

ADVANCING GOOD GOVERNANCE in International Development

Making Market-based Approaches to Development Work for the Poor

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Rhodes House, Oxford

Master Class: Private Sector Governance and Global Supply Chains: Perspectives from the Mining Industry

The panel highlighted the considerable governance challenges faced by the global mining industry, which are attributable to a number of factors, including historically limited regulation of the industry, the particularly challenging contexts in which mining actors operate, and of course the industry's own history of practice. However, the panel focused on the significant advances that have been made to the governance of the mining industry in recent years, including with respect to a wide-range of industry-related standards initiatives. These include the Initiative for Responsible Mining Assurance, the Better Coal Initiative, the World Gold Council Conflict-Free Gold Standard, the formation of the Responsible Jewelry Council, and efforts such as the Extractives Industry Transparency Initiative, among others. The panel concluded by noting the transformation in attitudes toward the mining industry among government and civil society, much of which, the panel felt, was attributable to the improvements in governance that such initiatives have helped to produce. The panel was co-chaired by Michael Bloomfield, Departmental Lecturer in Global Governance at the Oxford Department of International Development, and Sarah Barnard, an attorney in Linklaters' International Governance and Development Practices, and included Terry Heymann, Managing Director of the World Gold Council; Richard Morgan, Head of Government Relations at Anglo America; and Ferial Zerouki, Head of Government and Industry Relations, at De Beers Group of Companies.

Key Points from the Session

- 1. As profit-making enterprises, companies in the mining industry must give due consideration to the business case for adopting voluntary, governance-related standards.** However, the business case is readily apparent, in that adopting and working to satisfy such standards serves to address wide-spread pressure from consumers and other stakeholders to operate in a better governed manner, something that is particularly the case in consumer-facing industries such as the gold industry. In addition, adopting such standards can significantly contribute to simplifying what can be a complex, byzantine audit process that many mining industry actors are confronted with. And indeed, adopting such standards can often serve to improve companies' own internal performance, which leads to cost savings, reduced risk of compliance breaches, and increased consumer confidence.
- 2. While the business case is clear, there are nevertheless challenges in adopting and satisfying such standards.** Because there are multiple sets of such standards, determining and documenting compliance can be complex. Furthermore, given the public nature of many reporting requirements under the standards, there are often concerns regarding the confidentiality of sensitive data. However, the panel clarified that such difficulties can and indeed are readily dealt with, including by limiting the venues where such information is posted. Panelists also noted that much of the information that must be reported in satisfying such standards is not in fact commercial in nature, and therefore the difficulties are often not as material as they might at first seem.
- 3. The current landscape regarding standards initiatives in the extractives industry is quite exciting, and not limited to mining.** Indeed, there is substantial work currently being done in electronics, clothing, and the agriculture sectors. The panelists considered that such

developments are in fact resulting in changed behaviors and are leading to, among other improvements, more responsible sourcing throughout global supply chains. The panelists noted that these developments have also led to a changed tone among government and civil society toward the mining industry, noting that now there appears to be a much greater recognition that mining, and the extractives industry more broadly, are vital to many economies, and are central to the economic development of many societies. As a result, the dialogue has shifted to focus not on *whether* mining should be engaged in, but rather *how* it can be done in a manner that embodies good governance and results in economic development and the betterment of lives for a broader segment of the relevant populations.

Emerging Questions

1. How can the mining industry, and government and civil society, ensure that the development, adoption and satisfaction of voluntary standards continues to move the “governance needle” in a positive direction, and doesn’t become akin to more tick-the-box approaches to compliance that commonly exist in other sectors? In other words, how do stakeholders ensure that such voluntary initiatives have teeth, and are sufficiently effective that they are able to alter behaviour in the mining industry?
2. How can the mining industry, and other segments of the broader extractives industry, ensure the participation of the full range of stakeholders of the mining industry in the regulatory process, including with respect to the drafting of standards, and the assessment of compliance with those standards? Is there a way to effectively address the longer-term challenges to the legitimacy of such voluntary standards?