



Responsible Sourcing of ASM Materials: From Risk to Opportunity

VIRTUAL SUMMIT

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16 July 2020

Submit your questions

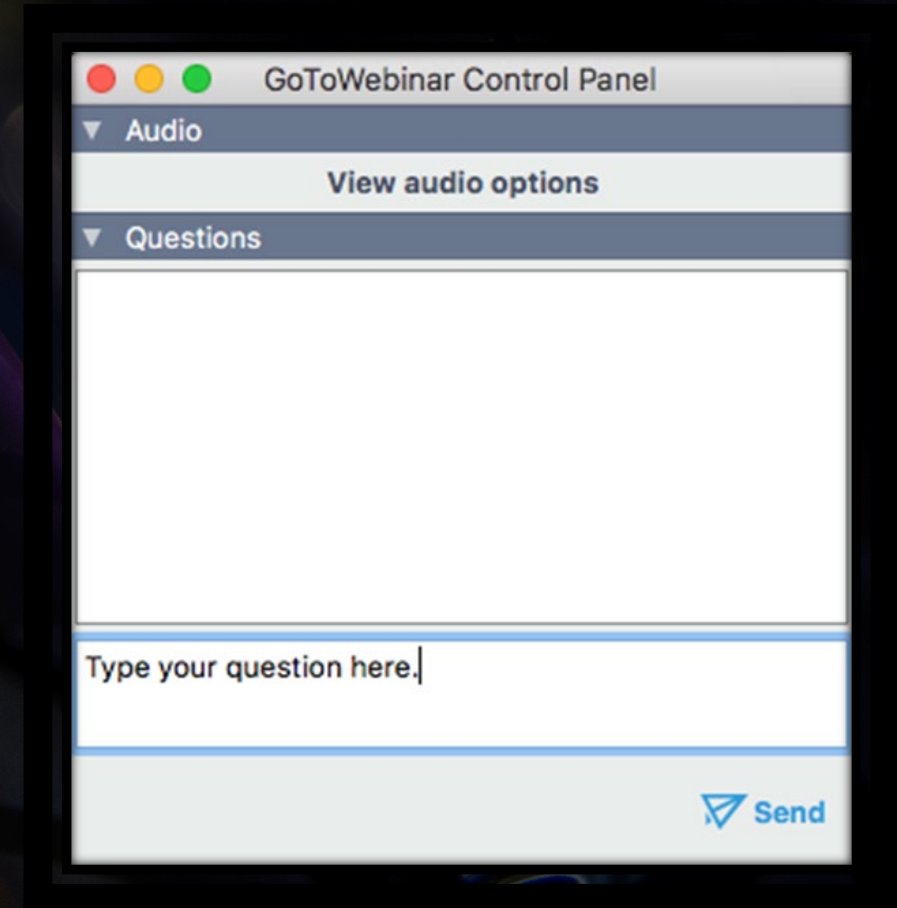


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EMERGENCY SUPPORT NEEDED

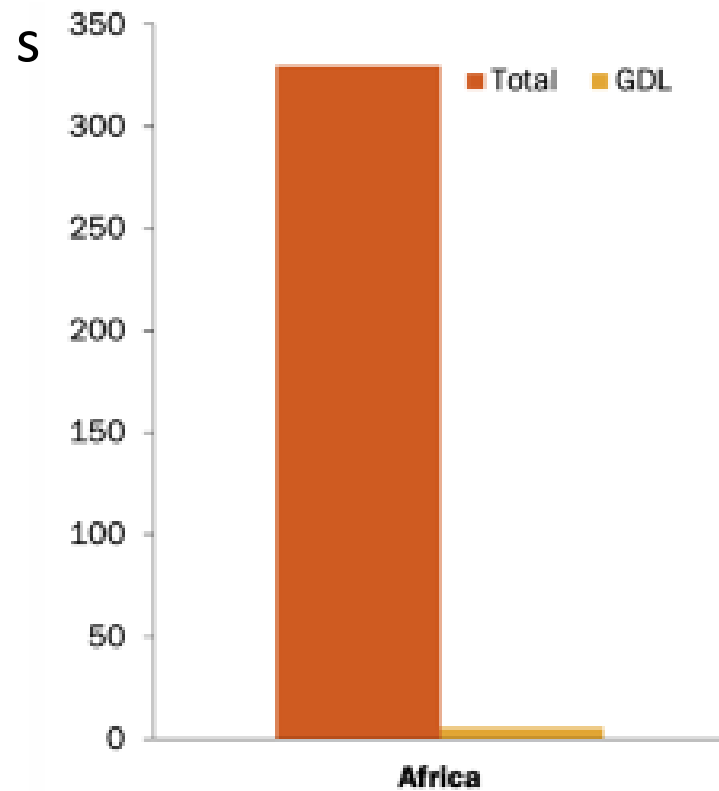
For Artisanal/Small Scale Miners

- 83% of the world's mining workforce relies on Artisanal and Small Scale mines for their livelihood.
