

## Making Global Supply Chains sustainable: The case of the gold sector

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### Key messages

Access to raw materials is critical to industries and to society in general. Gold, in particular, is essential for industrial use.

To avoid social and environmental threats in producing countries, gold supply chains must be made more responsible.

The role of business is fundamental to foster responsible business conduct and to reduce the footprint of their operations.

Effective responsible supply chains depend on public policies that support private sector initiatives. There must be a balance between regulations and incentives.

### Introduction

Access to raw materials is critical for industries and to society in general. For example, minerals such as tin, tantalum, tungsten and gold (3TG) are widely used in important technical sectors, such as information and telecommunications technologies, automobiles, healthcare appliances and electronic and high-tech devices.

Sadly, a number of countries and regions that produce these minerals are (or have been) prone to prolonged and violent conflicts, which led to severe human rights abuses such as forced, bonded or child labour, as well as disputes over land.<sup>2</sup> Many factors are said to contribute to fuel conflict. Cross-border and international trade is one of them. In particular, it can contribute to finance and perpetuate violence and human rights violations in vulnerable regions. At the same time, mineral sourcing and international trade can be powerful tools for stability and sustainable development if done in a responsible manner.

This briefing note focuses on the gold supply chain,<sup>3</sup> given its special characteristic and particular interest for those perpetuating conflicts. Indeed, gold can be used as cash, can be moved around in small quantities and can be easily exchanged for large sums of money, given its high price on the market.

<sup>1</sup> The author would like to thank the Dutch Ministry of Foreign Affairs and the UK Department for International Development for their financial support.

<sup>2</sup> This paper takes a broader geographical and issue-based perspective on the question of 'conflict' and considers challenges that affect mineral supply chains both within and beyond official conflict areas, as identified in various policy documents.

<sup>3</sup> This briefing note makes a distinction between "global supply chains" (GSC) and "global value chains" (GVC). GSC here is understood to focus on the flow of gold materials from the producer to the end-user. It includes the entire

## The sustainability challenges of gold supply chains

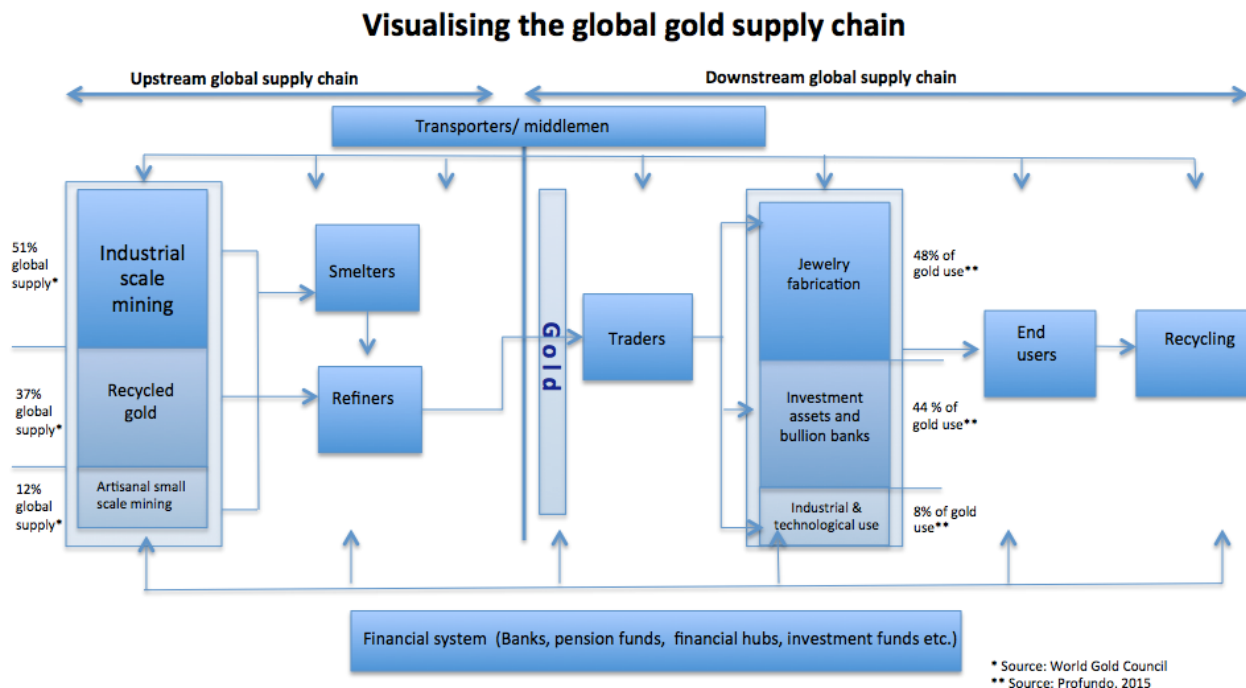
It is widely recognised that implementing responsible supply chain networks are critical to attain development objectives that aspire to be sustainable. For this to be realised, a certain number of conditions are necessary. These include efficient functional international markets, investments that take into account social, human and environment concerns, resilient economic and governance structures in developing countries and ethical business conduct, to name but a few.

