

Risk management is an ESG imperative

ANNA MOROSS | CREAMER MEDIA REPORTER

There is a close correlation between sustainable development and environmental, social and governance (ESG) concerns, says South African gold producer DRDGOLD CEO Niël Pretorius.

Sustainable development engenders a perspective that considers the concerns of future generations – an important mindset in terms of structuring business value and capital and resource deployment.

“ESG, despite its seeming trendiness, is not something new, but simply requires one to emphasise existing aspects of sustainable development and risk management while addressing it in a more transparent way,” he adds.

Pretorius says ESG did not introduce environmental governance to business management, or the imperative of social value add or creating social capital – it simply places greater emphasis on those aspects.

Before companies spend shareholder capital, they need to remember that they are the custodians of that capital and must consider the risk environment in which the capital will be spent, specifically determining whether it is a good or bad risk.

Pretorius cites, for example, money spent on a water purification plant that purifies sewage water and introduces the purified product to plant operations.

In doing so, it yields an environmental dividend by lessening the impact on the environment by bringing water into the system, rather than extracting it.

This water cheaper than buying water from a municipality or water authority and, as a result, it also contributes to the financial bottom line.

“The appropriate way to approach risk management is an integrated approach, wherein risk considerations feature in all aspects of strategic decision-making.”

Pretorius notes that DRDGOLD adopted sustainable development as a fundamental strategic consideration about a decade ago and has pursued value alignment and overlap between its various capital stocks through integrated thinking and planning for many years.

Meanwhile, DRDGOLD is listed in South Africa and the US, with CFO **Riaan Davel** noting that “in the listed space, high standards of governance are a prerequisite and investors require that companies maintain a formal internal control framework governing

financial reporting”.

He adds that the JSE, “which also requires the application of good governance principles”, creates a formal way of demonstrating competence in the ESG space.

“A listing helps ensure that we have a formal platform and guides us in ensuring that we promote and implement good governance by focusing on the right areas,” he adds.

Further, with ever-improving groupwide polices, increased alignment with international best practice and standards, and an in-house tailings performance management system that ensures the collection, processing and management of key data using drones, radar and satellite technology, DRDGOLD ensures that its governance standards, also in terms of tailings safety management, are “world class”.

“We focus on the key risk areas rather than getting lost in the policy for appearance’s sake. It is also crucial to understand that nothing is static, and companies must respond to change and have dynamic systems and policies on the ground so that management can respond in a proactive way,” says Davel.

Environmental and Social Approach

“For investors who are not convinced that the mining industry is one in which they can invest in good conscience because of the long-lasting impact on the environment, we offer a solution,” says Pretorius, citing DRDGOLD’s experience in rehabilitating previously mined land.

DRDGOLD finds and produces gold by “cleaning up the environment” through the processing of historic tailings. Its environmental focus has three components. Firstly, it reverses the legacy of mining on the environment by removing old mine waste from where it was deposited and rehabilitating those sites. Secondly it leaves a small and shallow environmental footprint by using mostly recycled water, that stays in a closed circuit, and employing energy management strategies that optimise energy consumption, and thirdly, it contains the impact of its operations on the environment by containing dust emissions and effluent.



NIËL PRETORIUS

Sustainable development engenders a perspective that considers the concerns of future generations

Further, with the threshold lifted for green power and own power generation, DRDGOLD can take its many years of research and put it into effect, with Pretorius noting that “we’ll be making an announcement in terms of photovoltaic power and power storage in the not-too-distant future”.

From a social perspective, he reiterates the importance of ensuring sustainability for future generations. DRDGOLD has in-house and external social programmes, of which the latter seek to improve the quality of life of communities around its operations through its youth education and poverty alleviation programmes. These programmes are all about knowledge transfer and self-empowerment, again in the pursuit of achieving sustainable social outcomes.

Its youth education programmes involve extra classes for Grade 12 learners enrolled for subjects such as mathematics, accounting and science. Teachers employed by DRDGOLD offer these classes at seven schools to both pupils and teachers, assisting the latter to grow their skills.

The company also has an established college known as Ergo Business Development Academy, which started out as a business academy but is now evolving to focus more on teaching the skills required to “make it” in the informal economy.

DRDGOLD also offers self-empowerment programmes for staff and junior managers to build imperative skills for their future.

“ESG is really a business imperative and through reprocessing old tailings, our model is one of not only mining the highest-yield assets but also blending lower-yield assets, always focusing on the financial bottom line while ensuring a positive environmental legacy,” concludes Davel. ■■

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OUR ESG STORY HAS SO MANY FACETS



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ENVIRONMENTAL

- reducing potable water consumption
- containing dust pollution
- vegetating tailings deposition facilities (TSFs)
- rehabilitation of liberated land for redevelopment

World-class management of TSFs

- independent review
- performance management system
- InSAR imagery reviews for mapping ground deformation
- quarterly drone surveillance



SOCIAL

- Broad Based Livelihood Programme
 - thousands learn urban farming for self-consumption; surplus production and business skills for income generation; food preservation
- maths, science and accounting support for Grade 12 school pupils
- MSE Initiative – COVID-19 crisis intervention in scores of communities



R19.6m
socio-economic development spend*

GOVERNANCE

The international standards that guide us



International Integrated Reporting Council



Responsible Mining Principles



ESG Factsheet



Integrated Annual Report

Please scan the QR codes for 'deeper reads' on anything that interests you here.

* For the six months ended 31 December 2020

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