



# VIRTUAL SUMMIT

11 June 2020

## ASM amid the COVID-19 Pandemic

### Speakers:

Taylor Birch, Events Coordinator LBMA/Speaker 1

Neil Harby, Chief Technical Officer, LBMA/Speaker 2

Jennifer Peyser, Senior Mediator & Director of Ethical Resource Programme, RESOLVE/Speaker 3

### Summary:

Neil Harby (CTO, LBMA) and Jennifer Peyser (Senior Mediator and Director of Ethical Resource Program, RESOLVE) discuss the LBMA and OECD's recent Call to Action, before turning their attention to the importance of ASM to LBMA, why we're getting involved and what issues are being faced in the current global environment. Neil and Jennifer assess the action already being taken across the industry, such as supporting reliant communities, and the future of ASM. Jennifer presented the findings of the CRAFT Code, published with the Alliance for Responsible Mining, which looks to bridge the gap for ASM workers engaging in formal trade and helps to expand trade between legitimate ASM producers and refiners, banks and other supply chain actors.

### Speaker 1:

Good afternoon and welcome to today's webinar for our Virtual Summit series. Today we welcome Jennifer Peyser, Senior Mediator & Director of the Ethical Resource Programme at Resolve, and Neil Harby, Chief Technical Officer at LBMA to discuss the LBMA and OECD's call to action, the importance of ASM to LBMA, why we're getting involved and what issues are being faced in the current global environment. Neil and Jennifer will assess the action already being taken across the industry, such as supporting reliant communities and looking forward to the future of ASM. Neil is LBMA's main contact for the Good Delivery System for Goods Delivery refiners and applicants and LBMA committees. His duties range from managing LBMA's Good Delivery accreditation system including applications, proactive monitoring, proficiency testing and more. Jennifer has over 15 years of experience in designing and leading proactive global multi-stakeholder partnerships and strategies linked to the use of natural resources. She advises industry NGOs and government, and supports collaborative problem solving to address high profile and high stakes sustainability challenges, with an emphasis on responsible supply chains. If you have any questions throughout this webinar, please email them through to [ask@lbma.org.uk](mailto:ask@lbma.org.uk). So, with that, I hand over to Neil. So, Neil, whenever you're ready.

### Speaker 2:

Okay, thanks Taylor and hello Jennifer. Good to see you again. A lot of you watching this webinar will remember that we used to have conferences around the world and we had one – the last one was in Shenzhen – where we really started to raise the profile of ASM with respect to LBMA Responsible

Sourcing. And, really, we started that call for action in Shenzhen, and that was obviously long before the coronavirus happened. And, obviously, the landscape has changed quite a lot since then. The LBMA published a report by Ruth Crowell, which is on our website at the moment, really to sort of highlight this call for action in the current environment and just to reiterate – just to extract a couple of key points from that report – is that 83% of the world's mining workforce relies on artisanal and small-scale mines for their livelihood. That comes up to roughly 40 and a half 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're calling on industry, government and civil society to urgently work together to support and protect these vulnerable communities. Now, the LBMA has been involved in a number of initiatives in the ASM space. Everything from the RAGS Forum all the way through to helping to develop the CRAFT Code, to assist with the responsible production of ASM gold. We've been involved in country initiatives, like helping Ghana try and sort out its industry with a company called (inaudible) but really, the LBMA is keen to get involved where it can, in any initiative which sort of helps the ASM sector.

Now the purpose of this webinar, when we first started talking about it, was really to get some of the key players talking openly to our membership, to keep them informed and to help them understand what we're trying to do. What became very clear very quickly is that there's an awful lot of people doing an awful lot of good work in this space, and it wouldn't have done justice to have a large number of people on this webinar really, sort of, trying to get their message across in the short time that we have, so that's why we've asked Jennifer Peyser to really, sort of, share with us her experiences of what she's been up to over the last while because, I think, she's been involved in a lot of these initiatives either personally, or her organization. But, certainly, she knows a lot of people who are doing a lot of good work out there, so what I'd like to do is hand over to Jennifer and maybe you can share with us what is going on out there. But before we do that, this graph puts things in perspective. If you look at the amount of ASM gold that's being produced – which is the big orange thingy – compared to the amount of gold from ASM sources, that actually is going through GDL refiners, it is a small percentage and we see there's a huge opportunity pre-COVID, during-COVID and post-COVID. So, Jennifer, over to you.