The gold sector does not derogate from this responsibility. As illustrated in **Figure 1**, the gold supply chain can sometimes be quite complex and involves a wide range of actors along and around it.

In recent years, the gold sector (together with Tin, Tantalum and Tungsten (3Ts), termed ‘conflict minerals’) has been at the centre of all the attention. Cases were reported where mining activities had negative impacts on the environment and on the livelihoods of local communities. Gender inequality, biased against women, as well as child labour have raised serious concerns, in particular in artisanal small scale mining (ASM) and in fragile and conflict-affected areas.

Similarly, in many instances, the gold has been used and traded to finance armed conflicts and civil wars in certain parts of the world. This brings to light the fact that the sector is particularly prone to a number of challenges, which have to be addressed in a holistic manner.

**Figure 1: Visualising the gold supply chain**



(Source: Author)

These nature and scope of challenges facing the gold sector differ in various parts of the supply chain. The upstream part of the chain typically consists of companies involved directly in gold production or

‘ecosystem’ around gold production. GVCs are understood as the value created along each step of the supply chain, which is not the focus of this paper.

processing. They are the various ‘suppliers’ of gold, such as industrial-scale<sup>4</sup> mining industries, suppliers of recycled gold<sup>5</sup> and artisanal small-scale miners. Smelters and refiners are also part of the upstream supply chain.

Each supplier faces its own set of challenges. Over the years, industrial mining companies (accounting for approximately 51% of global supply of gold) have largely improved their sustainability track record and have lowered their exposure to the risk of financing conflict, either as a result of mandatory regulations linked to the jurisdictions where they operate or because of voluntary mechanisms they themselves undertook to carry due diligence, although only a handful of industrial companies operate in ‘conflict’ regions.

In the case of artisanal small-scale mining, the challenge is more difficult to address, in particular as operations can take the form of formal or informal mining. Some miners may not be licensed, making traceability of ores difficult. Since they account for 12% of global gold supply, their role is critical and they should be part of the conversation.

Many refiners<sup>6</sup>, considered as the ‘choke point’ of the supply chain, have also taken steps to trace the sourcing of their gold. Today 85–90% of refined gold is assumed to be conflict-free. Less visible, but important, are financing institutions; such as banks, investment funds or pension funds that provide the necessary funds to the mining sector. Financial hubs, such as tax havens, are equally part of the upstream ecosystem, given that they host the headquarters of many gold-producing companies. In Europe, several financial hubs host or give tax advice to gold companies.

The downstream part of the supply chain is equally concerned. The ‘users’ of gold, that is, industries, jewellers and banks, are increasingly put under pressure to trace the source of their minerals not only from governments, who want to ensure that their companies do not inadvertently support conflict, but also by consumers, who are increasingly conscious of the harm that irresponsible business can have on populations in the developing world. However, the further downstream one goes, the more complicated it gets given that the gold would have ‘changed hands’ numerous times. Downstream users have been quite reluctant to accept mandatory regulations that would require them to carry out due diligence and provide proofs that their supply chain is conflict free; in part because the costs are quite high compared to the small amounts of gold some of them use in their entire production chain but also because traceability becomes more difficult once gold has been smelted.

Three groups of actors, namely traders, financial institutions (like in the upstream supply chain), and recycling companies are important actors of the downstream supply chain. While their roles are recognised in the gold supply chain, their responsibilities, and how best to engage them in taking concrete steps to close the loop on sustainability, are however, not sufficiently discussed.

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<sup>4</sup> This category includes multinational companies and other large and medium scale mining operations

<sup>5</sup> Made up of 90% high value recycled gold from bars, jewellery and coins and 10% industrial recycled gold from waste electrical and electronic waste.

<sup>6</sup> The challenge is that refiners are set up to refine (mix) larger volumes at a time, not the small, traceable batches that are coming out of certified operations. What is needed is some form of financial support to off-set the added costs of doing small batch processes during this transition period. Once there are more responsible, traceable sources, there will be enough economies of scale that the costs will come down for everyone.

## What role for business in sustainable gold supply chains?

Businesses are responsible for the footprint their operations leave on the local environment, economy and population. This is particularly relevant when they operate in a fragile or conflict-affected country or region. In recent years, there has been a growing requirement for responsible business conduct not only from countries where businesses are headquartered<sup>7</sup> but also by increasing consumer awareness. This is not only a question of ethics or Responsible Business Conduct (RBC) to 'do good', but a strong case to gain market shares in a consumer conscious world.

