

# Case Study 1: ASGM Certification Programmes

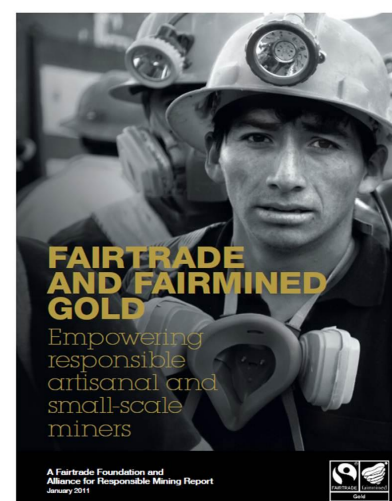
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The past decade has seen the appearance of ethical gold certification programmes, intended to assist artisanal and small-scale gold mining (ASGM) communities in the developing world.

As with most other classical commodities, at the beginning of the twenty-first century the global gold trading market was operating according to free trade principles. The leading gold exchange platform is the London Bullion Market Association (LBMA), with the twice daily spot price determined by the LBMA's direct market participants through rounds of competitive bidding (LBMA 2021). Though the centre for physical gold trading is based in London, since the 1970s the leading country for gold refining has been Switzerland (Green 1985; O'Callaghan 1993). The scale of the LBMA's daily trades, amounting to hundreds of tonnes of gold, means the LBMA spot price determines the price of all other commercial and private gold sales made on that day. This includes goldfield trades across the developing world, though the prices paid are often heavily biased in the buyers' favour.

The notion of ethical gold is linked to a wider desire of social justice for the developing world's population (Bloomfield 2017). In an ethical gold programme, the ASGM miners are paid a guaranteed price for their output, closely linked to the LBMA's spot price, making them independent of exploitative local gold buyers. In addition, the schemes involve a premium on purchases that is to be re-invested in the mining community. In return, the miners promise to adhere to legal, safe and socially and environmentally responsible mining practices as well as jointly determining how the premium would be spent (Maldar 2011; Oakley 2015a). Such certification schemes therefore incentivise the miners to operate in a sustainable manner.

The Fairtrade and Fairmined Gold (FT/FM Gold) certification programme was the outcome of a partnership agreement between the Fairtrade movement, advocated for by the Fairtrade Foundation (the UK & Ireland's Fairtrade promotional body) and the Alliance for Responsible Mining (ARM), a grassroots miners' organisation begun in Latin America in 2004 (ARM, 2021). FT/FM Gold was launched in the UK in February 2011. The first 20 jeweller licensees included Stephen Webster, creative director of his eponymous company and Garrards, the Bond Street jeweller (Webster 2015). The other licensees were sole traders or SMEs (Taylor 2011). Though the FT/FM Gold scheme lasted just over two years, its two successor programmes - Fairtrade Gold and Fairmined Gold - have persisted and expanded.



*Fairtrade and Fairmined Gold - promotional literature (2011-2013)*

Fairtrade Gold, run by the Fairtrade organisation, has remained the dominant ethical gold sourcing programme in the UK. It is supported by a core group of committed and experienced licensee jewellers and facilitated by an established infrastructure of intermediate companies. To broaden its range of gold suppliers, in 2012 Fairtrade started to search for new licensee producers in East Africa. In 2012 it secured a grant from Comic Relief to support miner certification initiatives in Kenya, Tanzania, and Uganda (Butler 2017). The first shipment of African Fairtrade Gold arrived in the UK in 2018 (Catchpole 2018). CRED was the largest UK Fairtrade gold importer over this period, shipping between 10 and 20kg per year. In 2017 this rose to 28kg (Frampton 2017). But in late 2019 CRED went into administration. CRED's new CEO blamed the company's collapse on poor trading conditions and increasing difficulties purchasing sufficient Fairtrade gold (Faulkner 2019).

Fairmined gold, managed by the ARM, retained a small customer base amongst jewellers in the UK. But its most substantial successes came from new partnerships, including the Swiss jeweller and watchmaker Chopard. In 2014 Chopard launched the L.U.C. Tourbillon Qualité Fleurier Fairmined watch, produced in a limited edition of 25 timepieces and retailing at \$144,570. Uniquely at that time, the watch's rose gold case was made of Fairmined gold. This was heavily promoted in the promotional literature and a feature picked up by the industry media. Chopard had taken an enormous risk in producing a watch that sat squarely in the crowded and highly competitive luxury watch category yet relied heavily on the ethical provenance of its gold to gain market share. Since the revival of the Swiss luxury watch sector in the 1990s, such watches have been promoted on the basis of their manufacturer's heritage and the strength of the manufacturing technology, (Donzé 2015; Glasmeier 2000). The success of the L.U.C. Toubillon Fairmined encouraged Chopard to release further models made from Fairmined gold over the following five years. In 2019 Chopard announced all its future watch and jewellery production would be using ethically sourced gold, consolidating their confirmed market position as an ethical and responsible luxury brand (see Liu 2015).