### Speaker 3:

Thanks, Neil. So, you're right. There have been many discussions, you know, lots of really good work for some time on thinking about responsible sourcing of artisanal gold and supporting responsible production and improving the sector. The COVID pandemic has really heightened some of these conversations and given them even another level of urgency. And so there have been a lot of convenings lately, to think through, 'What now?' Before I jump into exactly, you know, all the different initiatives or quick overview of those at least. I do want to say that we do know a lot. We have done a lot of tests, had some good successes, as well as having learned from some failures. And, so, in a couple of slides here, I want to share what did we learn about the challenges and, therefore, what we are trying to solve for, and thinking about a way forward. So, from an upstream perspective – especially, we typically think of the miners or the cooperative at the mine site level, the artisanal producers but also in thinking about the rest of that upstream chain, whether the traders within the country, sometimes even smelting or refining to a point in the country, and certainly the exporters – things that we know need to be addressed. Really a big piece of that puzzle is that we know that the gold will always have a buyer. So, it's not that there isn't a market for their artisanal gold but we really want to make the preferred market and more pathways to get to the formal and responsible buyers, for example, the Good Delivery supply chains. To do that, we need to create incentives and a business case for a lot of those actors, which are now in informal chains, not necessarily illicit and with bad actors, but certainly some of that, and a lot of informality. We want to provide pathways, and again, incentives, to come into formal markets and some of those pieces of that puzzle include pricing, including legal taxes as informal sellers and buyers don't pay those.

Thinking about how to finance or, you know, pre-buy or pre-finance the gold, try to increase production and do it in an environmentally sensitive and responsible way but just getting more gold out of the ore the miners are working with. Establishing longer term commercial relationships rather than sort of one-offs and then, and really just thinking with this frame of supporting local benefits to inclusive and resilient development. So, what can we do, for example, in this time of crisis that could weather the storm? Or a next wave of COVID or the next pandemic or crisis that comes along within the supply chain relationship? So, really, we're talking about enabling formalization, capacity

building, professionalization of the artisanal sector, and also even thinking about the details of logistics and services at the scale of ASM. On the upstream side – next slide, please – and the midstream, there are a number of different challenges. Thinking about, ‘How do we identify sites that are viable, that again might be informal, but that could come into formality, and that don't have illicit actors and that the risk can be mitigated?’ So, finding those viable sites. Being able to just conduct those initial due diligence and the ongoing site visits that are required for high-risk sourcing. Know your counterparty and the ongoing monitoring at the site and at the supply chains. Obviously, refiners, for example, not many have, you know, regional offices or people on the ground, and so, how can we address that in order to support due diligence? You know, really, a primary need is to be able to maintain a programme or certification status again, such as with LBMA, Responsible Jewellery Council, Responsible Minerals Assurance Programme and just the many different other kind of legal requirements, and the risk committee requirements, internally, that companies have whether anti-money laundering, a CPA, et cetera, all of those things which need an ASM, just like in any other business relationship to be sorted.

And then, really, there's a whole element around costs and financing, so because of the scale of ASM and typical production, every, sort of, unit of due diligence, of logistics and of that work, becomes more expensive, and there's a real cost asymmetry compared to the industrial market – let alone the need to interact with finance institutions and explain what it means to source from a higher risk country and to have those business interactions and transactions. And again, thinking about being able to establish these resilient supply chains that aren't cut off in the case of emergency, but have a longer-term view. So, knowing all those things and looking at – again, just the picture of what we know – one refiner in our Responsible Artisanal Gold Solutions Forum on the next slide, I think he summed it up well when he said, “Our lifeblood is our ability to access capital from major financial institutions and participation in the metal exchanges and to that end, our team has been very cautious managing risk so as to not affect those foundations.” So, whatever is done in ASM, and however supportively, it still needs to meet those needs. So, you know, in summary, what does all that mean to me? Next slide, please. What do we need to solve for? We need a progressive due diligence, and progressive and collaborative due diligence, economies of scale for ASM sourcing, upstream and downstream system work at that frontier where they come together – so due diligence can be done on both sides – and cost and benefit sharing between upstream and downstream or upstream and midstream.

### Speaker 2:

Okay, yeah, thank you, Jennifer. And thank you for, sort of, highlighting the risks that are involved, certainly with the refineries – obviously, with the Good Delivery List – we work quite closely with. And some of them, it is too risky, some of them are saying, “Yes, we know it's risky, but we're prepared to take the risk.” But 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. So, there are some challenges from a risk point of view, but also from a practical point of view – you touched upon industrial versus ASM. So, there's economies of scale here. There's also the size of the batch. Is it commercially viable to be doing little bits of gold here and there? And we have to look at solutions so that it becomes a commercially sustainable source of gold for the refineries. Okay, so that establishes where we are and the layout of the land, but obviously we have to look to the future. We have to look at, ‘What we are going to do now? What does the future look like?’ And hopefully you can, sort of, give some – shed some light on what the future for ASM looks like.

