



PDAC SUSTAINABILITY FORUM THE FUTURE OF RESPONSIBLE SUPPLY CHAINS

TORONTO, CANADA

MARCH 2, 2019

MEETING SUMMARY

The Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), World Economic Forum (WEF) and the Prospectors and Developers Association of Canada (PDAC) co-hosted a Sustainability Forum on the sidelines of the 2019 PDAC Convention on Saturday, March 2, from 12:00 p.m. to 5:45 p.m. in Toronto, Canada. The theme of the forum was The Future of Responsible Supply Chains, and more than 150 participants registered and attended.

The first half of the event was devoted to discussing responsible sourcing and why it matters. Responsible sourcing, or responsible supply chains, refers to a voluntary commitment or government-imposed obligation that companies use to ensure that their supply chains, from the site of extraction to the end user, promote sustainable development principles, including peace and the protection of the environment and human rights. Panellists outlined a number of the risks in current mining

supply chains, including violence, child labour, environmental degradation and greenhouse gas emissions, among others. And while supply chains are increasingly complex, presenters agreed that it is in the best interest of actors to uphold and promote responsible sourcing practices in order to reduce mining's social, environmental and climate footprints. Other benefits of responsible sourcing include protecting supply chains from reputational risks, bolstering company reputation, and increasing competitiveness and revenue.

Presenters highlighted that the mining sector traditionally has not been at the forefront of responsible sourcing. Many participants stated that, traditionally, there has been an implementation problem in the mining sector regarding these voluntary initiatives, exacerbated by the cultures of internal systems. That said, this gives the mining sector the opportunity to learn from other sectors' efforts in this direction and for the leaders of responsible sourcing in the mining sector to garner early adopter benefits. Further, panellists and participants discussed the role of

consumers in supporting responsible supply chains. Participants outlined the changing expectations of consumers, especially in light of the low-carbon transition and the subsequent increasing pressure for transparency in supply chains.

The second half of the forum was allocated to discussions regarding the future of responsible supply chains. Participants stressed that, while there are a growing number of voluntary initiatives to promote responsible sourcing, there is a lack of alignment and interoperability between them. To this end, participants stated that the future of responsible supply chains must incorporate greater collaboration among multistakeholders—convening them to determine what responsible sourcing looks like and how to achieve it—in order to maximize the effectiveness of initiatives. Responsible sourcing initiatives, both voluntary and obligatory, should be multi-issue, multi-mineral and multi-jurisdictional. This can only be accomplished through enhanced coordination among actors in the supply chain.

Finally, panellists and participants underlined the need to prioritize transparency and community engagement as key pillars of responsible sourcing in the mining sector. Other themes pertaining to responsible sourcing discussed included recycling and the circular

economy, traceability and new technologies, government support and climate-smart mining. The day concluded with participants highlighting the need for the mining sector to view responsible sourcing not as a threat to their operations but as an opportunity to become effective leaders in the field.

WELCOME REMARKS

Greg Radford, Director of the IGF, welcomed participants and panellists to the forum, noting that this was the fifth annual Sustainability Forum for PDAC. Radford thanked partners for their participation and introduced the topic of the day: The Future of Responsible Supply Chains.

Jörgen Sandström, Head of Mining and Metals Industry at the WEF, followed by thanking the IGF and PDAC for their continued collaboration on the forum. Sandström highlighted the importance of transformation, cross-industry relations, stakeholder engagement and informed dialogue in discussions on responsible sourcing. He also pointed to the efforts of other industries—including paper and pulp, food and fabrics—in the responsible sourcing arena, emphasizing that the mining sector can learn from their best practices.



FRAMING PRESENTATION: WHAT IS RESPONSIBLE SOURCING, AND WHY DOES IT MATTER?

