

NEO Report: Responsible Mining: Corporate Responsibility of Swiss Commodity Traders in the Minerals Sector

Zurich, March 18th 2020

SUMMARY

On March 4th 2020, an exciting panel about responsible mining took place in cooperation with the research group on minerals of the ISTP (Institute of Science, Technology and Policy) at ETH Zurich.

The panellists were:

Prof. Dr. Stefan Leins is an assistant professor in anthropology at the University of Constance. His research focuses on commodity trading, supply chain and finance.

Frédéric Chenais, worked at Rio Tinto, one of the largest mining companies in the world, before joining the Swiss Federal Department of Foreign Affairs as a Political Advisor for Human Rights.

Dr. Nina Eggert is a member of the Swiss Trading and Shipping Association (STSA), the umbrella organization of numerous commodity and logistics companies.

James Nicholson is the head of Corporate Responsibility at Trafigura, one of the world's largest commodity trading companies.

Antoinette van Merwe is a member of the "Minerals" research group at the ISTP.

This event was led and moderated by Nicolas Solenthaler, who is a Project Manager at the Institute of Science, Technology and Policy (ISTP)

Livia Cabernard, a member of the Minerals Research Group at ISTP, introduced the topic to the audience. She explained the difference between minerals, metals and other raw

materials. A major problem of the commodities sector is the traceability of the raw materials. Switzerland is a major trading hub as a large part of the world's commodities are traded through Switzerland, although it is not a major producer. In the case of gold, Switzerland mainly refines gold that comes from England, which is then exported again. In these circumstances, it is legitimate to ask: "Where does the gold come from?"

The ISTP research group "Minerals" has been focusing on this question. The source is defined as the place where the gold is extracted from the ground. Tracing the gold turns out to be difficult. Antoinette van Merwe, in response to a question from Nicolas Solenthaler distinguishes two cases. On the one hand agents who privately mine small quantities on the periphery of large mines and then sell them underhand, on the other hand industrial mining companies who generate large gold quantities. Tracing the flows of this gold and identifying an end product, such as of a wedding ring bought on Bahnhofstrasse (Zurich), as made of sustainable gold is difficult, if not impossible.

For Frédéric Chenais and Stefan Leins, transparency and sustainability for large mining companies practically translate into the adherence to the principles of human rights and environmental protection. These principles must be observed, and downstream of the production, it should be possible to verify them, including for the traders who exchange commodities. Mr. Chenais does, however, points out that caution is required when it comes to political measures

and regulations. The commodities sector is a substantial part of the Swiss economy, and commodity trading is a very mobile industry. If the legal framework becomes too restrictive, traders might move to more attractive locations, which would have significant economic consequences for Switzerland.

James Nicholson, head of corporate responsibility at Trafigura, also sees transparency as a top priority when it comes to responsible trading of commodities. He points out the problems associated with the position of Trafigura as a trader and not the producer of the gold. Trafigura works with a large number of suppliers, dealers, logistics companies and for them too, checking the entire supply chain is not easy. For example, Trafigura produces no or very few direct emissions, but substantial indirect emissions through its business partners. The question is to what extent Trafigura can be held responsible for the emissions of its business partners. Mr. Nicholson points out that the trading relationship with these partners can be cut, but that this does not change the fundamental problem. From the discussion between the panellists, it is clear that industry, politics and scientists agree about the importance of the UN Principles for Human Rights and the Sustainability Goals. They should be observed and transparency must prevail. However, their implementation represents a major hurdle and must be further perfected. Both industry and politics are called upon to take appropriate measures.

Despite a modest audience due to the current COVID-19 crisis, the discussion was lively, and various aspects of the problem of sustainability in the mining sector and especially in the gold industry were discussed. Questions were debated and thoroughly answered by the panellists. In particular, the question of whether one could not merely stop mining gold was met

with interest. Antoinette van Merwe, however, pointed out that the gold present in wedding rings is not necessarily the same as the gold present in smartphones. Moreover, gold is not the only problematic resource. Other raw materials such as rare earths, platinum and alike, cause the same issues. The industry uses these resources, therefore preventing gold production would have negative economic consequences. However, we should ensure that the industry operates under certain conditions which can be controlled and, thereby, assure a more transparent and sustainable production.

We would like to take this opportunity to thank the moderator Nicolas Solenthaler for his leadership of the discussion, the ISTP group for their cooperation, the panellists for their participation and the audience from the NEO community.

This report was produced by the NEO Network – a student think tank and network at the largest Swiss universities. NEO aims at exploring challenges, brought by cutting-edge technologies with the leading industry experts, scientists and entrepreneurs.

Authors:
 Marco Hauser
 Yanik Kipfer
 Laurie Prélot