

A Thought Leadership Paper on

# Tackling the Responsible Sourcing Challenge

Creating a multi-stakeholder approach



**Toward A New  
Era of Minerals**  
Be Part of it



## Executive Summary

The energy transition and the companies at the forefront of this transition – auto OEMs, solar and wind manufacturers, other downstream companies, and governments – demand a supply of metals that is adequate, affordable, secure, and that is responsibly extracted and processed, commonly referred to as responsibly sourced. The clock is ticking against 2040/2050 emission reduction targets and business targets (like auto OEMs (original equipment manufacturers) selling only EVs by 2035/2040), and solving this problem will require a significant mindset shift across the industry and a turbocharged investment in innovation. Supply challenges notwithstanding, an urgent element to this challenge is aligning all stakeholders on the meaning of what is “responsibly sourced.”

Frankly, companies cannot continue to extract and process the same way that they do today to meet additional downstream demand. If they do, the environmental and social footprint of those products could potentially wipe out or drastically minimize the downstream benefits, particularly when it comes to greenhouse gas emissions. If extraction and processing continue using current methods, we will fall far short of the needs and demands – both environmental and social – of the downstream, consumer-facing sectors.

This is an innovation and engagement challenge at its core, and it requires an entire value chain perspective and multi-stakeholder/owner collaboration. No single player or sector in the value chain can affect this kind of transformation, and we’ve seen this play out in a variety of ways.

Government regulations and executive orders have proven ineffective and inadequate thus far at providing an adequate, affordable, secure, responsibly sourced mineral supply, because it lacks collective input from all sectors; stakeholders and owners and is often singularly focused and simplistic. For example, in 2021 the Biden administration issued a series of executive orders focused primarily on emissions reductions to effect climate change, at the expense of other key considerations – notably the accessibility of affordable energy to developing countries, creating even greater social inequality.

Twenty-six percent of the world’s population has no or unreliable access to electricity. Natural gas-powered plants are often the only current energy source that can meet the needs of massive urban areas in regions like Africa. As Ernest J. Moniz and Alain Ebobissé noted in their *WSJ* piece, “a majority of sub-Saharan African countries have per capita electricity consumption of only a few hundred kilowatt hours per year – the dividing line between developing and developed countries in the UN’s Human Development index



is 4,000 kilowatt-hours per person per year . . . if the continent's standard of living is going to improve, it will take more than windmills and solar panels."<sup>1)</sup>

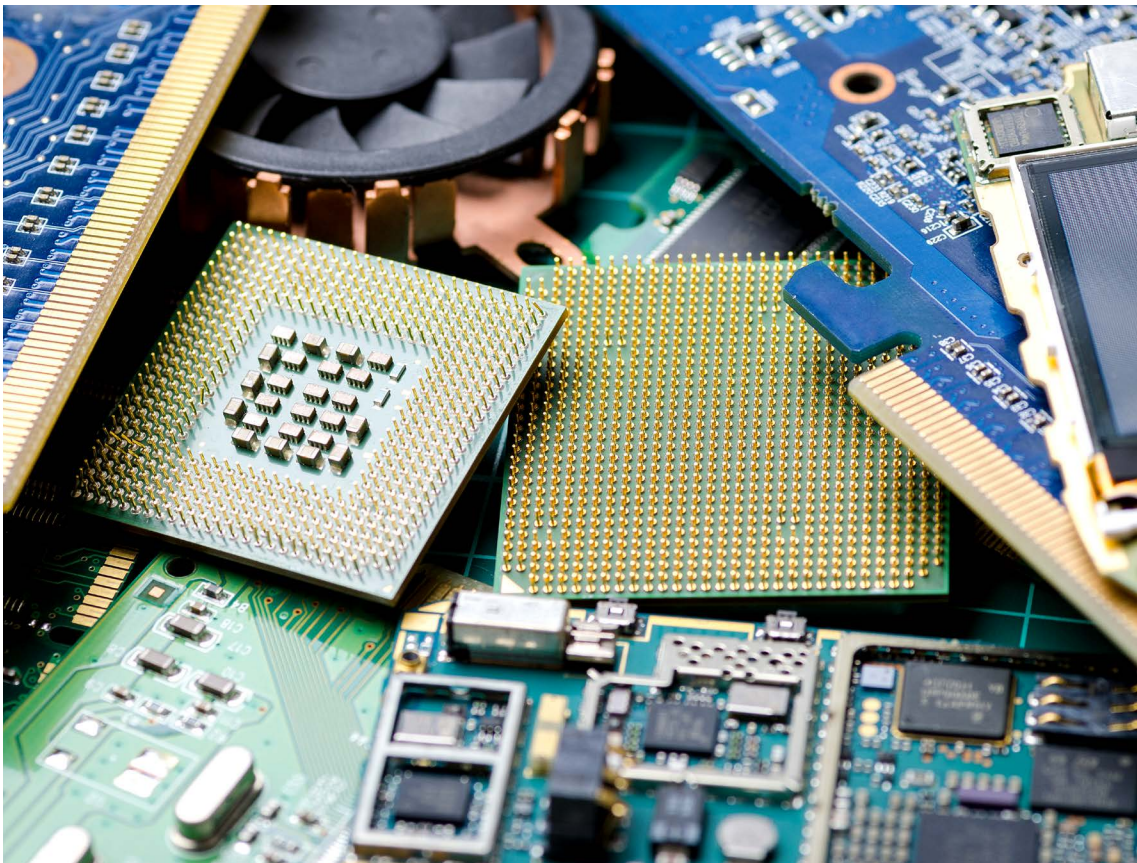
A climate change single-mindedness to the exclusion of all else, and unilateral action in general, undermines economic prosperity, energy security and affordability of energy for all.



1) Moniz, Ernest J. and Ebobissé, Alain. Natural Gas Will Make Africa Greener. WSJ, (2019).

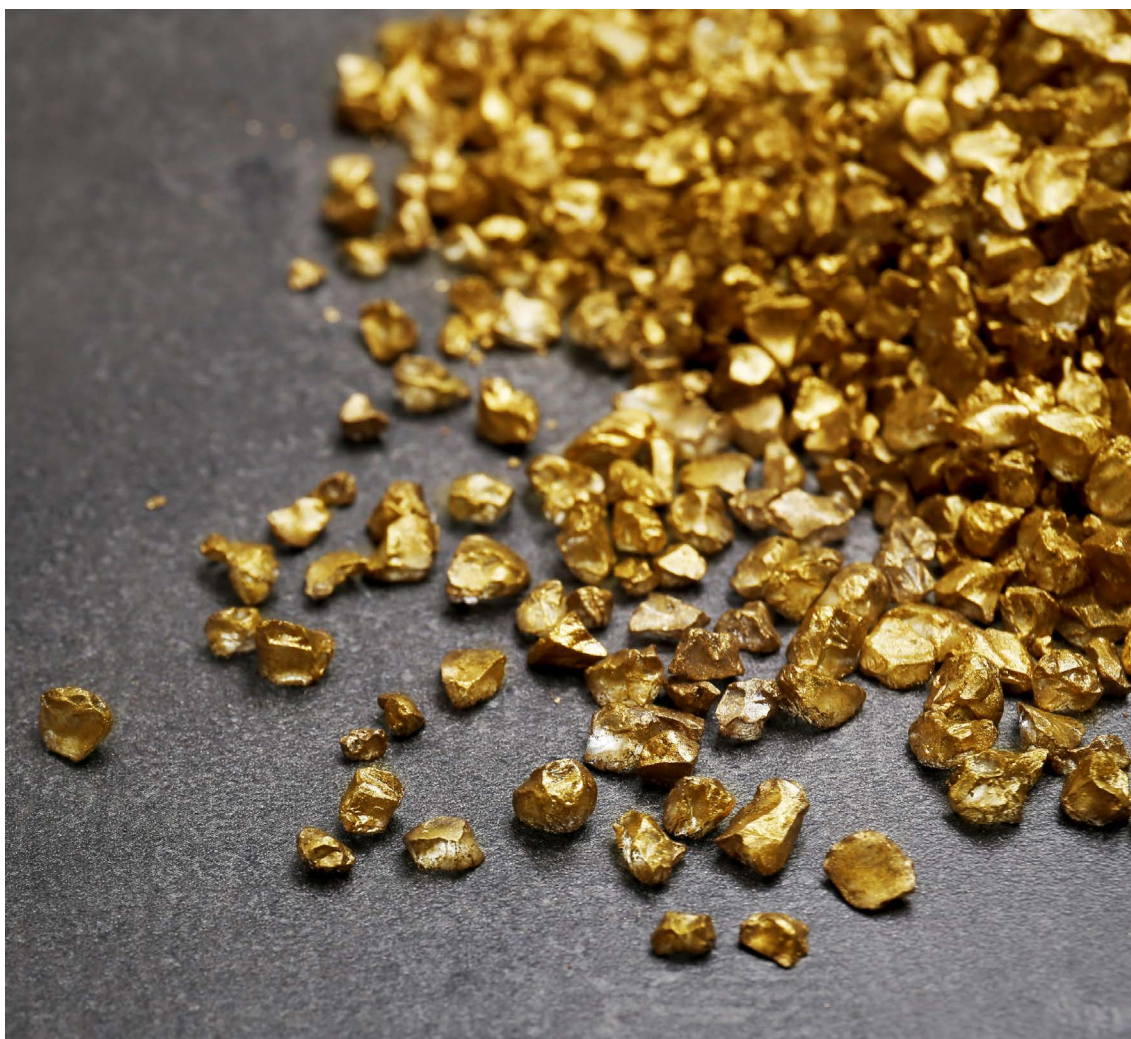
## The Role of Standards

TAs part of the mad dash to spur the energy transition, we've seen the proliferation of well-intentioned but poorly enacted – and even contradictory – ESG standards. There are more than 600 ESG reporting provisions globally, many of them with differing interpretations of sustainability. The multitude of standards industry-wide – not to mention the different ones for the different commodities themselves – has significantly slowed progress. Furthermore, many of these standards ignore the key element of community owners' rights and values; and since, in the region, most countries are governed by the indigenous people, this issue is even more urgent. In the few places this is addressed, it is mentioned only as a risk to be managed. Waiting for a standard means slower, more incremental change while companies wait for new standards and/or regulations. This is further complicated by the fact that downstream companies want simplification. Separate standards for separate commodities is overwhelming, and this is why you've seen the likes of General Motors and BMW join IRMA, despite its lagging support from major mining companies (with the exception of Anglo American and Abermalbe).





Chopard is an interesting example of downstream companies taking things into their own hands. The company committed to a 100% ethical gold supply, which they defined as gold acquired from responsible sources, verified as having met international best practice environmental and social standards. At the time of this announcement, the company's standard was higher than the gold industry's. Rather than wait for the industry to catch up, the company created its own supply by training artisanal miners to meet its gold standard. It achieved what it considers a 100% ethical gold supply in 2018 by being responsibly sourced from one of two traceable routes: artisanal freshly mined gold from small-scale mines part of the Swiss Better Gold Association, Farmined and Fairtrade schemes; and RJC Chain of Custody gold, through its partnership with RJC-certified refineries. Chopard created long-term partnerships with artisanal small-scale miners to meet its own standard, and also takes part in industry working groups to continue to advance its responsible sourcing objectives as part of its "Journey to Sustainable Luxury."





Examples like this, albeit from precious metals, show how a downstream company's ESG goals can drive mining priorities and embrace artisanal mining, an important part of the mining ecosystem in the region. It also highlights a pressing need for the minerals value chain to align on a vision and a set of standards that are both universal but flexible enough to address the specific parameters around individual commodities and the uniqueness of the region. New initiatives like the launch of the International Sustainability Standards Board (ISSB), announced at the COP26 conference last year, have the opportunity to bring organization and clarity to the current ESG reporting chaos. Creating a global baseline for sustainability and sourcing disclosure standards, while still recognizing the need for local adaptation and supplementary standards, presents a great opportunity for minerals providers to provide what their consumer-facing customers want. For example, community needs and perspectives are largely missing in the bulk of standards. As Mark Podlasly, Director of Economy Policy and Initiatives at the First Nations Major Projects Coalition and member of the Nlaka'pamux Nation noted, "We can't wait to put the 'I' (for Indigenous) into 'ESG.'"