Various private-led initiatives have been undertaken to foster responsible business conduct (Annex 1 summarises key initiatives). In the gold sector, large mining companies and smelters have taken measures to make their exploitation and sourcing more transparent, given proximity to the source of conflicts or potential socio-environmental impacts. This is expected to cover approximately 50% of gold produced.

Responsible supply chains also require having environmentally sustainable production and mitigating the social impact on land rights and local communities. In this case, while significant progress have been made<sup>8</sup>, more needs to be done in particular to minimise environmental impacts of toxins and dangerous metals that may contaminate downstream surface water bodies and to reshape landscapes, reforest or find alternative uses for redundant pits, once mining activities close.<sup>9</sup>

In contrast to the significant progress made in the formal (and large-scale) gold industry, there has been little progress towards creating responsible supply chains of artisanal gold (about 12% of gold production). This is a serious cause of concern since these mines are suspected to be a propitious terrain for armed groups and militia to serve themselves. Of course, not all ASM contribute to fuelling conflict but a lot of the gold produced that way is smuggled across borders to find themselves in regular supply chains, while being difficult to trace.

The challenge with ASM is not only linked to the risk of financing armed groups and fuelling conflict. Production methods are often rudimentary and dangerous for the health and the environment. In addition, conditions of work are poor and in many cases, child labour and human rights abuses, in particular on women, are not uncommon. Environmental impacts (including on women, children, health<sup>10</sup>, environment) are also major challenges and there are limited obligations and enforcement mechanisms in place to improve this situation. Similarly, water pollution and contamination, as well as landscape and habitat degradation arising from ASM activities can therefore be particularly threatening if not properly framed by solid legal frameworks and accompanying measures to support implementation. Finally, there are insufficient incentives for ASM to produce in a more responsible manner, given the costs involved to do so

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<sup>7</sup> Section 1502 of the 2010 Dodd-Frank Act requires companies listed on US stock markets to disclose annually whether any conflict minerals that are necessary to the functionality or production of a product, originated in the Democratic Republic of the Congo or an adjoining country and, if so, to provide a report describing, among other matters, the measures taken to exercise due diligence on the source and chain of custody of those minerals, which must include an independent private sector audit of the report that is certified by the company filing the report.

<sup>8</sup> For instance, many companies have signed up to the UNEP International Cyanide Management Code (ICMC) and therefore have an obligation to take measures to mitigate environmental risks related to the use of dangerous chemical compounds, such as cyanide. Large mining companies tend to follow internationally agreed principles such as the IFC/ World Bank supported Free Prior and Informed Consent, provided that host countries' legislations require them to do so. However, this is often not the case. See Profundo (2015).

<sup>9</sup> Mining companies that operate in countries with strong governance jurisdictions have to follow guidelines to ensure post-closure maintenance. One such guideline has been developed by ICMM.

<sup>10</sup> The use of mercury and cyanide is common in ASM, leading to serious health and safety implications, including on human health and water contamination.

and given they are subject to less consumer and public scrutiny pressures as opposed to industrial producers.

In addition to meeting international obligations or commitments, many companies have also scaled up their RBC policies to support regulatory and governments' efforts to promote sustainable and responsible sourcing of gold. Efforts made by traders and financial institutions as well as recycling companies (in particular in developing countries) however, remain insufficient in support of sustainability efforts. Efforts and responses by resource-rich countries are also clearly not sufficient.

## Approaches and tools related to gold supply chains: The case of the EU

While responsibilities of companies in ensuring the sustainability of its supply chain are acknowledged, companies that operate in high-risk areas cannot however, address those challenges on their own. To be truly effective, efforts to foster sustainable supply chains require collaborative efforts, where public policies are a necessary complement to the private initiatives. In this regard, companies' efforts need to be strongly supported politically by global leaders whose industries depend largely on inputs such as gold and whose citizens are important consumers of finished products that contain such raw materials.

The European Union (EU) is taking an increasingly strong political stand in supporting responsible supply and value chains. Through its policy to promote free and fair trade practices, it has negotiated a number of free trade agreements as a means to secure access to foreign markets for its goods and services.<sup>11</sup> Access to critical minerals and metals has been a crucial feature of Europe's trade policy, given the necessity to secure the security of supply for its own industries.<sup>12</sup> While this has created opportunities for European companies, there are nevertheless risks of unintended consequences. In particular, international trade in minerals that originate from regions prone to war or conflict may play a role in intensifying and perpetuating the unstable situation. Breaking the link between minerals extraction and conflict is therefore necessary but is a complex challenge.

