



# MADI CONFERENCE: NEW EU REGULATION ON CONFLICT MINERALS

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Jeffrey Rhodes  
Founder & Principal Consultant  
Rhodes Precious Metals Consultancy DMCC

The Importance of Africa to the Global Gold Industry

A Brief History of Gold – Some Key Milestones

The 10 Principals of the UN Global Compact

Key Principals of OECD Guidance for Responsible Gold Supply Chains

The Way Forward for Africa

## Africa's Importance To The Global Gold Industry

Africa has played a significant role in the global gold industry for over 130 years with South Africa being the world's largest single gold producer with production peaking at 1,000 tonnes in 1970, while as recently as 1993 it's output of 600 tonnes accounted for 30% of global gold mining. While South Africa has slipped to 8<sup>th</sup> place in the primary gold production league table with just 128 tonnes in 2019, it remains the number two producer in Africa. And the good news is that other countries, led by Ghana are filling the gap as illustrated below:

| <b>Africa versus Global Primary Mine Production (tonnes)</b> | <b>2019</b>    | <b>Export Duties, Other Fess</b>           | <b>Gold Royalties</b> |
|--|----------------|--|-----------------------|
| <b>Ghana</b>   | <b>130.0</b>   | <b>3.62%</b>                               | <b>3 - 5%</b>         |
| <b>South Africa</b>  | <b>128.0</b>   |  | <b>3.50%</b>          |
| <b>Sudan</b>   | <b>76.6</b>    |  | <b>10.00%</b>         |
| <b>Mali</b>  | <b>61.3</b>    | <b>3.00%</b>                               | <b>5.00%</b>          |
| <b>Burkina Faso</b>  | <b>59.3</b>    |  | <b>3.00%</b>          |
| <b>Tanzania</b>  | <b>47.7</b>    | <b>1.00%</b>                               | <b>6.00%</b>          |
| <b>Dem.Rep. of Congo</b>                                     | <b>44.9</b>    | <b>ASM 1.5%, LSM 3%</b>                    | <b>3.50%</b>          |
| <b>Zimbabwe</b>  | <b>42.2</b>    |  | <b>3.50%</b>          |
| <b>Ivory Coast</b>   | <b>40.9</b>    |  | <b>3 - 6%</b>         |
| <b>Guinea</b>  | <b>27.3</b>    |  | <b>5.00%</b>          |
| <b>Senegal</b>   | <b>17.5</b>    |  | <b>5.00%</b>          |
| <b>Egypt</b>   | <b>14.7</b>    | <b>1.00%</b>                               | <b>5.00%</b>          |
| <b>Nigeria</b>   | <b>14.0</b>    |  | <b>3.00%</b>          |
| <b>Gabon</b>   | <b>11.3</b>    |  | <b>4 - 6.5%</b>       |
| <b>Ethiopia</b>  | <b>11.0</b>    |  | <b>8.00%</b>          |
| <b>Others</b>  | <b>92.2</b>    |  |                       |
| <b>Total Africa</b>  | <b>818.9</b>   | <b>Africa's Share of Global Production</b> |                       |
| <b>Total Global</b>  | <b>3,502.6</b> | <b>23.38%</b>                              |                       |

## History of Gold – Some Key Milestones

- Gold has been revered as the ultimate store of value and sign of wealth since the days of the Pharaohs in Ancient Egypt 5,500 years ago
- 550bc Gold is the world's oldest currency, has been part of the monetary system since the first gold coin was struck in Lydia
  - 1717 Britain adopted a de facto Gold Standard, by 1870 all major countries had followed
  - 1913 Federal Reserve system was established in the US with 40% of notes backed by gold
  - 1933 USD convertibility into gold was suspended with gold @ \$20.67/oz., all gold transactions banned
  - 1934 Dollar convertible to gold was reintroduced at a new price of \$35/oz.
  - 1944 Bretton Woods Conference sets basis of post-war monetary system with fixed exchange rates
  - 1945 IMF Articles of Agreement effective, gold value of USD = 0.888671gm of fine gold
  - 1971 The US Government suspended the dollar's convertibility to gold
  - 1973 Freely floating exchange rate regime adopted
  - 1975 US abolishing restrictions on citizens buying, selling or owning gold, established today's market
  - 1980 Gold reached a then all time high of \$850; Silver hits \$50; Last of 45 IMF gold auctions
  - 1999 Central Bank Gold Agreement (CBGA)
  - 2001 Gold emerges from 20 year bear market, embarked on bull that reached all time high of \$1920 in 2011
  - 2012 The Organization for Economic Co-operation and Development (OECD) issued a "Supplement on Gold" to its paper on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