Matthew Wenban-Smith, Executive Director of Responsible Steel and OneWorldStandards, led a framing presentation that defined responsible sourcing, outlined its importance and detailed its current state of play. Responsible sourcing, or responsible supply chains, refers to a voluntary commitment or government-imposed obligation that companies use to ensure that their supply chains, from the site of extraction to the end user, promote sustainable development principles, including peace, the protection of the environment and human rights.

Wenban-Smith first pointed to the various dangers that can be found in mineral supply chains, including dam and mine collapses, conflict and child labour at mine sites, and high greenhouse gas emissions from production. And while mineral supply chains are recognizably complex, Wenban-Smith stressed that it is in the best interests of all business operations to address the aforementioned risks. Responsible sourcing is a way to make a genuine difference, enabling the sourcing of minerals and metals to have the “greatest impact.”

To carry out responsible sourcing, Wenban-Smith highlighted that companies should have a policy on the subject and that these companies must be held accountable to their commitments. He stated the importance of including procurement professionals in the conversation, to ensure that procurement delivers on a company’s responsible sourcing policy.

Elaborating on the current state of play of responsible sourcing, Wenban-Smith began by underlining that the mining sector, historically, has not been at the forefront of responsible sourcing. And while efforts by the private and public sectors and civil society have and are being made, often these initiatives and policies are uncoordinated or not strategic: they focus on narrow issues or geographies rather than the sector as a whole.

Wenban-Smith concluded by pointing out that, despite this lack of coordination in ongoing

agendas, there is an agreement across actors that responsible sourcing is valuable. He identified effective schemes, including the Initiative for Responsible Mining Assurance (IRMA) and the Mining Association of Canada’s Towards Sustainable Mining program, as well as material-specific programs such as the Responsible Jewellery Council, Responsible Steel and Better Coal. Many of these initiatives are starting to connect and come together, including during dialogues like the Sustainability Forum. He ended by stating that the sector, as a whole, is coming to a tipping point where leaders in the responsible sourcing space could reap considerable benefits.

PANEL DISCUSSIONS: PERSPECTIVES FROM THE SUPPLY CHAIN

Carolyn Burns, Executive Director of the Devonshire Initiative, led a panel discussion that discussed various perspectives on responsible sourcing across the supply chain. She introduced the following panellists:

- Natascha Nunes de Cunha, Senior Sector Specialist in Extractives for the Inter-American Development Bank, who put forth that it is the role of both the government and industry to optimize the mining sector’s contributions to sustainable development.
- Doug Brown, Director of Public Affairs for Teck Resources Ltd., who asserted that consumer expectations regarding the sourcing of materials must be taken into account, especially in light of the growing demand for minerals driven by low-carbon transition and increasing digitization.
- Ana Maria Esteves, Director of Community Insights Group, who stated that procurement managers *must* be brought into conversations on responsible sourcing.
- Matthew Wenban-Smith, Executive Director of Responsible Steel and OneWorldStandards, who stressed the importance of steel in the low-carbon transition and highlighted downstream and upstream perspectives on responsible sourcing.

Burns first prompted the panellists to speak to the theme of collaboration, asking them what meaningful collaboration in the mining sector should look like. Brown stated that it is important for actors to come together to set shared expectations regarding alignment and agreement in responsible sourcing schemes. Nunes de Cunha asserted that the mining sector must use its convening power to bring key players together to develop a common vision for development. Esteves stressed the importance of bringing a variety of actors to the table, including educational institutions and professional bodies. Finally, Wenban-Smith stated that coordination is needed among responsible sourcing schemes, especially for those with the same or similar end-consumers. He also suggested that similar supply chain initiatives could reduce costs and improve quality by aligning systems for auditing and training, for example.

Burns then asked Brown about the role that end-consumers play in responsible sourcing. Brown stated that the expectations of end-consumers are changing, further necessitating meaningful responsible sourcing. He outlined that many actors in the mining industry spend a lot of time, energy and resources to ensure their supply chains are responsible, so it is crucial to communicate these efforts in a transparent way.