The root causes and triggers<sup>13</sup> of the problems as well as the roles of the various actors involved (in fuelling conflicts but also in sourcing minerals from conflict affected areas) need to be carefully identified upfront and addressed with well-defined and well-targeted policy instruments, including political and diplomatic tools. This must be combined with a way to stop the flow of trade in those 'conflict' minerals.

Over the years, the European Union has adopted an integrated and comprehensive approach to conflict prevention, resolution, governance and trade of minerals in an attempt to break the link between conflict and minerals (see Annex 2 for a summary of EU's approach). The approach consists of a series of complementary trade, foreign and development cooperation policies and strategies, supported by regulations that encourage or legally require companies to take a number of steps to ensure their supply chains are, as far as possible, sustainable and transparent. **Box 1** summarises the recent proposal to foster more responsible supply chains with respect to 'conflict minerals'.

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<sup>11</sup> It also provides unilateral trade preferences to developing countries and least-developed countries (LDCs) through Generalized System of Preferences (GSP) as a means to provide market access in Europe for products originating in these countries. Raw materials and inputs to European industries generally enjoy preferential access.

<sup>12</sup> See EU Raw Materials Policy 2008; 2011.

<sup>13</sup> For instance, weak governance, absence of security, inability to ensure the rule of law, poverty, endemic corruption and on-going political and land disputes.

**Box 1: EU's Proposal towards regulating conflict minerals**

Related to gold, it is important to highlight that in March 2014, the EC made a Proposal for a Regulation for the setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold originating in conflict-affected and high-risk areas. The proposal was aimed at helping to 'reduce the financing of armed groups and security forces through mineral proceeds in conflict-affected and high-risk areas by supporting and further promoting responsible sourcing practices of EU companies in relation to tin, tantalum, tungsten and gold originating from such areas.' It was built on existing international due diligence frameworks and principles<sup>14</sup> and on an existing EU Initiative regarding timber (the FLEGT Regulation).

The EC proposed a joint action<sup>15</sup> with the High Representative coupled with a 'voluntary' Regulation that would target all EU importers of tin, tantalum, tungsten and gold, irrespective of the origin of the products. The Proposed Regulation focussed essentially on upstream suppliers who would 'opt' to be self-certified as responsible importers, on the basis of a self-declaration of compliance (based on OECD Due Diligence Guidance). In addition, risks in the supply chain would have to be assessed and identified as well as ways to address those risks. Importers would also have to submit the names of all smelters and/or refiners from which they source their metals. Downstream users would have no obligations.

This Proposal was, however, rejected by the Parliament in May 2015, who instead voted an amended draft regulation with significant differences. In a nutshell, the Parliament is now seeking to establish a two-track approach. First, the EP proposes a mandatory requirement for due diligence for all upstream importers of tin, tantalum, tungsten and gold from conflict affected areas to ensure that their practices do not fund conflicts and human rights violations in conflict affected areas. Secondly, it introduces a 'softer' due diligence approach for downstream companies who use these materials in the manufacturing of goods. The latter who would have to comply with the rules and assess their supply chains for risks and provide information on their due diligence procedures. The Parliament has now entered into discussions with the Council and the Commission to finalise the text that would be definitively adopted. We may still expect changes during this process.

While the approach is coherent overall and comprehensive in general, many of these policies and instruments nevertheless do not seem to be sufficiently coordinated to provide an adequate response to the dual ambition of having responsible and sustainable business practices while avoiding the fact that investment or trade can contribute to some extent to conflict. For example, as a major investor with large financial hubs, the EU does not look at the potential role of its financial system in sustainable value chain and their impact on high-risk countries. Similarly, the trading business is left as a black box out of international trade rules although they are at the heart of numerous commodity transactions.

EU member states are also taking initiatives to foster sustainability in the gold supply chain. For instance, the Netherlands has adopted an innovative approach through dialogue and private sector commitments to act through their own supply chains. **Box 2 highlights this initiative.**

<sup>14</sup> In particular, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Due Diligence Guidance) adopted in 2011 and Section 1502 of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

<sup>15</sup> Consisting of the following measures: (i) National Contact Points (NCPs) and the Enterprise Europe Network (EEN) to advocate the uptake of the OECD Due Diligence Guidance; (ii) EU public procurement: the application of performance clauses in Commission and EU Member States' public procurement contracts for relevant products (e.g. computers, cell phones); (iii) financial assistance to the existing OECD programmes; (iv) Commission support to 'Letters of Intent' by the European industry; and (v) government-to-government actions.