### Speaker 3:

Well, I'll try, and I always like to consider the start of the discussion and invite others to join in as well and get in touch. But, fortunately, we do have things to build on and learn from, and there are things in the works. And, you know, there's also – I think we're able to design solutions at this point. So, first, thinking about what's already going on, existing tools and emerging solutions? There are country specific projects. There are a number of global or regional programmes. There are due diligence specific programmes and tools that have been developed, even particularly developed for the ASM responsible buyer interface and also there's been a suite of work and discussion around pandemic response and recovery. And again, just as noted in LBMA's – in Ruth's notes – that was

published and as well as in the OECD call to action, there's been, again, a heightened sense of how can we think about a kind of a restart or re-engagement with the artisanal sector as borders and travel restrictions are addressed over time? How can we use this as an opportunity for a responsible restart and even a scaling of the sector? So with these categories, I put together a list which I was really hesitant to do, but on the next slide, I just – at least – want to give a sense of the kinds of some of the initiatives underway, more to give a sense of the action and momentum necessarily than meaning to being able to enumerate all of them. So, as I said, this is a partial list. So, apologies to any – I know that wouldn't fit on a single slide or wouldn't be legible at least. But, you know, represented here. Again, we have work that's led by aggregators and, you know, traders and exporters within a higher risk country. We have work led by a Women Miners Association in Zimbabwe, in Africa. We have public-private partnerships that are supporting work. We have actual, sort of, buying clubs, if you will, with the Better Gold Initiative and Swiss Better Gold Association. We have certification systems that are set up, you know, particularly for ASM, and to assess those risks, and to support progress and improve performance of artisanal miners. And we have a number of donor funds that are about – but you use those words-commercially viable – that is one project, particularly in the Congo. The USAID Commercially Viable Conflict Free Gold programme as just one example of many donor programs that are underway. So, there's a lot there, and that's great. There's a lot to build on. And I think, at the same time, sometimes because of this busy space, it can be challenging for downstream actors, for buyers to know exactly what are some of those points of entry?

So, I would also want to point out – in that vein though – I think, because so much has gone on, we have been able to distil some of the lessons from across these. So, on the next slide, we have just, again, a partial list, but a list of some of the tools and templates that folks can go to – to look at – if you're interested in responsible sourcing of artisanal gold. Or, if you're actually looking at a particular supply chain, how do you know? How do you make that assessment? How do you do the risk assessment and mitigation? What are the best practices? And so just a couple I've listed here are the Artisanal Gold Due Diligence Template from the Responsible Artisanal Gold Solutions Forum which LBMA helped create and also adapted on your own site and which is part of your LBMA Refiners Toolkit, which I'd encourage folks to look at. There's also from the OECD. Obviously, the OECD's guidance stands above everything, but there's a particular publication, a frequently asked questions document, which is quite helpful. And then also we have the CRAFT Code which was designed really as a due diligence code of sorts to interpret OECD for artisanal miners, and to give a real framework for the risk assessment, as well as for risk mitigation and progressive due diligence, which is so important in really being able to scale up with enhanced engagement with downstream responsible buyers. So, I think just again, sort of, in – I think – summary, to say what we need and what we want to achieve on the next slide. We have said we need progressive due diligence, upstream-downstream linkages, economies of scale, costs, and benefit sharing. And to do that I would posit we need collective and collaborative supply chain and stakeholder action rather than individual companies or miners working together. We need that broader look. We need an ability to go beyond site-by-site pilot projects to get to scale. We need those concrete linkages between mid and downstream and upstream due diligence systems. So, really thinking about how those puzzle pieces can technically fit together with audits, for example, and to that point engagement of banks and auditors who are also often – they are always in the background. They're always supportive. They are always part of these supply chains but aren't necessarily engaged. And also thinking about how we integrate the miner incentive.

So, on the next slide, Neil already reviewed a bit – some of the calls to action. I just want to call out in particular from OECD as well. Those calls to foster sustainable inclusion of responsible ASM projects into global supply chains and ensuring the right balance of maintaining integrity and flexibility in due diligence efforts. So again, I think there we really hear that need for, if we're going to think about ASM as a pathway for economic development and resiliency post-COVID, as well as just the interest in de-risking supply chains. Not de-risking by keeping ASM out, but de-risking by mitigating the risks in the artisanal sector. I think these are really important themes and principles to bring into play. And I also want to offer just a particular tool to help with that, which is The CRAFT Code which I mentioned briefly earlier. But if we are going to have collective action, if we are going to have work across multiple sites and supply chains, we can't have, sort of, one-off solutions. So, on the next slide, just offering again some of the ways that that CRAFT can contribute. It is designed with OECD Annex II risks in mind, with a first level pass-fail for the serious abuses.