Burns next asked Esteves and Nunes de Cunha how the mining sector could better include communities in both voluntary and obligatory responsible sourcing initiatives. Nunes de Cunha stated that, in addition to ensuring that multistakeholder platforms are set up, it is crucial that the *right* people are represented, which will include actors directly affected by mining operations. Esteves highlighted that involving communities is not new to the mining sector and has always been a priority. And while there was disagreement on the panel regarding whether or not this community engagement has been conducted well by the mining sector, they agreed that this should continue to be a top concern in the industry.

Burns concluded the panel by asking the panellists what the mining sector could learn from other industries that have engaged in responsible sourcing. While the panellists

agreed that there is vast difference between consumer-facing schemes and typical mining sector schemes, they also noted that the mining sector should learn from other industries by prioritizing transparency and community engagement. They also stated that the mining industry should learn from both the successes and failures of other industries so that the mistakes are not made twice.

ROUNDTABLE DISCUSSIONS: WHY RESPONSIBLE SOURCING MATTERS

Participants broke into groups to discuss the importance of responsible sourcing and implications for the mining sector. Table moderators guided the discussions in English, French or Spanish by posing questions regarding topics presented by the panel speakers.

What benefits are being derived from responsible supply chain initiatives in your work or mining sector? Are these initiatives contributing to sustainable development?

Some of the benefits of responsible sourcing, as noted by the groups, include improving accountability to investors and end-consumers, advancing the social licence to operate, changing the perception of mining, increasing brand loyalty, bolstering trust with local communities and improving company reputation. Overall the participants agreed that engaging in responsible sourcing is advantageous, but there may be a lag time between its implementation and its benefits. Groups mentioned that responsible supply chain initiatives can contribute greatly to sustainable development and that they more directly impact Sustainable Development Goals 12 (responsible consumption and production), 13 (climate action) and 16 (peace, justice and strong institutions).

How are responsible supply chain initiatives being received by stakeholders?

Overall, groups noted that the perception of responsible supply chain initiatives by stakeholders is improving, but that there are gaps in its progress. Many participants took note of the differences between cultures



and countries regarding the importance of responsible sourcing. Others stated that existing mechanisms are not broad enough, the initiatives are too slow-moving and that ongoing objectives are misaligned. Groups also stated that some stakeholders may worry that responsible supply chain initiatives resemble too much of a “check-box” exercise. Moreover, some participants stated a concern that some responsible sourcing mechanism audits may not effectively reflect the reality on the ground.

Effective implementation of standards and regulations is critical to ensuring that responsible supply chains are credible. How can we measure and monitor the compliance and effectiveness of both voluntary sustainability initiatives and regulatory regimes in the mining sector?

Groups stated that, in this regard, the mining sector should learn from the best practices and mistakes of the efforts of other sectors—including textiles, agriculture and fisheries—to measure and monitor responsible sourcing. Groups stressed that it is important that different schemes and initiatives within the mining sector—not just other sectors—should also communicate and disseminate lessons learned with one another. Other participants stated that partnerships with non-governmental organizations should be leveraged in order to monitor and evaluate the initiatives. Most also agreed that the monitoring and evaluation process should move beyond “check-box” exercises and should instead meaningfully

reflect the spirit of responsible sourcing. Finally, participants also noted the importance of using technology for meaningful data collection.

FRAMING PRESENTATION: THE FUTURE OF RESPONSIBLE SUPPLY CHAINS

Stephen d’Esposito, President of RESOLVE, gave the next framing presentation, on the topic of the future of responsible supply chains. He first contextualized the conversation, stating that, while there is increasing demand for minerals and metals, there is also increasing polarization in the public sector and an acceleration of globalized business activity. He stated that responsible sourcing could be viewed as a threat to mining but should instead be taken as an opportunity for the mining community to exercise leadership.