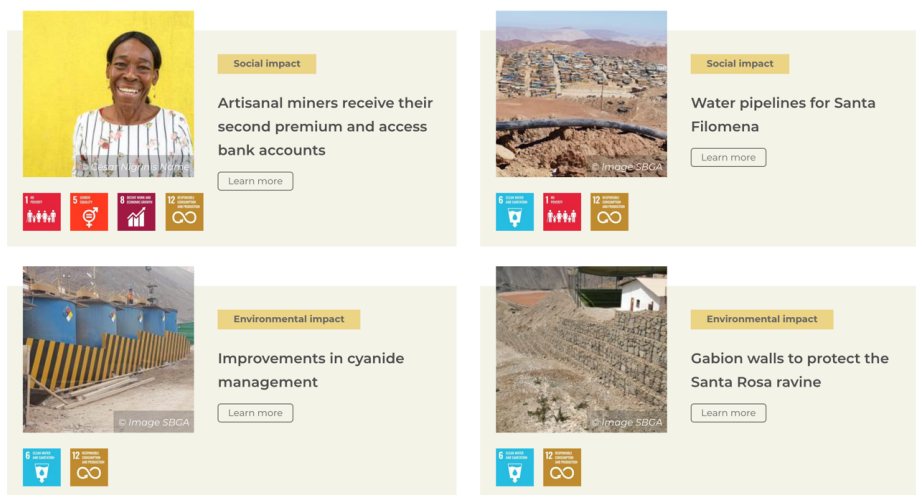
*Chopard L.U.C. Tourbillon Qualité Fleurier Fairmined - promotional literature (2014)*

ARM's Swiss connections also developed along other fronts. In 2013 a small but influential group of companies: the gold refiners Argor-Heraeus, Metalor and PAMP, the banker Impact Finance, the watchmaker A. Favre & Fils and jeweller Cartier, came together to form the Swiss

Better Gold Association (Swiss Better Gold Association 2021a). The SBGA partnered with the Swiss State Secretariat for Economic Affairs (SECO) to create the Better Gold Initiative (BGI). From 2013-2016 the BGI ran a series of pilot implementation activities in Peruvian mines linked to ARM, resulting in the export of 1,500kg of certified Fairmined gold to Switzerland. The second phase (2017-2020) involved a more ambitious programme, encompassing Columbia and Bolivia as well as Peru. The initiative's remit was also extended to cover international dialogue on the formalisation of the ASGM sector (Swiss Confederation 2019).

Over the first five years the SBGA took on a few new members (Chopard joined in 2017), but the number of companies associating significantly accelerated over 2019-2020. By 2021 SBGA's membership included all four of the largest Swiss gold refiners, with a combined production capacity of 2,900 tonnes (Ruysschaet 2015), as well as a strong showing of Swiss watch manufacturers and leading swiss jewellers. 2021 saw the launch of the third phase, re-branded as the Swiss Better Gold Initiative (SBGI). SECO has contributed CHF4,600,000 (almost seven million dollars) alongside an assumed industry contribution of CHF 11,200,000 (just over twelve million dollars) (Swiss Confederation 2021). The SBGI aims to extend ASGM certification into new jurisdictions, improve framework conditions for responsible ASGM, develop collaboration and cooperation with international partners, and strengthen institutionalized multi-stakeholder dialogue (Swiss Better Gold Association 2021b).

The SBGI does not operate its own ASGM certification scheme, instead relying on the existing Fairtrade Gold and Fairmined Gold programmes, as well as utilising the Responsible Jewellery Council's member certification scheme for medium and large gold mining operations (Better Gold Initiative 2021). The SBGI's significance in the ethical gold sphere not only lies in offering ASGM communities direct access to the Swiss gold trading market at an advantageous price, but also in its ability underwrite the entirety of any certified ASGM community's production, including the Fairtrade or Fairmined premium. As the SBGI also provides funding for environmental and social investment projects (financed by a 1% supplement on the gold purchases collected and managed by the BGI), the ASGM community benefits directly through the guaranteed purchases and premiums and indirectly through associated international aid projects.



*Recent projects at the SOTRAMI mine supported by the SBGI*

Recently, ARM have also been active in trying to extend the reach of responsible mining further by tackling the biggest barrier: the hurdle of miners' certification. This is being attempted through development of the Code of Risk mitigation for Artisanal and small-scale miners engaging in Formal Trade (CRAFT) programme. Launched in 2018 and revised in 2020, CRAFT is an open-source tool for ASM miners who want to make their practice more responsible, with the intention of preparing them to apply for certification (ARM/Resolve 2021).

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