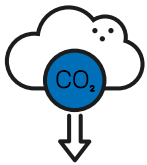


# Net-zero: Mining

4-7% of human-caused greenhouse gas emissions come from mining sector operations.<sup>1</sup>

What does the **mining sector** need to do to reach net-zero?

**LGIM will vote and implement investment sanctions against companies falling short of our climate expectations. LGIM expects companies' boards to oversee and publicly disclose answers to the following:**



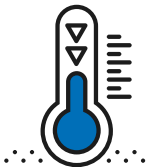
## Net-zero commitment

- Does the company have a comprehensive target for net-zero by 2050 or earlier, covering scopes 1, 2 and material scope 3 emissions?<sup>2</sup>
- Has the company made a commitment to certify/certified this target with the SBTi or other external independent parties?
- Does the company have a net-zero transition plan that includes short- and medium-term targets?<sup>3</sup>



## Strategy

- What are the actions and investments embedded in the company's plan to reach net-zero, and what is the contribution of each action towards meeting its targets?<sup>4</sup>
- Is executive remuneration aligned with the company's short- and/or medium-term emissions targets, as set out in the net-zero transition plan?
- Does the company's decarbonisation strategy address and incorporate the impact of the Just Transition?
- Does the company's net-zero strategy integrate an assessment of related nature risks and opportunities, impacts and dependencies - for example, in relation to land-use?



## Resilience

- Has the company analysed its business model resilience to climate-related risks and opportunities using scenario analysis (including the IEA's net-zero by 2050 scenario and a 'business as usual' scenario) and disclosed how the output has influenced its strategy?
- Has the company analysed the physical climate risks to its assets and operations, including potential financial impacts, and evidenced measures to mitigate or adapt to them?



## Targets

- Does the company have a target for material scope 3 emissions?
- Does the company have targets in relation to energy transition commodities?
- Has the company set targets in relation to its collaborative efforts across its value chain?



## Collaboration

- How is the company working collaboratively across its value chain to reduce emissions? (e.g. customers, finance sector, strategic R&D partnerships, sector initiatives etc.)?
- Is the company advocating meaningful policy action, including from regulators, to meet global net-zero targets (e.g. with carbon pricing)?



## Red lines

- Has the company committed to net-zero operational emissions?
- Does the company disclose its downstream scope 3 emissions?
- Is the company planning to increase thermal coal capacity?
- Does the company disclose its climate-related lobbying/advocacy activities, including trade association memberships, and explain the action it will take if these are not aligned with a 1.5°C scenario?

1. McKinsey (2020). Range in operational emissions depends on treatment of warming potential of methane.

2. Aiming to cover all segments of the business, as articulated within the GHG protocol guidance.

3. Short-term refers to 2022-2025, medium-term 2026-2035 and long-term 2036-2050.

4. E.g., emission reductions due to efficiency improvements, use of renewable electricity, decrease in fossil fuel sales, etc.

## Further areas for company consideration

### Nature expectations

**Why?** The climate and nature crises are inextricably linked.<sup>5</sup> Climate change is one of the five direct drivers of nature change. Net-zero requires both emission avoidance and sequestration. Therefore, the inter-dependencies between climate and nature are a critical factor in the transition.

**LGIM's expectations:** As part of a climate transition plan, companies should integrate an assessment of the related-nature risks and opportunities, impacts and dependencies, and appropriate mitigation actions.<sup>6</sup>

**Sector-specific considerations:** Direct impacts result from habitat removal, ground water extraction, infrastructure corridors, waste disposal, air quality and alien species.



### Company levers

- Shifting commodity mix to accelerate the energy transition
- Electrification and automation to reduce emissions from operations
- Phasing out thermal coal
- Increased recycling of metals
- Partnerships with vendors and customers

### Government policies

- Higher and more widely applied carbon prices
- Carbon border adjustment
- Fugitive methane regulation
- Policies to retrain workforce
- Policies to encourage low-carbon infrastructure



#### Challenges

Scope 3 accounting uncertainty  
 Loss of hydrocarbon revenues  
 Costs and complexity of technologies  
 Lack of infrastructure  
 Limited recycling and scrap availability  
 Young age for some high-carbon industrial facilities



#### Opportunities

Key enabler of the low-carbon transition (raw materials for renewables, batteries, EVs etc.)  
 Meet increasing electricity demand with new, low-carbon electricity supply methods  
 Cost reductions  
 Increased safety and efficiency

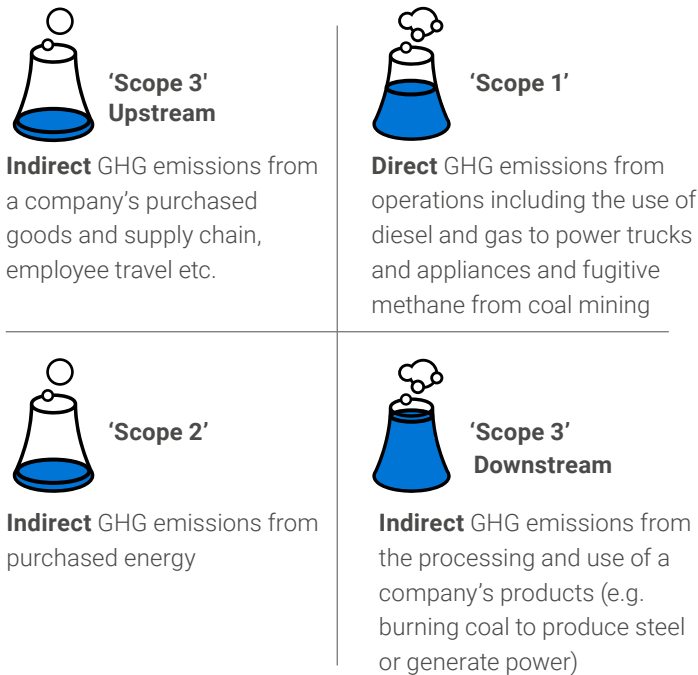


#### What is needed?

Company leadership	Research and innovation	Consumer behaviour
Taking responsibility for supporting decarbonisation across the full company value chain	New smelting techniques Green hydrogen Carbon capture and storage Low-carbon processing	Increased demand for renewables and low-carbon materials and parts Demand reduction for thermal coal

5. UN IPCC-IPEBS, [Biodiversity and Climate Change workshop report \(2021\)](#)  
 6. [LGIM's Nature Framework can be accessed here](#)

### Sources of emissions



Source: McKinsey (2020). Range in operational emissions depends on treatment of warming potential of methane.

**'Just Transition' considerations**

Potential implications for employees, supply chain, customers and communities from the transition to a lower-carbon business model

Maintaining social licence to operate/ community rights

Significant local employer

**Physical risk impacts**

Water scarcity

Heatwaves and flooding can take mines offline and disrupt supply chains



## For more information and to see how companies are rated

[LGIM Climate Impact Pledge score](#)  
[LGIM Climate Impact Pledge](#)

**Important information**

**Source: LGIM as at November 2024. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.**