

# **POLICY BRIEF ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) OF GOLD MINING INDUSTRY IN CAMBODIA**

December 2023

## **1. INTRODUCTION**

For many resource-rich developing countries, mining contributes significant to GDP, job-creation, and is a major source for government revenue. The mineral production in Cambodia to date by 2021 is 1,344kg of gold (for six months), 19,000 tons of coal, 10,5 million tons of limestone, and 8,8 million tons of cement. The total investment in mining in Cambodia is US\$ 975.29 million in industrial mining; US\$ 170 million in open-pit and quarry; and around US\$ 107.16 million in mineral exploration, employing around 8,156 labors in which industrial mining employs 3,440 workers. In terms of revenue, Cambodia has managed to collect around US\$ 137.2 million since 2017 to the first semester of 2022 and for non-tax revenue, Cambodia collected around 80,832.86 million Cambodian Riels during the same time. By mid-2022, Ministry of Mines and Energy (MME) has licensed on small and medium industrial mining operations for two companies – Delcom and Xinshan, in Rovieng district, Preah Vihear province. The effects of extractive industry activities on public health and safety, such as mining and oil/gas drilling, have sparked increased concern and prompted critical investigations into the social and political dynamics, as well as the governance frameworks, that underpin these operations. Cambodia has mandated legal requirements on relevant ESG for instance labor, health and safety, environmental protection, impact assessment, human rights, child rights, gender and private corporate governance.

## **2. METHODOLOGY**

The study used a more qualitative approach for collecting data and information to formulate and analyze study findings from the six gold mining companies in the three provinces. The study was conducted in a participatory manner, ensuring the participation and involvement of key stakeholders in the different approaches of the study. The findings, discussions, conclusions and recommendations are based on in-depth interviews with investment personnel, provincial in-charged departments, International/Non-Governmental Organizations (I/NGOs), semi-structured interviews with gold mining employees and field observations performed during the field data collection to Preah Vihear, Mondulhiri and Ratanakiri provinces in September 2022.

### 3. KEY FINDINGS AND DISCUSSIONS

- ESG principles are rooted but not optimally practiced. The Renaissance Minerals (Cambodia) Limited (RNS), Angkor Gold, and Mesco Gold in their advanced gold mining to primary exploration stages are seen as well adopting the performances. Rong Cheng, Xinshan, and Delcom who have underperformed or who are suspected of breaking the rules.
- The practices of environmental compliance in terms of Environmental, Social Impact Assessment (ESIA) and mineral exploration and exploitation licensing among the gold mining companies in the studied areas have proved to be accountable and dynamic. Prior to beginning their industrial mining and ground exploration operations, all gold mining companies have complied with the pre-requisitions of the Ministry of Environment (MoE) and MME. It has been asserted that the legal framework for ESIA in Cambodia has established strong standards for effect assessment and environmental management.
- Limited transparent information on ESG and gold mining industry in Cambodia. The study finds that the mining industry's public information is not accessible to the general public or even available upon request. Even though the extractive sector is flourishing, not much information has been made readily available to Cambodian citizens. Simply put, the existing legal system and administrative structure have not been able to generate and disseminate the kind and quantity of information required to guarantee industry openness.
- Plausible and progressive environmental management compliance in gold mining operation of RNS should be a model and upscaled for wider replication. RNS has been recognized as the top gold mining professional in Cambodia who is committed to having less harmful effects on the environment and nearby populations. Since the beginning of exploration to the start of mining operations, RNS has acted responsibly to abide by International Finance Corporation (IFC) standards and Cambodian laws.
- Limited follow-up to the ESIA and mineral license also poses a challenge to assure the safeguards of the environmental and social resources. The Office of Project Monitoring, which is housed within Department of Environmental Impact Assessment (DoEIA), oversees and follows up on ESIA in order to evaluate its compliance and EMP performance. To schedule a monitoring program and make plans to evaluate project performance using agreed-upon ESIA reports, DoEIA and the Project Monitoring Office are required. Although MoE/DoEIA did not provide a direct response during this study, it was assumed that monitoring had taken place, albeit it was unclear to what extent.
- Social conflicts remain worrisome particularly with the indigenous and local communities. Few gold mining operations have not yet successfully resolved the problems with indigenous peoples, despite numerous positive efforts at reconciliation. Rong Cheng, Delcom, and Xinshan are allegedly involved in unsolved conflicts with local people over rights to utilize land and restricted access to traditional resource uses. Conflicts between Delcom Cambodia Pty Ltd Company and locals have been frequent because the companies' lease covers a region where artisanal miners had already established themselves in 1995 for instance.

- Gold mining companies affiliated with or owned by Chinese investors seem reluctant in compliance with national and international standards. The national and international news networks have far covered the unfriendly issues of Chinese investments, as being viewed as less careful and effective in preserving the environment and social welfare in the countries where they are made.
- There must be a proper benefit-sharing mechanism and principles between the government, mining corporates and the local communities. Mining businesses in developing nations are increasingly expected to provide long-term benefits to stakeholders on a local and national scale, as they are given a “social license to mine”. Therefore, there shall be a concrete mechanism to assure fair share of the benefits with the local communities.
- Financial capital of the Chinese gold mining corporates raises concerns as it lacks transparency and cannot be easily tracked. While specific information regarding their funding is unavailable, it can be speculated that their capital may come from a combination of local sources and Chinese citizens who serve as individual shareholders.

#### 4. RECOMMENDATIONS

- It is crucial for the Ministry of Environment (MoE), Ministry of Mines and Energy (MME), and other pertinent authorities at the national and sub-national levels to conscientiously uphold and enforce regulations within their respective jurisdictions. This proactive stance plays a vital role in effectively identifying and addressing any irregularities or instances of non-compliance that may arise, with a particular focus on problematic mining projects.
- MoE/DoEIA shall conduct a regular monitoring (at least every six months) of the EMP of the gold mining projects in Cambodia through either informed or spotted visits and with also engagement and consultation with local nearby villagers, authorities, and NGOs. Monitoring report shall be disclosed for a more transparent cooperation.
- Through a joint effort, MME and MoE shall participatorily and consultatively develop a specific policy and guideline on integrating or practicing the ESG principles in extractive mining industry in Cambodia. A ