



ORIGINALLUXURY

Working Summary

Can Gold Be Responsible?

THURSDAY, 19 OCTOBER 2023
VENUE: PRIVATE BANK IN GENEVA,
SWITZERLAND

WORKSHOP SUMMARY: CAN GOLD BE RESPONSIBLE?

October 19, 2023, 8:30 am - 17:30 pm

THE MULTI-STAKEHOLDER EXCHANGE ON RESPONSIBLE GOLD AIMED AT DEFINING RESPONSIBLE GOLD AND ASSOCIATED LABELS AS WELL AS AT SHEDDING LIGHT ON PRACTICAL NUANCES OF RESPONSIBILITY ALONG THE VALUE CHAIN.

Challenges include:

- Differences in interpreting responsibility for recycled versus newly mined gold (ASM and LSM¹),
- Traceability versus transparency,
- Lack of regulatory harmonization (e.g. insufficient standards),
- Difficult market conditions,
- Complexity and uncertainty regarding sustainability efforts.

Participants also compared gold considerations with other metals, such as manganese, cobalt, and lithium, which are considered indispensable for the energy transition.



Source: Axedras

THE MORNING SESSION FOCUSED ON DEFINING THE CONCEPT OF RESPONSIBILITY.

It started with interventions from The Bank and MKS Pamp. The speakers presented the Swiss Positive Gold Fund and highlighted the role of financial institutions in controlling gold stocks, together with the jewelry sector,² and the potential to impact the lives of 20 million artisanal small-scale miners,³ e.g. through initiatives like the SBGA⁴. The SBGA connects the bottom of the pyramid with financial institutions and luxury brands - an endeavor which is difficult to scale and comes at a price: an impact premium of 1000 USD/kg. The Swiss Positive Gold Fund applies Provenance technology to trace the origin of gold bars (country/counterpart/recycled) and thus caters to diverging interpretations of responsible gold, in line with AML⁵ laws, the RGC's⁶ new principles and LBMA's⁷ responsible gold guidance. Guided group discussions circulated around the dichotomy between historically extracted and newly extracted gold, as well as the challenges for defining responsibility in both scenarios, and the consideration of labels, such as "provenance", "ethical" and "climate". The present experts highlighted diverging priorities of clients (incl. fiduciary duty, price exposure, physical ownership (safe haven), and sustainability) and diverse interpretations of ESG (e.g. reputation and risk management; CO2 emissions; biodiversity and social impacts). A common understanding emerged on the need to raise awareness ("travail de mémoire") for grandfather gold (or "amnesty gold"; i.e. gold extracted before 2012) as well as to increase the traceability and the impact of newly mined gold. Under the umbrella term "recycling", for example, central banks can swap their old gold into LBMA-marked bars, and refineries can theoretically buy competitors' waste to brand it as LBMA bars.

1 ASM=Artisanal and small-scale mining; LSM=Large-scale mining

2 <https://www.gold.org/goldhub/data/how-much-gold>

3 <https://www.swissbettergoldassociation.ch/why-artisanal-and-small-scale-gold-mining-asgm>

4 SBGA= Swiss Better Gold Association

5 AML=Anti-Money Laundering

6 RGC=Responsible Gold Council

7 LBMA=London Bullion Market Association



AFTER LUNCH, PROF. FELICITAS MORHART AND PROF. STÉPHANE GIROD SYNTHESIZED THE MORNING DISCUSSION AND PRESENTED THEORETICAL MODELS FOR DEFINING RESPONSIBLE GOLD.

They highlighted the impact potential for newly extracted gold and stressed two-way ESG inclusion - not only in form of a premium or feel-good narrative, but also crowding out bad behavior (cf. taxation on diesel or tobacco). They underlined the need for innovation to counterbalance the growing impact of gold resulting from an increase in wealth per cap-ita and population.

ORIGINALL AND AXEDRAS THEN PRESENTED THE RESPONSIBLE GOLD LANDSCAPE AS WELL AS EXIST-ING TECHNOLOGICAL SOLUTIONS.