In my view, the only way to successfully address this complex challenge of creating and activating a universally-accepted vision and set of principles around responsible sourcing is to take a multi-stakeholder, multi-sector approach. Taking into account the different perspectives of each stakeholder and sector, engaging them in co-creating a shared vision and pathway to achieving that vision, will ultimately lead to a universally adopted set of principles. Publicly declaring this level of support and engagement presents an opportunity for the Kingdom of Saudi Arabia to create an enabling environment. It must foster a triangle of trust between government, communities, and the mining companies. This is still a new way of thinking for companies across the entire minerals value chain, but

there are some successful examples we can point to that can give us a framework for how this is activated in the region, particularly when it comes to responsible sourcing.

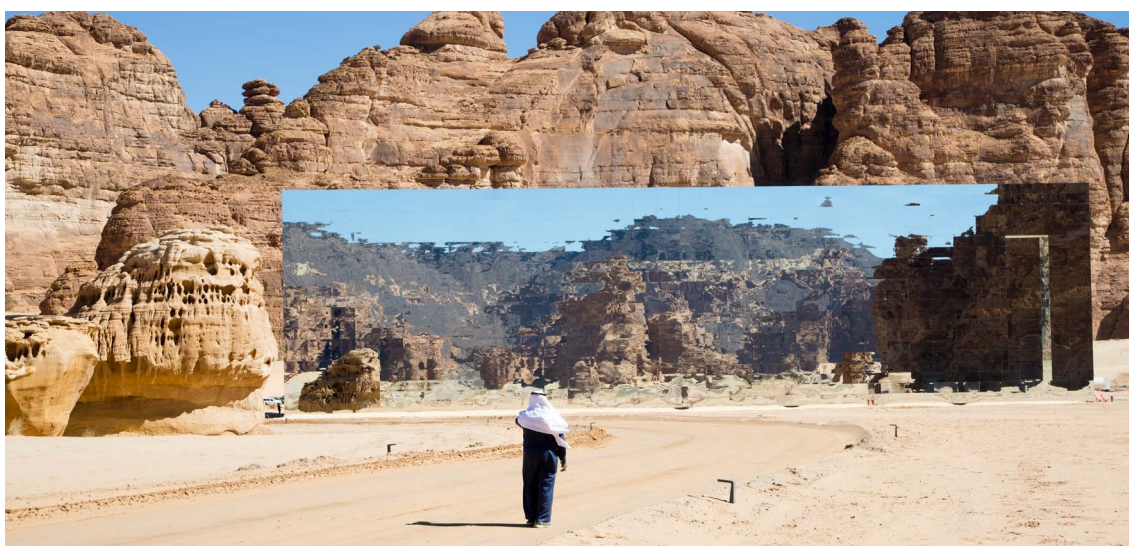
One such example is The Development Partner Institute's (DPI) Responsible Sourcing Coalition (RESCO), launched in late 2019 in partnership with The Rockefeller Foundation. To date, this is the only persistent, all of value chain, multi-stakeholder dialogue that brings all of the voices to the table, particularly community and indigenous (whether provincial or country level) perspectives that have historically been absent from these conversations. This international coalition brings together stakeholders across the value chain to create a shared vision



for responsible sourcing. In a special dialogue hosted at the Rockefeller Foundation’s Bellagio Center, this multi-stakeholder group came together to discuss a vision for responsible sourcing, deepen the understanding of each sector and stakeholder’s priorities and issues, learn from attempts at standardizing sustainability efforts in other sectors and commodities (such as The Global Platform for Sustainable Natural Rubber (GPSNR)), and collectively outline a pathway to accelerate the move towards responsible

sourcing. They broke down different stakeholder motivations and expectations, encompassing mining companies, government, investors, communities, refiners, downstream companies, and consumers, and had stakeholders from each group share perspectives. The outcome of this session was alignment on workstreams that would develop a Vision and a set of Principles for Responsible Sourcing that provides flexibility to allow for the variations of commodity and jurisdiction.