- That comes to roughly 40.5 million people.
- These people were vulnerable before COVID-19 and even more so now. As gold prices rise, so does exploitation and violence for these miners.

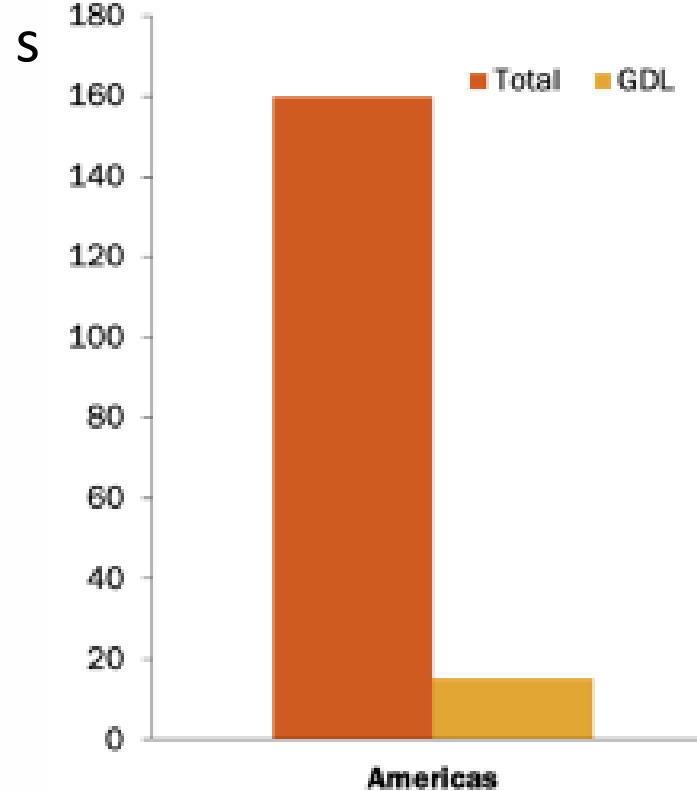
WE CALL ON INDUSTRY, GOVERNMENT AND CIVIL SOCIETY TO URGENTLY WORK TOGETHER TO SUPPORT AND PROTECT THESE VULNERABLE COMMUNITIES.

ASM: an opportunity for GDL refiners?

