

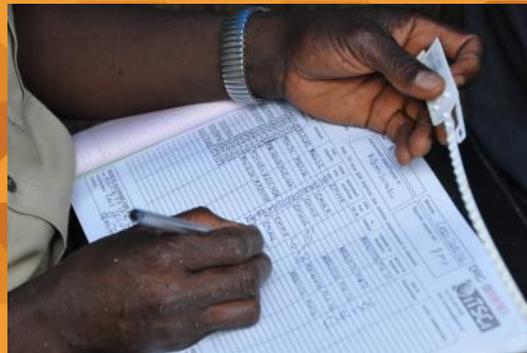


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International Conference on Artisanal and Small-scale Mining
in the Asia Pacific Region: Current Status and Challenges

Ulaanbaatar, Mongolia, 28-31 May, 2013

Legal and Market-side Demands for Traceability in the Mineral Supply Chain



Overview of presentation

- Some definitions and an overview of initiatives
- The Dodd Frank Act – why it has been a game-changer
- Case Study: Traceability of Tin, Tantalum and Tungsten (3Ts) in the Great Lakes Region
 - Current status
 - Success factors
 - Limitations and challenges
- Gold traceability
- Traceability and ASM: Risks and Opportunities
- Discussion

Let's start with some definitions...



Certification is like an umbrella covering all aspects of a mine and its operations. e.g. BGR Certified Trading Chains (CTC) system covers:

1. Legal status
2. Traceability
3. Transparency
2. Labor rights
3. Working conditions
4. Health and safety
5. Security
6. Community development
7. Gender
8. Environmental performance



Transparency is one section of the umbrella concerned with respecting fiscal obligations to the host country, disclosing payments made to governments, and opposing fraudulent payments and bribery. E.g.: EITI, Publish What you Pay

Traceability is another section of the umbrella concerned with confirming the origin of minerals, accurate documentation tracking their movement through the supply chain, and identification of the actors handling them.

E.g.: ITRI Tin Supply Chain Initiative



Initiatives have different levels of obligation

Some initiatives are optional, e.g.:

- World Gold Council Conflict Free Gold Standard
- Responsible Jewelry Council Chain of Custody Certification
- Fair Trade
- Fairmined

Some initiatives are nationally binding for member states, some are 'guidance' which is expected to be observed, e.g.:

- EITI
- OECD

Some are laws with penalties for non-compliance, e.g.:

- Dodd Frank Act





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Case Study: iTSCi

The Conflict Minerals Phenomenon

- Well-orchestrated efforts by lobby groups simultaneously influencing consumers, companies and government
- Very targeted campaign:
 - 4 Minerals: tin, tantalum, tungsten, gold
 - 1 Geographic area: DRC and adjoining countries
- Supply source was big enough to matter but small enough not to disrupt the market
- However, was limited by:
 - Narrow analysis and simplistic messaging
 - Lack of local consultation
 - Lack of time or resources for implementation



