

To the Ministry of Finance

**13 January 2014**

**UNOFFICIAL ENGLISH TRANSLATION**

**Recommendation to end the observation of Randgold Resources Ltd.**

# Contents

<b>UNOFFICIAL ENGLISH TRANSLATION</b>	<b>1</b>
<b>1 Summary</b>	<b>1</b>
<b>2 Introduction</b>	<b>1</b>
<b>3 Sources</b>	<b>1</b>
<b>4 Key developments since the recommendation was made</b>	<b>1</b>
<b>5 The Council's assessment</b>	<b>2</b>
<b>6 Recommendation</b>	<b>3</b>

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## 1 Summary

The Council on Ethics for the Norwegian Government Pension Fund Global (GPF) recommends ending the observation of the British company Randgold Resources Ltd. (Randgold). The Council no longer finds that there is an unacceptable risk that Randgold contributes to or is itself responsible for serious violations of the rights of individuals in situations of war or conflict.

## 2 Introduction

As a result of the Council on Ethics' recommendation to formally observe Randgold on 24 June 2011, the Ministry of Finance decided to place the company under confidential observation in June 2012 for a period of up to four years. The Council recommended observing the company because of the risk that the population's already perilous living conditions in the company's project area in Kibali (DRC) could deteriorate further as a result of Randgold's project.

In 2012, the Council submitted an observation report to the Ministry of Finance in which the Council recommended that Randgold be kept under observation. Following an overall assessment which also includes developments during the last year, the Council finds that there are no longer grounds to keep Randgold under particular observation.

Below is a summary of the Council's contact with the company and its research throughout the observation period, the main events of relevance for the assessment, and the latest developments. The report concludes with the Council's assessment and recommendation.

## 3 Sources

The Council has had an open dialogue with Randgold on the Kibali project. Randgold has issued a Sustainability report in 2013 describing all projects run by Randgold and the company's policies, as well as reporting on achievements and targets.

The Council has commissioned three studies from an independent consultant concerning the situation on the ground following the recommendation. The first report described the situation in the project area in the second half of 2011, the second focused on the situation in 2012 and the third on the situation in 2013. Representatives from the Council have also exchanged written communication and held annual meetings with representatives from Randgold.<sup>1</sup>

## 4 Key developments since the recommendation was made

### *Fuelling the conflict*

There is a risk that mineral extraction in conflict areas in the DRC can fuel the conflict. Randgold's project is situated in the north-eastern DRC in Orientale, north of the Kivus,

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<sup>1</sup> Meetings between representatives from the Council and Randgold took place at Randgold's offices in London in December 2011, 2012 and November 2013.

which is generally considered to be one of the most violent parts of the DRC. The risk that mining activities can fuel the conflict was one of the reasons behind the Council's decision to start looking into Randgold's project in the DRC.

In this case, the risk that mineral extraction may fuel the conflict appears to be limited. The company directly exports all of the gold from the project area, and militias are kept away from the project area through cooperation between the local police and the company's own security contractor. In 2013, Randgold implemented a "Conflict Free Gold Policy". The aim is to make sure that the gold produced by the company is delivered in a manner which does not fuel armed conflict, fund armed groups, or contribute to human rights abuses associated with such conflicts. Randgold does not buy any minerals, including from artisanal miners.

During the latest observation period, there has reportedly been no violence that can be directly linked to Randgold's mine. The most recent violent conflicts in the north-eastern DRC have been related to militias connected to Uganda, but this must be seen as external risks unrelated to Randgold's activities.

The consultancy reports that the Council has commissioned, point at the situation of the artisanal miners in the area as the biggest security risk for the project. Some feel that they are not appropriately compensated for the loss of opportunity when the government mining company, Sokimo, transfers mining licences to companies to the effect that the artisanal miners are excluded from mining in the areas. Those who have not been offered employment in the project or who think that Sokimo has not given them adequate compensation, may turn on Randgold and pose a risk of conflict to the company and to the people in the area.

#### *The resettlement and the grievance mechanism*

In its recommendation, the Council emphasized the risk involved in moving some 15,000 people whose living conditions were already precarious. The resettlement phase is now finished, and the company seems to have managed to mitigate this risk successfully. Despite some dissatisfaction with the size and quality of the houses given as compensation to those who had to relocate, the Council's over-all impression is that people in the area are positive to Randgold's project. This is primarily due to the increased opportunities for employment created by the project.

According to its sustainability report, Randgold has established a complaint mechanism based on guidance laid out by the IFC Performance Standards. According to the company, there were 1,078 grievances in 2012, of which 1,013 had been resolved. The report commissioned by the Council confirms that the grievance mechanism is working, although not all grievances seem to be handled to the full satisfaction of the local community.

#### *Security forces*

According to the report, the security situation has improved significantly due in part to the implementation of joint patrols conducted by Randgold's forces and local police. Randgold has informed the Council that it has ensured that not only their own security forces but also local police receive training in human rights standards. The increased security has also brought with it possibilities for people in the area to do business with other communities.

## **5 The Council's assessment**

Randgold's project has had a visible presence in the area for four years. In this period the Council is not aware of security issues of a serious character linked to the project. The

company neither sells nor buys minerals locally, reducing the risk of the company dealing directly with people connected to militias.

The company seems to have taken reasonable steps to improve the general security situation in the area and to protect the mine without resorting to violence. The company emphasizes the relationship with the community and seeks to address grievances at an early stage.

The relocation of the people in the exclusion zone has been completed, and in general people seem content with the project. There is still some dissatisfaction with the houses provided by the company, and some artisanal miners feel that their situation has not been given sufficient consideration.

Overall, it is the Council’s impression that the company has established good systems to deal with security issues or risks and that the company’s standards are implemented. There will almost always be conflicts and security risks connected to the establishment of mining operations, and it is extremely important that issues are handled in a timely and adequate manner. The Council is unable to predict developments in the DRC or the company’s future efforts to deal with any security issues which may arise. Based on the way the company has handled the situation so far, the Council does not currently find an unacceptable risk that Randgold contributes to or is itself responsible for serious violations of the rights of individuals in situations of war or conflict. Against this background, the Council on Ethics recommends ending the observation of Randgold’s project in the DRC.

## 6 Recommendation

The Council on Ethics recommends that the observation of Randgold Resources Ltd. be ended.

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Ola Mestad Chair	Dag Olav Hessen	Ylva Lindberg	Marianne Olsson	Bente Rathe
(sign.)	(sign.)	(sign.)	(sign.)	(sign.)