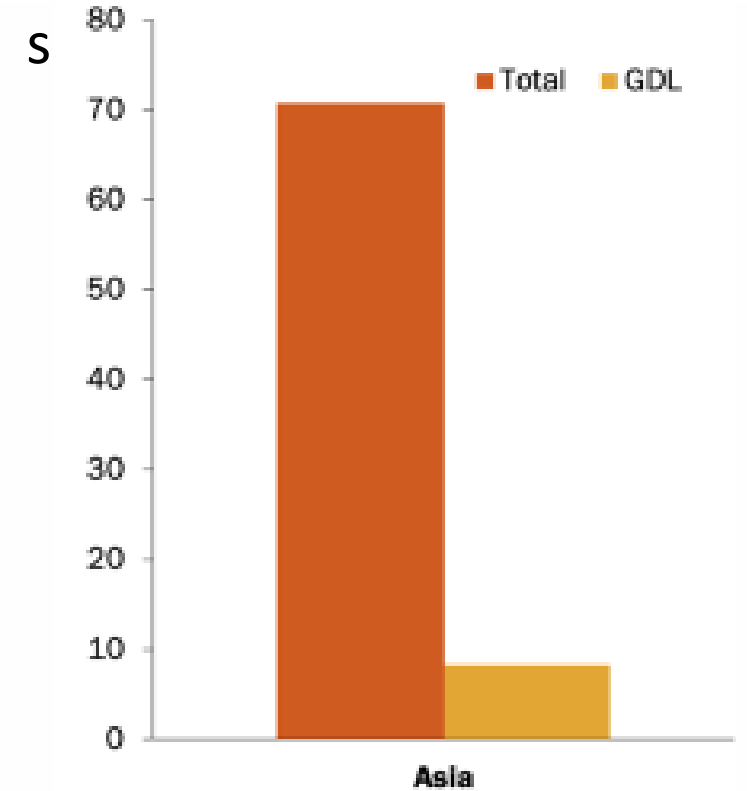
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Source: LBMA



Transforming natural resource management
Empowering communities

Transformer la gestion des ressources naturelles
Renforcer le pouvoir d'agir des communautés

Responsible Sourcing of ASM Materials

from Risk to Opportunity ... to Reward

Introducing: **IMPACT**

*Formerly Partnership Africa Canada (PAC)
Established in 1986*

MISSION

We transform how natural resources are managed in areas where security and human rights are at risk. We investigate and develop approaches for natural resources to improve security, development, and equality. We are an independent non-profit, collaborating with local partners for lasting change.

VISION

We envision a world where resources contribute to equitable peace and development, and where communities are empowered to decide how their natural resources are managed.



Regulatory and
Legal Reform



Supply Chain
Transparency



Illicit Trade
and Financing



Gender
Equality



Environmental
Stewardship





The Just Gold Project

An **incentive-based approach** to traceability & due diligence for conflict-free and **legal artisanal gold from mine site to market** in alignment with regional/international standards applicable to conflict-affected and high-risk areas.

Incentive-based → Immediate “reward”

Risk – Reward Calculation



The Just Gold Project

An incentive-based & bottom-up approach to traceability and due diligence

Involves ACCESS for gold producers, *traders* & exporters to the following in EXCHANGE for legal sales & tracking:

1. Technical assistance
2. Allies to advance fiscal reform & harmonization
3. Good credit on fair terms
4. International market access and inventory financing
5. **Better price & pricing transparency**

Just Gold (*Or Juste*) - Democratic Republic of Congo

MILESTONES & SUCCESSES

- Over 24 kg of responsible artisanal gold reached the international market (over 1000 ASMiners)
- Evidence of development & security dividends when combined with community development work (ESGs / SDGs) (AID-TRADE NEXUS)
 - Improved food security, literacy, economic & conflict resilience, social cohesion & gender equality

CHALLENGES (related to RISKS)