Dodd-Frank Act: A Game-Changer

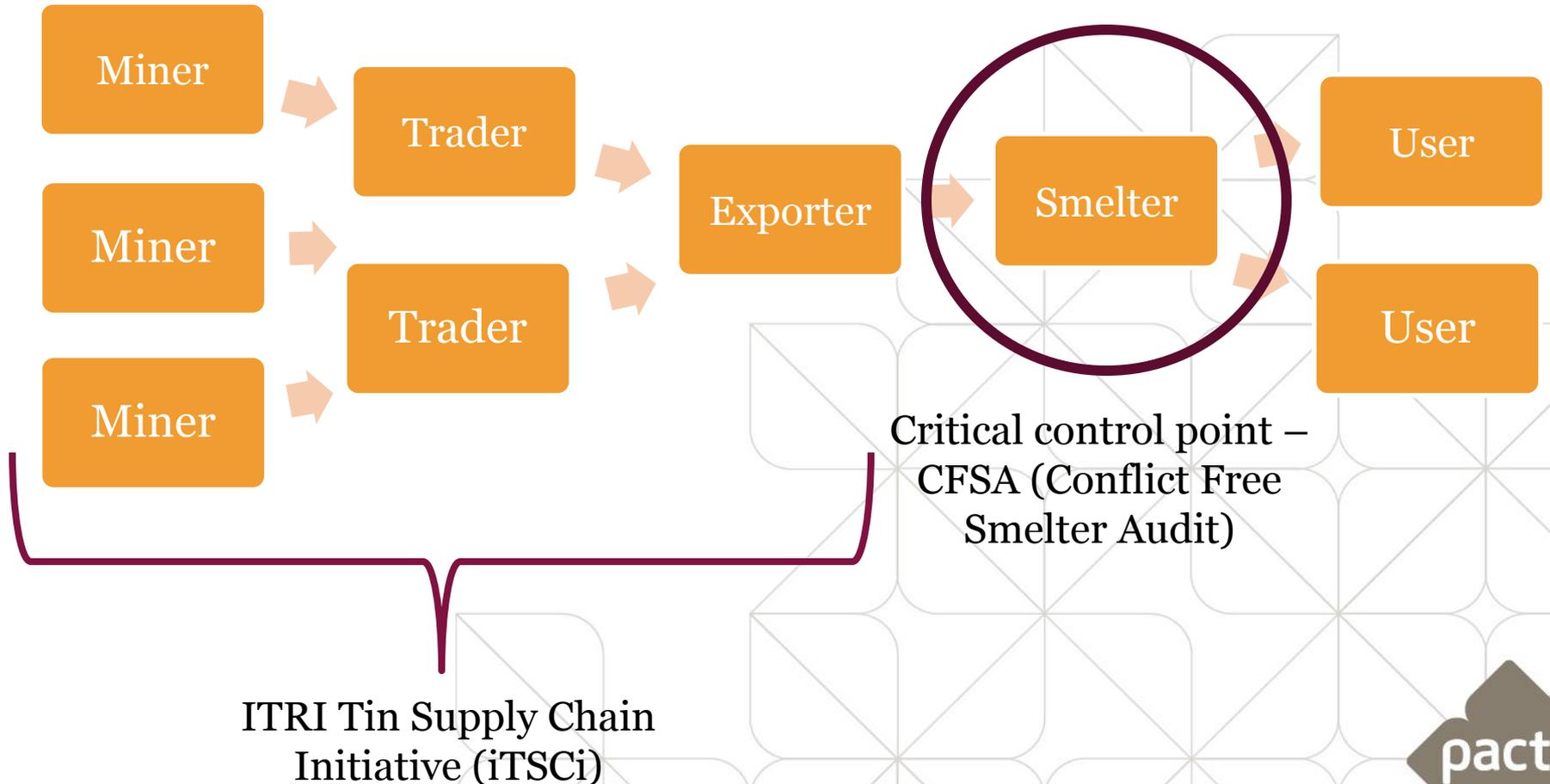
- June 2010, US Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act including Section 1502 on Conflict Minerals
- Brought into force by April 2011, supported by Security and Exchange Commission Rules since August 2012
- US publicly traded companies are **LEGALLY OBLIGED** to ensure that minerals in their supply chain do not fund conflict and are not extracted or traded under conditions of conflict
- OECD Guidance supports Dodd-Frank
- EU and Canada are considering similar legislation



What does this mean for ASM?

- Not only DRC but also: CAR, Congo-Brazzaville, Tanzania, South Sudan, Zambia, Angola, Burundi, Rwanda, Uganda
- Immediate impact on approximately 120,000 ASMs mining the 3Ts. Potential impact on millions of ASGMs
- Immediate market response for the 3Ts took two forms:
 - Embargo in high-risk areas
 - Rapid industry support to start-up mechanisms in low-risk areas