**Box 2: How the Netherlands is tackling this challenge**

Two guiding frameworks shape the current Dutch agenda on trade, development and sustainability. These are (i) the 2013 Agenda for aid, trade and investment, where amongst others, development cooperation (i.e. aid) is channelled essentially to conflict affected or post-conflict countries; and (ii) the 2013 CSR Reward Strategy, where a strong business case is made in support of companies that adopt socially responsible business practices.

Following this, the Ministry of Foreign Trade and Development Cooperation identified a number of priority sectors for the development of 'sector agreements'. The gold sector is one such priority, given the important role that Dutch banks, investors and financial services play in financing the gold sector and the risk that may arise for Dutch businesses if the supply chain is not managed in a sustainable manner. To achieve its objective, the Dutch government set up a sector covenant process on gold to tackle risk that companies and CSR would not be able to address alone. This is done through a three-pillar approach:

To conduct a proper analysis of international corporate social responsibility in the entire gold supply chain to assess the potential risks:

- Set up a multi stakeholder dialogue process to seek ways to mitigate and address the causes and consequences of the potential risks in the Netherlands and for conflict-affected countries and regions. The first national roundtable on gold was held in June 2015. The objective was to assess the options for sustainability in various parts of the supply chain.
- Signing of a covenant on gold with the gold industry association, frontrunner companies, NGOs and unions, with plans of action for joint implementation.

To support the effectiveness of the EU regulation for conflict minerals the Dutch government put in place accompanying measures that support the goal of the regulation. As part of these measures the Netherlands proposes to set up a European Public-Private Partnership for Responsible Minerals Sourcing. This PPP would provide a platform for cooperation between EU governments, companies and civil society to address the issue of conflict minerals (3TG) and to enable responsible sourcing of these minerals.

The Dutch initiative, in particular the private public partnership, is expected to enable dialogue, cross-sector learning and support for the implementation of due diligence mechanisms along the entire chain, with special considerations for SMEs. EU governments and private actors contribute financially to a shared programme that funds interventions, with the support of civil society in affected countries, that enable responsible mineral sourcing from conflict-affected regions.

## The need to close the loop, regulate and incentivise

As this short brief demonstrates, the gold supply chain is a complex one, which involves a number of operators that are not always directly producers or users of gold. Yet they form part of the loop.

The EU has a comprehensive approach to conflict and security issues and has developed, over the years, strategic policy tools and instruments to prevent or address conflict in high-risk areas. It has also provided financial resources to support countries in addressing conflict situations. In addition, it is actively engaged in and committed to various international initiatives that aim at fostering due diligence in supply chain of minerals, including on gold. Yet, these do not seem to be sufficient to ensure sustainability in the supply chain.

Moving forward, it would be important to bring on board those actors who are missing to 'close the loop' of the sustainable supply chain, such as key stakeholders within the financial system or commodity traders.

Furthermore, it is necessary to reflect on whether more or new regulations are needed to address this question. There are already plenty of initiatives, instruments and regulations to address conflict minerals and responsible practices, including by the EU (see Annexes 1 and 2). There is a need to assess to what extent existing measures have delivered on their initial objectives first and to enhance the coherence and

effectiveness of existing instruments to make them work better. Alternatively to rules, there may be a need to design some forms of incentives or to foster good practices to encourage companies to take initiatives on their own.

Finally, the partnership with the private sector is essential to ensure effective sustainability. There are merits in drawing their lessons from innovative approaches, such as the Dutch Initiative and how can this be scaled up at the broader European level.



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**Annex 1: Summary of initiatives and instruments to address responsible conduct in minerals (with a focus on gold)**