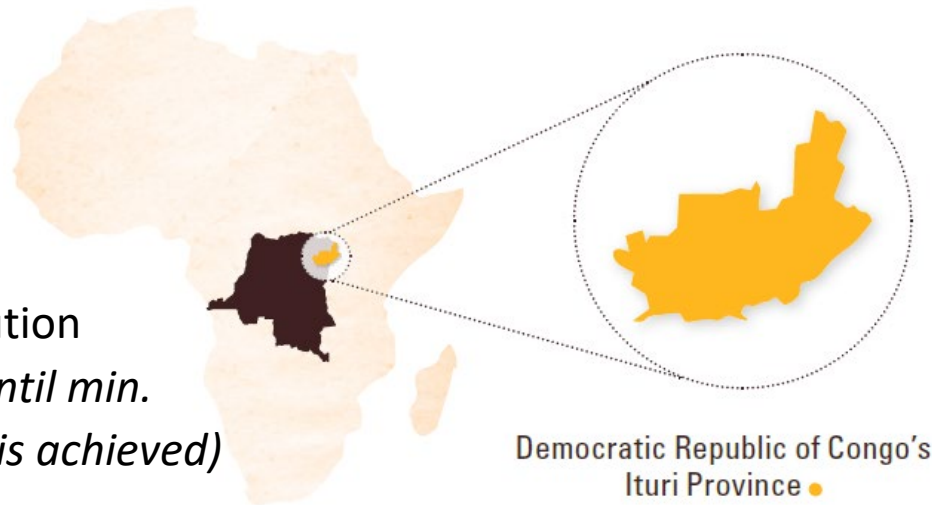
1. Costs of legal operations

Opportunities:

- Policy work (*taxes & fees*)
- Role of LSM as provider of a solution
(*transport & export logistics until min. volume for economic viability is achieved*)

2. Closed pipe limitations & Spoilers

3. Reputation



Canada

Just Gold (*Or Juste*) – Cote d'Ivoire



MILESTONES & SUCCESSES (Nov 2019-July 2020 / 9 months)

- LBMA-listed refiner has signed a commercial agreement with the exporter and ASM cooper
- First test shipment on its way to Europe; Regular shipments to follow
- No local price gauging/ volatility (e.g. COVID)
 - Inventory financing provided by refiner
 - Transparent pricing for both gold and data (separately)
 - Data payment invested in community*
 - Both consistently calculated as a % of LBMA spot price
 - Both paid at point of sale (no wait)
 - All costs & profit margins discounted = everyone wins



Just Gold Business Model developed in DRC

CHALLENGES (related to RISKS)

- Closed pipe limitations & Spoilers
- Reputation of ASM (private sector & govt)

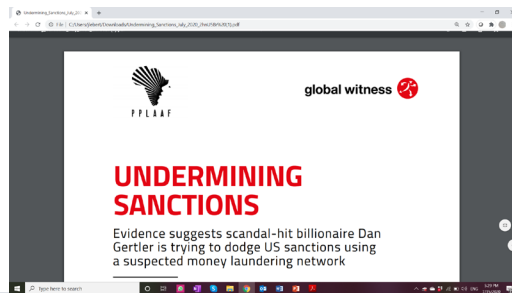


Hierarchy of Risk – Disproportionately targets ASM & Ignores the drivers of illicit trade & harmful practices


Industrial Gold Mining (LSM)

80% of the newly mined gold

- Massive environmental impacts
- Meaningful FPIC; indigenous rights
- [Remedy](#) in cases of wrong doing & limitations of audits
- Corruption risks



Recycled Gold

- Feel good green marketing? 
- incl. fabrication scraps (i.e. recently mined)
- Zero provenance or due diligence
- Risk of blending with illegitimate sources / money laundering
- No questions asked: old/possibly more egregious human rights & conflict risks are ok?



Indy and The Golden Idol

Artisanal Gold Mining

20% of newly mined gold

[42+ million](#) people working in ASM
[80-100](#) million people worldwide depend on ASM for their livelihoods
[23-73%](#) are women (3TG DRC, Ug, Rw); Women consistently earn more in mine sites than outside mine sites: In Uganda, [335% more!](#) (Buss et al., 2019).

- Mercury
- Vulnerability to human rights & conflict-risks linked to POVERTY

Requires support for improved working conditions & fairer wages in partnership with governments; a development solution that leverages trade/the market!



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What is the Risk-Reward Equation for an LBMA-listed refiner?