Community voices have been notably absent from the strategic conversations about mineral development, and this presents a unique opportunity for the Kingdom of Saudi Arabia. As an example, groups like the First Nations Major Projects Coalition are coming together to champion Indigenous values and ownership in major projects in Canadian territories and are beginning to engage with Indigenous people in other countries. They have successfully brought together stakeholders from government and the private sector, aligned on a values-driven approach across multiple sectors, and advanced major projects around issues like clean fuels, responsible sourcing and the supply chain, and transportation corridors, among others. This is an exciting new chapter in proactively involving local communities’ perspectives and rights in creating shared value from mineral development.





# Opportunities for Saudi Arabia

## So given all of this, what is Saudi Arabia's role?



### **The Sandbox**

Fundamentally, it could provide a 'sandbox' (meaning environment) with the appropriate guardrails (set of constraints), creating the frame for trusted and safe conversations that take into account the differences of each development or project, while still aligning with the same accepted set of principles. Its role is not to be prescriptive in policy and regulations, but to set the ground rules that can serve as the launching pad for productive discussions across all the countries represented at the Ministerial Roundtable. These guardrails set the context and rules that foster diversity and prosperity, and create a framework for other players in the ecosystem.



### **Renewable Energy Key Supplier**

Saudi Arabia's ambitious hydrogen and solar energy projects could provide the clean energy backbone for the energy-intensive processes across the value chain, such as copper smelting and battery recycling. The regional opportunity would be substantial, and decisions would need to be made around location of these processes and the building of energy and other supporting infrastructure, in order to ensure the opportunity and benefits are shared across the region and with the communities most affected by the activities (particularly the extraction and initial processing of minerals). It may provide an opportunity for not only absolute zero, but net positive. The opportunity to become the key supplier of "green minerals" is not to be underestimated.



### **Innovation Catalyst for Modern Mining**

Saudi Arabia can activate the innovation needed to address responsible sourcing challenges for the extraction and processing of minerals, as well as the social issues for communities. It can do this by providing springboards that create an environment for innovation to thrive. Making it easier to create new businesses, improving access to venture and project capital, providing the right infrastructure (particularly around communications), and creating hubs and catalyzing ecosystems around specific challenges are all ways that Saudi Arabia can spur progress here. This is also intrinsically linked to the industrialization opportunity, and in our view this need to be viewed together, with the intersections understood and catered to in any strategy.



The entire mineral value chain has a massive challenge of providing minerals that are responsibly extracted and processed, while still being an adequate, affordable, and secure supply. Tackling this challenge requires a mindset shift, an investment in innovation, and most importantly, a multi-stakeholder approach that takes into account the goals and incentives of each player in the value chain. Saudi Arabia has an opportunity to champion this new level of innovation and collaboration, built on trust and shared purpose, to deliver a mineral supply that can better meet the demands of all companies navigating the energy transition, becoming the supplier of choice for a system where mining is net positive across emissions, water, and social and economic prosperity for communities.

## A Call to Action

The immediate call to action here is for Saudi Arabia to engage with key global and industry-level responsible sourcing initiatives, in order to deepen its understanding of the issues and help shape the future. To do so, it must champion and catalyze a series of multi-stakeholder dialogues across the region to develop a shared vision and roadmap, building upon the 2023 Ministerial Roundtable Communique. These will act as the foundation of a practical strategy and actionable roadmap for both industrialization and responsible sourcing. This approach assures that the burdens are not carried by those who can least afford to, and that the benefits don't go to a chosen few – creating long-term, equitable, and sustainable prosperity.



## AUTHOR



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Peter Bryant is a recognized thought leader on ESG and sustainability; the energy transition and the criticality of the minerals value chain; and broadscale innovation and digital transformation. He speaks on these topics extensively at leading conferences and for organizations, most recently speaking at COP26, the 2022 Future Minerals Forum (FMF) in Saudi Arabia, and CERAWeek 2022. He spoke at to 1,750 global oil and gas leaders at the

Baker Hughes 2020 Annual Energy Forward Meeting, and keynoted the New Zealand Prime Minister's 2019 Just Transition to Net Zero Emissions Summit. Peter is the Board Chair and Managing Director of innovation and growth strategy firm Clareo, and Co-Founder and Board Chair of the Development Partner Institute, a nonprofit focused on improved social, economic, and environmental outcomes for communities from resource development projects.



# FUTURE MINERALS FORUM

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