Initiatives/ Instruments	Type	Legal status	Key features	Scope (which part of the supply chain)	Coverage
<b>Policy frameworks</b>					
<b>Section 1502 Dodd-Frank Act, 2010</b>	Regulation (US)	Mandatory	Legal obligation for due diligence, reporting and disclosure	Upstream and downstream	DR Congo and neighbouring countries
<b>European Commission Proposal 2014 for supply chain due diligence for 3TG</b>	(Draft) Regulation	Voluntary	Self-certification for importers of gold to carry out due diligence	Upstream	General
<b>European Parliament, Amended Proposal May 2015</b>	Amendments to Legislation (Draft)	Mandatory (upstream) Voluntary (downstream)	Two track approach: mandatory regulation for importers; Voluntary for downstream users that have to show they are taking steps to reduce risks	Upstream and downstream	General
<b>Dubai Multi Commodities Centre Practical Guidance</b>	Dubai	Mandatory for accredited members	To implement OECD Due Diligence	Commodities traded in Dubai	Dubai
<b>UN Security Council Resolution 1952 (2010)</b>	UN Resolution	Mandatory	Calls for due diligence in supply chain management	General	Great lakes (Africa)
<b>OECD Guidelines for Multinational Enterprises (2011)</b>	Guidelines	Voluntary and non-binding	Recommendations providing principles and standards for responsible business conduct for multinationals operating in or from countries adhered to the Declaration.	General	General
<b>OECD Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas supplement Gold</b>	Collaborative government-backed, multi-stakeholder	OECD members Voluntary	To foster responsible supply chain management of minerals from conflict affected areas. Help companies respect human rights, promote sustainability of supply chain and corporate engagement	From mine to end user, includes ASM	Conflict Affected and high risk areas
<b>Gold (sector)– Specific guidelines and standards</b>					
<b>London Bullion Market Association (LBMA) Responsible Gold Guidance</b>	Private-led	Voluntary to join but mandatory for all accredited refiners	Operationalise OECD Due diligence for refiners to ensure that all gold feed stock and gold produced by refiners are conflict-free	Refiners	General
<b>World Gold Council Conflict-Free Gold Standard</b>	Private-led	Voluntary	To operationalize the OECD Due Diligence; Establish a common approach	Upstream	General
<b>Responsible Jewellery Council Chain of Custody Certification Programme</b>	Private-led	Voluntary	Seeks to operationalise OECD Due diligence To certify systems that can identify and track responsibly produced and conflict-free gold	Entire supply chain Differentiates between mined, recycled and mixed gold	General
<b>Conflict-Free Sourcing Initiative (CFSI) Conflict-Free Smelter Programme (CFSP)</b>	Private-led	Voluntary	Uses independent audit to identify smelters and suppliers that have systems in place to ensure traceability. List of smelters is published	Smelters and refiners Allows downstream companies to identify and source from conflict-free smelters	General
<b>Better Gold initiative</b>	Switzerland Private-public partnership	Voluntary	Promote sustainable exports and supply chains	ASM	Country specific

<b>Artisanal Gold Council</b>	NGO based in Canada	Development initiative	Foster sustainable development of ASM	ASM	Global
<b>Fairtrade Gold</b>	NGO-led	Certification Scheme (voluntary) but those applying for certificate must submit audit	Follows OECD Due Diligence Certification scheme for responsibly sourced gold from ASM that comply with social, environmental, labour and traceability requirements	ASM	Global
<b>Fairmined Gold</b>	Developed by Alliance for Responsible Mining	Voluntary but parties must be audited	Third party assurance scheme that gold is sourced from formalised ASM with responsible social, labour and environmental practices	ASM	General
<b>International Cyanide Management Code</b>	Multi-stakeholder (under guidance of UNEP and ICMM)	Voluntary industry programme	Focuses on safety management of cyanide and cyanidation	Gold	General
<b>Other international initiatives that also cover gold</b>					
<b>Public-Private Alliance for Responsible Minerals Trade (PPA)</b>	Multi-sector, multi-stakeholder initiative	Voluntary	Support supply chain solutions to conflict mineral challenges	Conflict minerals	Great Lakes Region (Africa)
<b>USAID Responsible Minerals Trade Program</b>	US-led	Voluntary	To design a pilot conflict-free supply chain	Conflict minerals	Great Lakes Region (Africa)
<b>International Conference on the Great Lakes Region Regional Certification Mechanism</b>	Initiative proposed by Partnership Africa Canada		Certification scheme to prevent human rights challenges and conflict financing Enables industry to meet requirements of Dodd-Frank Key element is verification and monitoring	Minerals are tracked from mine site to export (upstream)	Great Lake Region (Africa)
<b>Initiative for Responsible Mining Assurance</b>	Being developed		Outlines requirements for business integrity, social and environmental responsibility		
<b>Equator principles</b>	International Guideline (general)	Voluntary	Risk management framework for social and environmental risks	Financial institutions	General
<b>IFC performance Standards</b>	IFC-led	Voluntary	Sustainability framework to assess social and environmental impact of investments	Private sector investment	General
<b>UN Guiding Principles on Business and Human Rights, 2011 (Ruggie Pple)</b>	UN-led	Voluntary	Integrate corporate human right responsibility	All businesses (global)	General
<b>Un Voluntary Principles on Security and Human Rights, 2000</b>	Multi-stakeholder initiative	Voluntary	Guide companies in the extractive sector in maintaining safety and security of operations		General
<b>Extractive Industries Transparency Initiative (EITI), 2002</b>	Multi-stakeholder	Voluntary to join, but once Government mandatory joins,	Set standard for transparency for revenues	General	General
<b>ICMM, 2001</b>	Private-led	Voluntary	To improve sustainable development performance of mining companies	General	General
<b>Intergovernmental Forum on Mining and Metals</b>	International (government led)	Voluntary	Share best practices for good environmental, social and economic governance	General	General
<b>Minamata Convention on Mercury</b>	International (Government-led)	Global Treaty – Mandatory for signatories	To protect human health and environment	General	General
<b>UNEP Global Mercury Partnership</b>	UN	Partnership	TO reduce risks to health and environment	ASM	Global