Risk as discussed in recent LBMA webinars

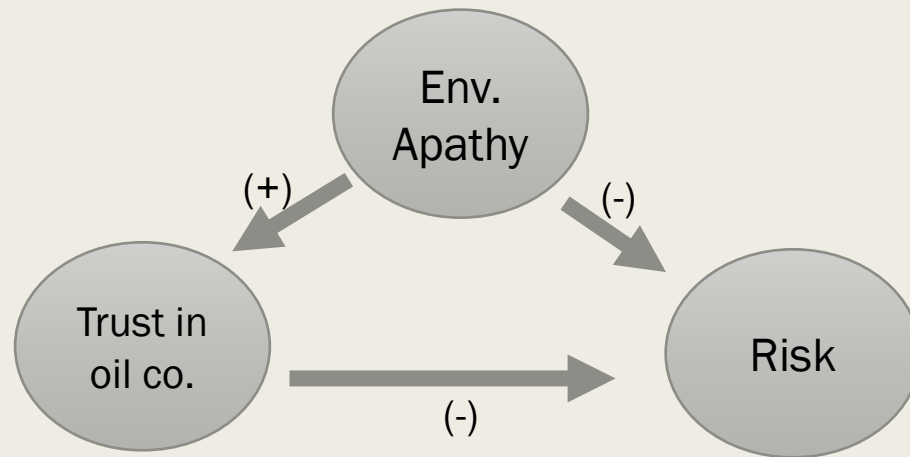
- **Dr. Mark Pieth, Professor of Criminal Law and Criminology, The University of Basel**
 - “I don’t consider de-risking—or if you want to another word for it, informal boycotts of certain world regions or ASM in general—an option.”
- **Neil Harby, Chief Technical Officer, LBMA**
 - “We have to understand that the risk-reward ratio is something that determines whether refineries can take ASM material, and there are some people who are prepared to do it and some people that aren't.”
- **Jose Ramon Camino (General Counsel, Metalor Technologies SA)**
 - In 2019, due to the supply chain complexity and the need for ongoing resources to control the due diligence process...we had to reassess our approach. [Re-engaged in 2020]

Research focus on how firms manage risk

- Much risk/reward discourse has been *normative* till now (i.e., collaborate with ASM because we *should* support livelihoods)
- My ongoing research focuses on why firms choose to engage for strategic reasons (rewards) and how different firms conceive of and manage social and environmental risks
- Mixed method (quantitative and qualitative):
Survey and 20 semi-structured interviews to date with firms, governments and civil society organizations involved in mining



Risk is a perspective, not a fact



990 participants living adjacent to an oil refinery were surveyed.

Study shows that personal values can increase, or reduce, perceived risks.*

Private firms

Will we be exposed to OECD Due Diligence Guide Annex II risks?

NGOs

Will firms commit to real change, or is our credibility being used for 'window dressing' ?