So, no question, certain activities – certain risks – cannot be part of any responsible supply chain. So, pass-fail on those serious abuses. But there's also a way to get to 'yes' on artisanal sourcing and commercial relationships which is really important. And not getting to 'yes' looks like risk mitigation and a real progressive improvement framework which is determined, in concert – between the buyer and the miners to meet their mutual interest and need. What does the cooperative want to achieve in terms of their performance? What's worth it for them and what does the buyer need in order to pass all their internal systems and maintain their programme status? So, again, so CRAFT – I think – provides the framework for that. It was created as a multi-stakeholder tool through engagement and vetting. Neil, as you mentioned, LBMA was involved as part of the advisory group – and the technical committee – along with other due diligence systems, artisanal miners and other stakeholders and downstream users.

So, it's also an open source code, which means that it's, you know, open and adaptable and applicable for anyone to use. It's applicable to any geography, and any mineral, and really it's just – think of it as an upstream due diligence tool that can concretely link downstream systems like delivery, or Responsible Gold Guidance, RJC, RMAP, et cetera, to enable this clarity and progressive due diligence. I think it provides, sort of, a language and an architecture to do that. That's really important, and really it's that common vetted framework that everyone can call upon to implement, not just that the practices that we know so well from OECD and the traceability systems and all those things, but what are the principles that we're trying to achieve in responsible sourcing from high-risk and conflict affected areas? And, I think, CRAFT provides a code in a way forward on that. So, with all that said, as a bit of a proposal and to put that out there in the spirit of collaboration and having an open door for discussion and collective action – on the next slide – this is a concept RESOLVE has been considering and would love to engage with supply chain actors and other stakeholders on. So, thinking about, again, these key elements of scale and progressive due diligence. So, thinking at a global level, how can we have, sort of, a 'Progressive Due Diligence Lab', if you will, to really test out this frontier of upstream-downstream and what progressive due diligence can look like and thinking about, 'What do we need to do to move the needle and really shift the perspective to progressive due diligence?' Rather than what has been, in many cases, just an inability to say yes to the sourcing or to get over those hurdles of due diligence and risk mitigation. With that we need more work to develop some concrete tools and link to artisanal gold. So, we have a great basis for tools to start with, but we even need more, I think, technical support. How do we get audit friendly craft reports, for example, that make it much easier for an LBMA member or even an auditor, a GDL refiner, to make this happen and really troubleshoot some of those sourcing and due diligence bottlenecks as they come up? While at the same time, having a regional and multi-site implementation of due diligence with a business plan, a technical plan with miner and upstream incentives and capacity support built in and, sort of, CRAFT underpinning all this as again, that common language in gold – in framework – for due diligence and the upstream-downstream linkages. So, that's my proposal to put out there and something that we are working on and have been talking to a number of partners on and look forward to moving that forward as one way to pull all these pieces together.

### Speaker 2:

Okay, fantastic. Thank you very much for that, Jennifer. So, I'd just like to reiterate the LBMA's position is that we all always support – where it can – initiatives that ensure that responsibly sourced ASM gold enters the legitimate supply chains. And if there are challenges – if there are bottlenecks – we will investigate solutions. We will look at novel solutions. And Jennifer just mentioned the auditor's here. One of the things we're contemplating at the moment, and this is just a very high-level, is how do you do a virtual audit? And if the auditors can't get to the site, or you can't do site visits in the current climate, how... there are people on site who can provide information that we would – in these circumstances – we are prepared to entertain. We are prepared to look for novel solutions in the current climate. And, certainly, what you're proposing, this sort of – the lab, as you like – it's a long time since I've been in a lab, but I'd be happy to be there again. If we can support it, if we have the capacity, we will support it. So, thank you for that. I would just like, just in conclusion is that a lot has been said, now. There's been a lot of acronyms. There's a lot of initiatives, but it's because we really want to come up with solutions and even allowing for all the risks that there are. The fact that ASM gold output accounts for roughly about a third of global non-captive gold production, we've got to do something. We've got to come up with a solution to enable it

to enter the legitimate supply chains. So, we're really – the people on the call and people who will listen to this or watch this webinar in the future, it is being recorded, we hope that we can get together and we can come up with those solutions that are sustainable and viable. So, with that, I would like to finish now, Tayler.

**Speaker 1:**

Wonderful. Well, thank you, Neil, and thank you, Jennifer. It's really great to find out everything that's going on with ASM now and into the future. I'm going to finish up the webinar. If anybody has any outstanding questions that they've accrued throughout this webinar, please email them in to [ask@lbma.org.uk](mailto:ask@lbma.org.uk) and we will endeavour to answer you promptly. Once again, we thank you for your time and trust that you have a lovely afternoon. So, thank you.

**Speaker 2:**

Thank you.

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For information, suggestions, or comments about content of LBMA Webinars, or our Virtual Summit, please contact:

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