# The Ten Principles of The UN Global Compact

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The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption are derived from:

The Universal Declaration of Human Rights | The International Labour Organization's Declaration on Fundamental Principles and Rights at Work  
The Rio Declaration on Environment and Development | The United Nations Convention Against Corruption

The UN Global Compact sets core values in the areas of human rights, labour standards, the environment and anti-corruption:

## ***Human Rights***

Principle 1 Business should support and respect the protection of internationally proclaimed human rights

Principle 2 Business should make sure that they are not complicit in human rights abuses.

## ***Labour***

Principle 3 Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4 Business should support the elimination of all forms of forced and compulsory labour

Principle 5 Business should support the effective abolition of child labour; and

Principle 6 The elimination of discrimination in respect of employment and occupation.

## ***Environment***

Principle 7 Businesses should support a precautionary approach to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

## ***Anti-Corruption***

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## Key Principals of the OECD Supplement on Gold for Responsible Chains

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In 2012 The Organization for Economic Co-operation and Development (OECD) issued a “Supplement on Gold” to its paper on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Subsequently a number of different bodies around the world developed Responsible Supply Chain policies and procedures for precious metals for the markets they operated in including:

London Bullion Market Association (LBMA) | Dubai Multi Commodity Centre (DMCC) | The Responsible Jewellery Council (RJC) and most recently World Gold Council (WGC)

The common theme with each of these publications is that they provide practical guidance to assist the precious metals industry on the implementation of the OECD guidelines on conducting due diligence and developing a risk management framework for responsible supply chain management of gold and precious metals when sourcing from conflict-affected and high risk areas.

The OECD guidelines set out a step by step framework for risk based due diligence in the gold and precious metals supply chain

This guidance is aimed at the whole supply chain it may well be that not every rule will apply to every client

The aim is to have a balanced understanding of the pipeline in order to mitigate as far as possible the inherent risks involved in the supply of physical gold and other precious metals. The essence of compliance in any form is:

**“Does this make sense and appear to be within the rules to any reasonable person?”**

However it is fair to note that all of the policy documents issued by the above organisations related to more developed markets

In my view it would make sense for Africa’s ASM gold industry to embrace the OECD guidelines but to adapt them to the reality of life in Africa

## Where to from here for Africa?

Follow the lead of other major precious metals markets and create an African Precious Metals Association (APMA) to represent the African continent in the global precious metals industry and give Africa a regional voice on a global stage

The newly formed APMA would draw on the the expertise and wealth of experience that already exists in this vibrant market place and one of its' key targets would be to develop and establish a African Good Delivery List of Accredited Precious Metals Refiners and implement world class Responsible Supply Policies and procedures.

I would also recommend a harmonization of gold royalties and other related fees across the EAC and COMESA which would remove any economic incentive for smuggling and support legitimate cross border trade in precious metals.

I would also encourage regional African banks and private wealth managers to promote the purchase by HNW clients of value added gold bars and coins produced by African gold refineries such as AGR and Rand Refinery as part of a currency and investment portfolio diversification strategy

Finally Global gold mine production in 2019 was 3,464 tonnes in 2019 out of which 2,107 tons or 61% was consumed by the jewellery sector.

However, other than Egypt, the production of gold jewellery in Africa is virtually non-existent and my final proposal is to urge Governments across Africa to encourage the development of a vibrant gold jewellery design and manufacturing sector that would ensure that Africa retains as much value add as possible from its gold, which remains as the most valuable and desirable asset class in the world even after 5000 years.