



re-sourcing

Virtual Event:

## Disruptions to Responsible Sourcing – The Good, The Bad & The Ugly

**Post Event Briefing**

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## European efforts towards a coherent Global Responsible Sourcing approach

The development and implementation of Responsible Sourcing (RS) approaches in mineral supply chains have made great advances over the past decade, driven by both European actors and global stakeholders. The EU has developed a catalogue of policies, frameworks, directives and support mechanisms to encourage all to adhere to responsible sourcing practices, and foster a level playing field. The most recent among these represents the [Critical Raw Materials Action Plan](#) with the ambition to make Europe greener and more resilient, and to promote responsible sourcing practices in- and outside Europe. A major part of the Action Plan will be the [European Raw Materials Alliance](#).

The beginning of 2020 has brought new challenges in achieving the objectives of the EU with regards to responsible sourcing; with the repercussions of the COVID-19 epidemic and the increased demand for minerals from the green ambitions of the EU's Green Deal.

The virtual event titled 'Disruptions to Responsible Sourcing; The Good, The Bad and The Ugly' on the 9<sup>th</sup> of October 2020 explored some of these repercussions. We summarize the central ideas from the two main panel discussions here.

### What was the impact of COVID-19 on the most vulnerable in mineral supply chains?

The effect of COVID-19 on the global economy was widespread, with all economic sectors impacted, including the mining sector. A diverging response to the pandemic was noted, with companies continuing operations in some countries while being required to shut down production in others.

Historically the mining industry, particularly in South Africa, has engaged with infectious diseases, such as HIV/AIDS and tuberculosis and other health related issues faced by its workers and local communities. Based on these experiences, companies generally had strategies that could be adapted to deal with the effects of the COVID-19 pandemic, allowing them to minimize the impact on their operations and worker's healthy and safety. These efforts included offering COVID-19 testing in local communities, setting up field hospitals for the treatment of infected workers as well as making experts available to support communities in their crisis management. Mining companies also provided food and water to workers and their families that were retrenched due to production cuts in response to falling mineral demand.

### The effect of COVID-19 on ASM workers

It is estimated that the ASM sector employs 83% of the world's mining workforce, translating into 40 million artisanal miners. When families and communities are included, the livelihood of 150 million people worldwide are dependent on income from ASM. The negative impact of COVID-19 on these communities was immense. As supply chains were disrupted, ASM producers were unable to stockpile minerals, given the costs associated with such actions. Their inability to absorb the supply chain shocks resulted in a direct and significant reduction of income. Goldminers for example, were unable to sell their gold to traders, resulting in a decrease in production and income losses for the miners. Furthermore, an asymmetrical relation between gold prices and the income of workers was observed;

while gold prices soared to over US\$ 2,000 an ounce, goldminers were paid up to 43% less for their gold.

While the large-scale mining sector, to some extent, was able to assist its workforce and local communities, the ASM sector has seen less support. Part of the issue arises from a divergent national approach to the mining sector and responsible sourcing in particular. The same mining companies and value chain actors have employed different approaches in different jurisdictions, to the detriment of the most vulnerable within these chains. Therefore, the need for a coherent and perhaps binding international standard on responsible sourcing has become all the more urgent. This is an area that the RE-SOURCING project will be targeting over the next three years.

## The Green Deal & the increased demand for minerals; Can supply respond?

The EU Green Deal, as well as the EU and Chinese stimulus recovery plans aim to accelerate the move to a green and more sustainable economic growth path. While the resultant increase in minerals demand is well documented, the preparedness of supply has not been adequately analysed, from an environmental, social and governance (ESG) perspective. While new regulations and standards will require mining companies to improve their ESG performance, some companies will be better prepared to adapt than others. The Majors (large companies) are likely to have the financial and human resource capacity to self-fund the needed innovation and operational changes. Mid-sized companies, with more limited resources, may need to seek collaboration with third parties (whether governments or other companies), for their medium to long term operating assets. Companies operating single mid-sized projects, with shorter life of mine, will have little to no motivation to invest in R&D or other optimization efforts. This imbalance between the capabilities of firms to respond to external ESG pressures creates an uneven uptake of responsible sourcing practices. Therefore, support mechanisms are needed to for the successful adaptation of ESG standards within the wider mining sector. The shape of these support mechanisms remains to be determined. These will be explored and articulated over the course of the RE-SOURCING Project.



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