The 3Ts Supply Chain: Structured for successful traceability



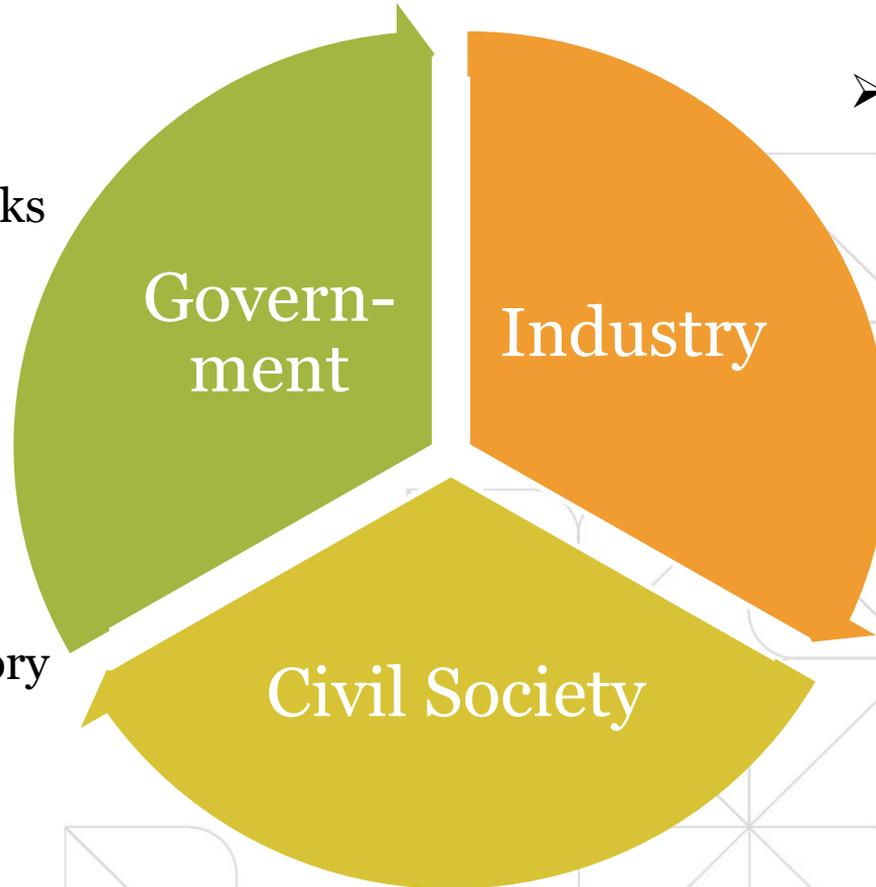
Components of the iTSCi system

- MoUs with Governments
- Membership requirements for companies
- Audit and risk assessment
- Baselines assessments of mines and trade routes
- Training and awareness raising
- Bag-and-tag of minerals, data collection, database
- Incident monitoring and resolution



iTSCi Sustainability Model

- MoU with Government
- Tagging and log books implemented by Gov. mine agents
- Gov chair multistakeholder committees
- Gov creating local legislation to make traceability obligatory



- Industry associations involved, not just individual companies
 - Industry pays levy per tonne of metal exported; sustainable finance mechanism
 - Due Diligence lists submitted to the supply chain

- Multi-stakeholder committees
- Incident monitoring and reporting
- Related social programming



Current status of the roll-out (as of May 2013)

- 113 member companies from 20 countries (106 upstream members ranging from co-operatives to large international trade groups and smelters; plus 7 associate downstream members)
- Operational in Rwanda plus 3 provinces of DRC, expansion to Burundi imminent
- 36,070 artisanal miners working in 741 mine areas

Area	Mines	Miners
Katanga, DRC	206 sub-sectors	23,450
South Kivu, DRC	1 site	1,290
Maniema, DRC	14 sites	1,460
Rwanda	520 sites	9,870



Results to date

- Conflict-free mines, no forced labor
- 635 incident reports, 80% closed with agreed resolution
- Miners get better prices for legal material
- Reduced fraud, reduced theft of minerals, direct benefits to miners, traders and mine owners
- Reduced illegal taxation, increased legal tax revenue to government
- Accurate statistics available for first time
- Livelihoods of a quarter of a million miners and their family members protected





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iTSCi Challenges and Limitations



Challenges and limitations for 3Ts

- Cannot roll out in certain areas due to insecurity
- Unintended negative consequences for other areas, commodities, and gold
- Low government capacity and resources, lack of donor support (Pact has support of South Africa & Netherlands)
- ASM production is unpredictable, levy is variable
- External actors fail to understand ASM dynamics
- Realities such as child labor, SGBV
- Managing expectations:
 - System does not go 'beyond compliance' - no resources for social programming
 - Negative media and NGO attention and focus
 - Original premise of conflict minerals lobby





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Gold Traceability

Traceability of ASM gold

- Structure of market is very different from 3Ts
 - Smelters are critical in 3Ts supply chain, ASGM not dependent on refiners
 - US end users dominate the market and can set standards for 3Ts but not for gold
 - ASM is major production system for international tin, industry has no option but to engage
- Nature of product is very different from 3Ts
 - Portability, fungibility, gold is immediate currency
- Price of gold at ASGM level is relatively high, harder to incentivize implementation on basis of price



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ASM Traceability: Risks and Opportunities

Traceability and ASM: Risks

- If standards are set too high and are too broad reaching, then 'Conflict-free' may become 'ASM-free' or 'Africa-free'
- Confusion between what is obligatory and what is optional
- Consumer fatigue, audit fatigue, cheaper and easier to walk away
- National level reactions to international instruments may create unachievable standards (e.g. OECD in DRC)
- Initiatives established without any planning for financial sustainability will become redundant
 - Industry will only finance what is necessary for compliance. Beyond that is that is a CSR or philanthropic 'extra'
- Bottom line: Further marginalization of ASMs



Traceability and ASM: Opportunities

- High level of consumer awareness, willingness to engage
 - Need to capitalize on this with tangible projects, not more standards and policy initiatives
 - Need success stories and positive publicity
 - Connecting both ends of the supply chain
- Choose our fights: prioritize, achieve, promote, allow for progressive improvement
- Pilot projects should deliver clear plan showing drivers, incentives and resources for market-based uptake
- Building on projects that deliver legal compliance gives a great platform for other initiatives and donor funding





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Thank you