Responsible sourcing has gone through three phases, according to d’Esposito. The first involved the jewellery sector in the late 1990s and the early 2000s, when the sourcing of diamonds and gold came under scrutiny. The second was driven by the electronics pulse and accelerated conversations on “conflict minerals,” including tin, tungsten, tantalum and gold. Following this phase, however, many companies started to look more broadly not only at different minerals but also at different issues, including corruption, child labour and greenhouse gas

emissions, among others. The third phase, which we are in now, is the climate-smart phase, which involves insuring that the mining sector is managed to minimize its social, environmental and climate footprints. D’Esposito asserted that the mining community must take full advantage of this third phase.

He next demonstrated that responsible sourcing governance for other natural resources—forestry, fishing—consolidated more quickly than that of the mining sector. In the mining sector, there are various specific insurance systems for particular minerals or issues, which tends to cause some frustration among stakeholders due to the lack of alignment between them. Moreover, stakeholders may be uncertain of which system to use, where to start, and whether or not these systems are recognized further downstream. The core question then is how to help align voluntary initiatives during this third phase of responsible sourcing.

To attend to this issue, responsible sourcing should be multi-issued, multi-minerals and apply across government jurisdictions. It should apply to both large-scale mining and artisanal small-scale operations. Systems should be site-focused, not just company-focused, and should fill issue gaps including climate reporting and biodiversity. Finally, the mining sector should take a leadership role in addressing these challenges and facilitate a space for debate on the topic.

PANEL DISCUSSION: THE FUTURE OF RESPONSIBLE SUPPLY CHAINS

D’Esposito led a panel discussion on the future of responsible supply chains. He first introduced the panellists:

- Alan Young, Director of the Materials Efficiency Research Group, who stressed the importance of recognizing market considerations in responsible sourcing and highlighted the need for coordination with the clean energy sector.
- Joanne Lebert, Executive Director of IMPACT, who spoke to the organization’s efforts in developing certification systems and underlined the value of monitoring

and evaluation to ensure that these certification systems work.

- Ben Chalmers, Senior Vice President of the Mining Association of Canada, who discussed the Towards Sustainable Mining commitment and announced that an update on community engagement would be published later this year.
- Mahlette Betre, Senior Program Manager for RESOLVE, who introduced the Climate Smart Mining Emissions Widget, a plugin of standardized best practice climate reporting methods to insert into voluntary standards.

D’Esposito asked the panellists about the theme of interoperability among voluntary standards, prompting them to discuss how the mining sector can better promote alignment. The panellists agreed that, while differences should be recognized between standards and schemes along material supply chains, their alignment and interoperability with one another are critical to the success of responsible sourcing. The panellists stated that interoperability between government regulations and voluntary standards should also be prioritized.

D’Esposito next asked what success for responsible sourcing could look like in five years. Betre stated the importance of the Climate Smart Mining Emissions Widget, highlighting its potential to produce alignment between standards and advance best practices in responsible sourcing. Lebert underlined that responsible sourcing could become a competitive advantage for companies. Chalmers supported this point, stating further that there should be preferential market access for early adopters of responsible sourcing schemes. Young asserted that responsible sourcing must be part of the climate change imperative and that articulating the link to the Sustainable Development Goals could be beneficial to both agendas.

The panellists then engaged in a question and answer period with the audience. One participant asked the panel whether it would be possible to aspire to effective certification schemes in the minerals and metals industry. Lebert purported that public reporting and gender-disaggregated evidence on the impact of the certification scheme will be integral to their success. Betre highlighted the importance



of leveraging technology to this end. Next, a participant from the audience asked about the gender dimensions of responsible sourcing standards and mechanisms. Lebert stated that gender-disaggregated data is extremely important in order to pull out meaningful impacts. She pointed to the Organisation for Economic Co-operation and Development’s [*Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected Areas*](#) and the Extractive Industries Transparency Initiative’s increasing spotlight on the gender dimensions of responsible sourcing. Chalmers agreed and added that it is important that gender is not viewed within the framework of vulnerability, but more so of underrepresentation.