ASM Cooperative

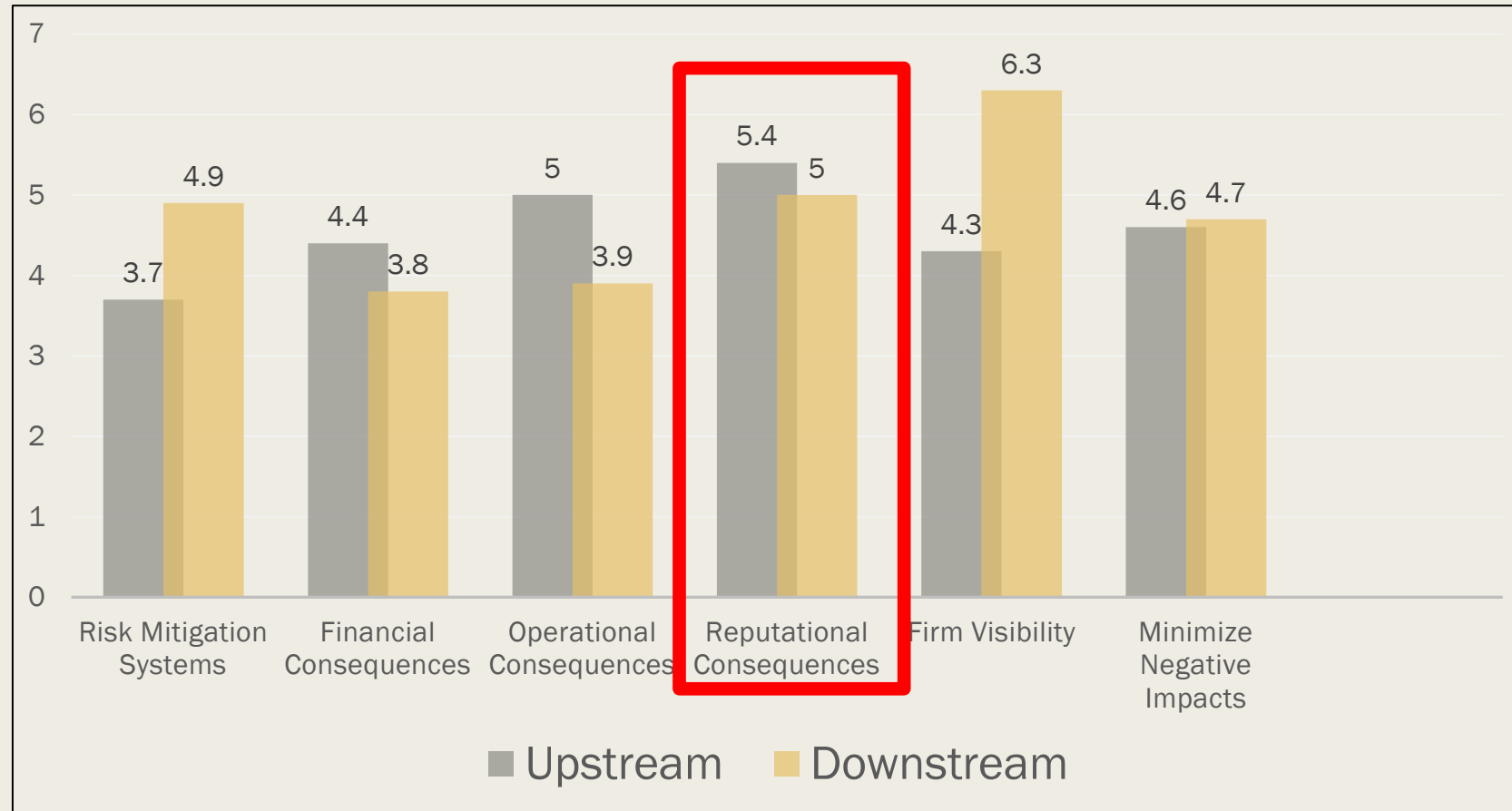
Is our reputation at risk if we violate a customer's standards?

Governments

Will private compliance standards dilute later national regulations?

* Tortosa-Edo, V., et al. (2014). "The antecedent role of personal environmental values in the relationships among trust in companies, information processing and risk perception." *Journal of Risk Research* **17**(8): 1019-1035.

ASM actors also care about risks



Participants

- N = 18
- 12 firms in mining
- Firm size ranged from 3 to 110,00 employees
- Eleven ASM actors (e.g. cooperatives) in DRC

Takeaway: ASM actors in the DRC perceive higher consequences from a social risk than downstream firms, despite having less risk mitigation strategies in place.

ASM actors also worry about their reputation

	Upstream			Downstream		
Variable	Strongly Agree/Agree	Moderate Agree/Disagree or Neither	Disagree or Strongly Disagree	Strongly Agree/Agree	Moderate Agree/Disagree or Neither	Disagree or Strongly Disagree
Has risk policy	17%	25%	58%	67%	17%	17%
Seeks out risks	8%	50%	42%	50%	33%	17%
Can identify suppliers	17%	50%	33%	17%	50%	33%
Financial Consequences	17%	83%	0%	33%	33%	33%
Operational Consequences	50%	50%	0%	17%	50%	33%
Reputational Consequences	58%	42%	0%	33%	67%	0%
Firm Visibility	42%	33%	25%	100%	0%	0%
Minimize Negative Impacts	33%	58%	8%	33%	50%	17%

Takeaway: 58% of upstream actors working in ASM “strongly agree or agree” that a social risk would hurt their reputation, compared to only 33% of downstream firms.