Both called for data aggregation via existing technologies⁸ and platforms (e.g. customs and Interpol) to overcome data silos and foster industry collaborations ("piggyback"). In that context, Axedras, for instance, helps connect suppliers and jewelers and allows tracing via a digital twin for each product category ("gold passport" provides respective ESG and prov-enance data).

THE AFTERNOON DISCUSSIONS ADDRESSED A) MARKET OFFER AND DEMAND AS WELL AS A PRE-MIUM FOR RESPONSIBLE GOLD, B) SUPPORTIVE MODEL(S)/STANDARD(S)/METHOD(S) ALONG THE VALUE CHAIN, AND C) REPLICATION ACROSS METALS.

At the core of the discussions was the question how responsible gold can be correctly priced (i.e. pricing externalities) and become the new normal. Participants highlighted the overarching need for regulation and awareness via thorough value propositions (recycled vs processed gold; jewelries vs bars; across full range of products). While institutional in-vestors are bound by their mandate to consider responsible gold from a pure risk perspec-tive (call for benchmark index), relationship managers in other financial institutions can increase demand by raising awareness. Although luxury brands might fear reputational damage regarding responsible gold, they have higher margins and more space to maneu-ver. Participants agreed that diversified supply and a secondary market for responsible gold would allow raising the bar for responsible gold. The associated premium should not be carried only by end consumers, however. Suggestions included lending and sharing models as well as (self-)regulatory adjustments or higher minimum standards. In particu-lar, references were made to LBMA, Dodd Frank, OECD Guidelines as basis for DDTro⁹, CSRD/CSDDD¹⁰ with ESRS/IFRS¹¹, EU Conflict Mineral Regulation and labels with partic-ular focus, e.g. on human rights. Governance difficulties, such as high turnover and gov-ernmental interest in illegal mining, or competition in terms of data access, market share or oversight (e.g. growing Indian influence¹²) must not further disadvantage small produc-ers. Acknowledging the impact on livelihoods and the natural limits of extraction, respon-sible metal extraction should involve a circularity concept from the stage of conception and stakeholders should carefully analyze the whole value chain.

⁸ LBMA issued a best-in-class traceability technology call for submission in 2022, which could be taken further.

⁹ DDTRO=ORDINANCE ON DUE DILIGENCE AND TRANSPARENCY IN RELATION TO MINERALS AND METALS FROM CON-FLICT-AFFECTED AREAS AND CHILD LABOUR

¹⁰ CSRD=Corporate Sustainability Reporting Directive, CSDDD=Corporate Sustainability Due Diligence Directive

¹¹ ESRS=European Sustainability Reporting Standards, IFRS=International Financial Reporting Standards

¹² <https://www.gold.org/goldhub/research/gold-refining-and-recycling-india-gold-market-series>

WITH AROUND 70% OF THE WORLD'S GOLD REFINED IN SWITZERLAND, THE LEVER OF ACTION IS TREMENDOUS.¹³

This is however not the case for all metals. Supply chains and geographical concentration differ across metals (e.g. Cobalt mined in DRC and processed in China). Certifications and due diligence mechanisms exist in particular for palladium, silver and platinum. The potential for positively impacting millions of livelihoods seems limited with silver and copper, since ASM does not play a large role in these cases. Nonetheless, traceability technology and data aggregating platforms could serve across metals, and standards could be further aligned between LBMA and CME¹⁴. Similarly, awareness-raising campaigns should span across metals to develop convincing storylines and render the externalities of invisible metals (e.g. hidden in phones and batteries) more graspable. At the end of the day, participants defined individual takeaways and action points for collaboration, moderated by the Professors.

¹³ <https://www.nytimes.com/2022/08/03/world/europe/switzerland-russian-gold-imports.html>

¹⁴ CME=Chicago Mercantile Exchange – main exchange for commodities