ROUNDTABLE DISCUSSIONS: SIX KEY TOPICS CENTRAL TO THE FUTURE OF RESPONSIBLE SOURCING

A second session of roundtable discussions focused on six different themes pertaining to the future of responsible sourcing. The discussions were first prompted with the following question.

What does responsible sourcing look like in 10 years?

Participants discussed a number of common characteristics of the future of responsible sourcing, notably, aspiring to an environment that fosters diversity, inclusion, community engagement, collaboration, transparency and robust data collection. Groups highlighted the need for better alignment between industry standards and to establish a community of best practice. They also hoped that, in 10 years, the value of responsible sourcing could be properly understood and quantified. Participants also stressed the importance of establishing links and opportunities for cross-cutting learning with relevant non-governmental organizations and academia. Finally, groups underlined the importance of effective government regulation in order to spur innovation and uptake in the mining industry.

Roundtable participants could then choose to focus on one or more of the following themes within their groups.

Recycling and the Circular Economy:

Participants highlighted the need for improved technology—in collection, material recovery and recycling services—in order to increase overall recycling rates. Recycling, as part of the circular economy, will be an opportunity to minimize waste and contribute to sustainable development. While groups recognized that the primary supply chain will still be required to meet the accelerating mineral demand, recycled minerals could supplement this effort.

Traceability and New Technologies:

Groups stressed that some new disruptive technologies—like blockchain—could have the potential to enhance transparency and traceability and may be better able to adapt to the changing landscape of voluntary mineral supply chain initiatives. That said, participants stressed that these technologies still need to be simple, consumer-facing and foster alignment between initiatives.

Transparency:

Participants highlighted that, in addition to transparency, accountability must be factored into effective responsible sourcing. Further,

groups underlined the importance of effective community engagement—in which the benefits of transparency at the local level are articulated and valued—in order for the supply chain’s overall success in responsible sourcing. They also underlined the importance of good data and reporting in transparency efforts. Finally, participants stated that this transparency must be mandated throughout the entire mine life cycle, including at the mine’s closure.

Government Support:

Participants stated that government regulations should go beyond base requirements and foster innovation and transparency along the entire mineral supply chain. They should use their convening power to bring different stakeholders together in the industry. Effective policies and regulations can create an enabling environment for meaningful voluntary initiatives that go beyond the “check-box” exercise. Groups also highlighted that, due to sometimes frequent changes in government, transparency and coordination must be incorporated into these regulations to ensure their longevity.

Climate-Smart Mining:

Groups stated that the transition to a low-carbon economy—and the technologies required to drive this shift—has been integral in driving climate-smart mining initiatives. They stated that this transition gives an opportunity for the mining industry to integrate mitigation, adaptation and innovation into their practices while providing the material requirements demanded by the market. They also discussed the World Bank’s Climate-Smart Mining Facility, which will contribute to this purpose.

Table moderators were then given an opportunity to share their discussions with the broader audience during a roundtable summaries session.

CLOSING REMARKS

Lisa McDonald, Executive Director of PDAC, concluded the Sustainability Forum by first acknowledging that the location for the meeting is part of the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. She thanked the attendees and panellists for their contributions, pointing to the high levels of participation as a testament to the quality of the event and the importance of the topic at hand. Responsible sourcing was also the subject of dialogue for the PDAC–WEF International Mines Minister Summit, demonstrating its relevance.

While barriers persist in the field of responsible sourcing, McDonald highlighted the importance of maintaining responsible supply chains in order to improve engagement with communities, uphold human rights and environmental standards, stabilize the longevity of economic growth and contribute to sustainable development. She then stressed that the duty of responsible sourcing and securing responsible supply chains must be shared among diverse groups, including governments, the private sector and civil society. The complexity of mineral and metal supply chains mandates this shared responsibility and greater collaboration.