Source: Adapted from Profundo, 2015

**Annex 2: Overview of Europe's strategies regarding conflict, minerals and development**

Policy	Type	Focus	Status
<b>General policies and Strategies covering regarding minerals</b>			
<b>EU Raw Materials Initiative (RMI), 2008</b>	Policy Document guiding EU trade and investment regarding raw materials	The EU has a coherent and integrated strategy on access to raw materials for the European Union. The EU RMI covers sustainable access to raw materials and also addresses governance, infrastructure and skills in third countries. The EIP is an innovative approach to research and innovation that covers the value chain.	Adopted in 2008, reviewed in 2011
<b>The European Innovation Partnership (EIP) on Raw Materials</b>	Stakeholders platform that bring together industry, governments, NGOs and think-tanks		
<b>EU Directive 2013/50/EU amending the existing Transparency Directive regarding transparency requirements for listed companies (June 2013)</b>	Directive, mandatory requirements	The revised Transparency Directive requires large extractive and logging companies to report the payments they make to governments (the so-called country by country reporting). Reporting will also be carried out on a project basis, where payments have been attributed to specific projects.	Adopted
<b>2014 Joint Proposal by EC and High Representative for an integrated approach to responsible sourcing of minerals originating from conflict-affected areas</b>	Joint Policy document consisting of: 1. Draft Regulation for supply chain due diligence and self-certification for importers; 2. Communication on overall foreign policy to tackle the link between trade and conflict	To address the link between armed groups and exploitation and trade in minerals, in particular tin, tantalum, tungsten and gold	Work in progress
<b>2015 Parliament</b>	Reviewed the 2014 Proposal.	Proposed a two-pronged approach: 1. Mandatory requirements for upstream industries to conduct due diligence; 2. Downstream industries are asked to be certified conflict-free and to provide information on how they plan to identify risks	In trialogue process in October 2015.
<b>Policies regarding sustainable business practices (not necessarily directly related to minerals (or gold) but of general application)</b>			
<b>EU Communication for a Strategy on Corporate Social Responsibility (CSR) 2011 -2014</b>	Policy Document	The EC promotes responsible business conduct, in particular with respect to compliance with internationally agreed CSR principles and guidelines such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.	New EC Communication expected in 2016
<b>EC Communication on a Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries, May 2014</b>	Policy document	To guide EU private sector in achieving development objectives.	Adopted
<b>EU Agenda for change, 2011</b>	EC Communication	EU's strategy to support developing countries' efforts to eradicate poverty. The Agenda gives a high profile to good governance, human rights and inclusive economic growth. It promotes joint work with the EU's development partners, developing countries' governments, the private sector and international organisations such as the UN.	Adopted
<b>Security and Conflict related initiatives</b>			
<b>Strategic framework for the Great Lakes Region, June 2013</b>	Joint Communication by the European Commission and High Representative	The EU has also taken more specific action for the Great Lake Region. This framework lays down a coherent and comprehensive EU	Adopted

		approach at regional, national and local level to the different roots of the crisis.
<b>Instrument for Stability (IfS), 2007 Followed by a Rapid Reaction Mechanism</b>	The Crisis preparedness component has four programme component (see below)	With the IfS, the EC has intensified its work in the area of conflict prevention, crisis management and peace building. Crisis response projects focus on issues such as support to mediation, confidence building, interim administrations, strengthening Rule of Law, transitional Justice or the role of natural resources in conflict. The IfS has been used to date to finance number of crisis response projects in Africa, Asia-Pacific, The Balkans, followed by the Middle East and Latin America and the Caribbean.
<b>Component 1: Non-state actors capacity building, dialogue and mediation. These include support to in-country actors to prevent and respond to crisis in fragile and conflict affected situations;</b>		In line with priorities to support mediation, dialogue, transitional justice and reconciliation;
<b>EU's 2011 Communication on CSR</b>	CSR of the private sector in fragile and conflict-affected areas. Expects companies' CSR to be based on OECD guidelines for multinational enterprises and UN principles on business and human rights	
<b>UN Security Council Resolution 1325 on Women, Peace and Security</b>	Implementation of UN Resolution	EU's support in crisis management, conflict prevention and resolution, humanitarian action, justice and security sector reform, gender equality and development cooperation.
<b>Guide to Practical Actions at EU level for ending sexual violence in conflict, 2014</b>	EU Initiative	Adopted as a response to end sexual violence in conflict. Actions include supporting women's organisations, promoting women empowerment, protecting them in situation of conflict and encouraging them to participate in conflict prevention and resolution
<b>Protection of children against conflict-related exploitation and violence</b>	EU initiative	Support actions to prevent and reduce the active recruitment of children in armed conflict; actions to prevent all forms of violence against children in conflict and post-conflict context; and ensure actions to peace-negotiations and reconciliation are children sensitive
<b>Youth employment as conflict prevention and peace building vector</b>	A priority identified in the Agenda for change;	Support employment driven solutions to divert youth from engagement in gangs and other forms of violence; professional initiatives to reconnect youth across geographic and ethnic divides; to promote civic engagement; empowerment and promote their role in communities;
<b>Provision of European resources for mediation support</b>		To support mediation and dialogue and strengthen links across European actors
<b>Component 2: Promoting early warning capabilities, including continued support regional</b>	The EU relies on EU Situation Room which provides worldwide monitoring and situation	To strengthen regional and sub-regional organisations crisis response mechanism and early warning/ situation awareness capabilities to

