identify and reduce emissions in their operations. For example, we’re involved in a project where a client that runs a coal-powered mine is making a significant investment to incorporate solar power into their mine’s energy mix, which our underground electricity-powered rigs will draw from.
- Emissions-reduction technologies developed in-house at two businesses we’ve acquired in recent years are being tested for deployment elsewhere in our operations.
- As an industry leader in specialized drilling, we are uniquely positioned to help discover the resources required to drive the green energy transition (e.g., copper, lithium, cobalt).

The Canadian mining industry has an opportunity to brand itself as a forward-looking, ESG-minded player on the international stage<sup>2</sup>. This positioning presents a potential comparative advantage for Canada, so long as we live up to these progressive values through our words and actions at home and in the field. While every organization has a unique set of challenges and opportunities as we collectively move toward a net-zero economy, we all have a singular imperative for emissions reductions: getting on with it.

---

<sup>1</sup> <https://www.worldbank.org/en/news/feature/2022/06/06/mineral-rich-developing-countries-can-drive-a-net-zero-future>

<sup>2</sup> For example, see the Mining Association of Canada’s leadership in this area, including its “Towards Sustainable Mining (TSM)” standard, which set out a globally recognized sustainability program that supports mining companies in managing key environmental and social risks, cited here: <https://mining.ca/resources/press-releases/canadas-mining-industry-commits-to-climate-change-action/>