Reward vs. risk-focused firms: a contrast

	Reward	Risk
<i>Leadership values</i>	“Your first extended family is to the people you work with and the people in the company. Your second extended family is everyone you touch in some way.”	“My boss used to say, ‘Make the problem go away.’”
<i>Opportunities</i>	“We can develop assets now we would not be able to develop if we had not built up our social sustainability competency over many years.”	“We are permanently worried about communities protesting or kicking us off the land...”
<i>Origins</i>	“Going back to our founding, we had to support the communities around us, whether that is healthcare or job creation. We didn’t have the luxury of being a mine in an emerging industrial country.”	“We’ve always had all the big words, but at our origin all we cared about was money...”

Please consider sharing your insights...

If you wish to contribute to this important research and have a confidential conversation about how you or your firm thinks about social risk and reward, please contact Luke Fiske at L.Fiske@queensu.ca.

Thank you.



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www.impacttransform.org

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Submit your questions

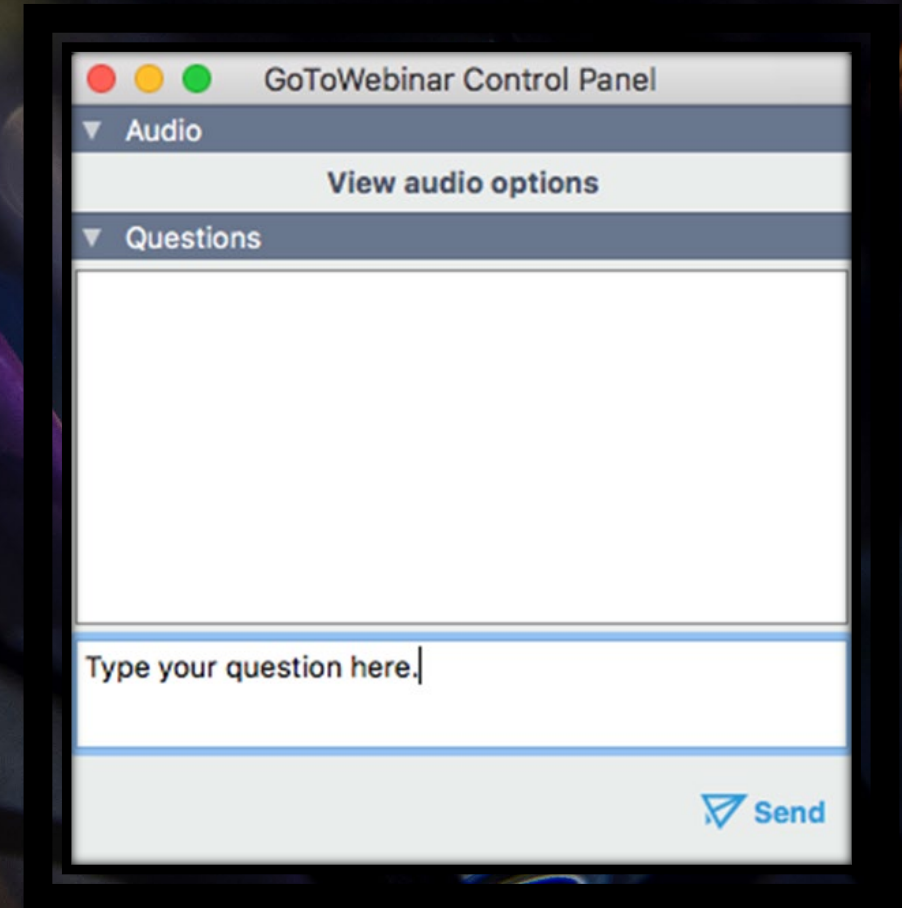


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Upcoming Webinars



Join us every Thursday at 13:30BST where we will be discussing a range of topical issues.

Thursday, 23 July – COVID-19 affect on Gold Jewellery & supply chains (Virtual Summit)

Tuesday, 28 July – A Scientific Overview of types of Security Features

Thursday, 30 July – LBMA Asia Update

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