and sub-regional partners in crisis response;	awareness round the clock. This supports the Crisis Platform	better respond to and prevent conflict; and to provide support for a coordinated approach to crisis response in regional organisations and their member states	
<b>Component 3: Natural resources and conflict. These include support to the implementation of ICGLR Regional initiative to address the linkages between natural resources and fragility in the African GLR; and promoting transparency of the mineral supply chains in conflict-affected and high-risk areas, building on OECD Due Diligence;</b>	Support ICGLR Protocol against illegal exploitation of natural resources (2006) and the Regional Initiative against illegal exploitation of national resources (RINR)	Provide expertise to ICGLR on natural resource management and conflict prevention; capacity building of ICGLR Secretariat; Assist in the implementation of RINR	
	Complemented by other initiative supported by Germany, Switzerland, the Netherlands; Belgium, Partnership Africa Canada	Ensure donor coordination	
<b>2008 EU-UN Partnership on land, natural resources and conflict prevention</b>	EU is fostering a UN inter-agency approach in this sector	Supported by the EU through the Instrument for Stability. Joint assistance is provided to third countries to prevent and address natural resources-related conflicts	
<b>Support to OECD Initiative on Due Diligence for Responsible Mineral Trade (2009)</b>	Promoting transparency of mineral supply chains in conflict-affected and high-risk areas	To promote responsible sourcing and trading of minerals through dissemination and adoption and use of OECD guidelines and build on the process that has been initiated in the Great Lakes Region	
<b>Component 4: Peace building and fragility.</b>	To contribute to the implementation of the New Deal for engagement in fragile states through international dialogue on peace-building and state-building and promoting job creation and private sector involvement in fragile and conflict affected states	To build and strengthen resilience in fragile states This agenda build on the one agreed in Busan High Level Forum on Aid Effectiveness with the international community	Supported by EU
<b>EU Comprehensive Approach, 2013 JOIN (2013) 30 Final. Examples include:</b> ➤ The Strategy for Security and Development in the Sahel of March '14 and Sahel Regional Action Plan of Marc '15; ➤ The Strategy on Citizens Security in Central America and the Caribbean, July '14; ➤ April '15 Action Plan for Comprehensive Approach ➤ The European Agenda on Security, April '15;	Joint Approach by High Representative and EC.	Defines EU policies and actions in relations to conflict prevention and crisis resolution. The Action Plan 2015 defines concrete actions to be undertaken by the EEAS, the Commission and Member States;	Adopted
<b>EU Common Security and Defence Policy</b>	Support to security sector reform programmes in response to post-conflict, transitional and developing countries	To build capacity and support conflict prevention. Between 2010-2020 more than 10% of total DCI and EDF (development financial support) is expected to be allocated to support conflict prevention, resolution and peace and security activities.	34 missions and operations conducted so far
<b>EU Conflict Early Warning System, 2014</b>	Conflict prevention mechanisms Multi-stakeholder approach involving High Rep, EC, Member States, NGOs	The system looks at long-term risks for the emergence or escalation of violent conflict. This is linked to the Comprehensive Approach to External Conflict and Crisis (2013)	In place
<b>Strategy to Combat Illicit Accumulation and Trafficking of Small Arms and Light Weapons (SALW) and their ammunitions, 2005</b>	Strategic document	Several projects launched to implement the strategy including through development instruments	Adopted



### **ECDPM Briefing Notes**

ECDPM Briefing Notes present policy findings and advice, prepared and disseminated by Centre staff in response to specific requests by its partners. The aim is to stimulate broader reflection and debate on key policy questions relating to EU external action, with a focus on relations with countries in the South.

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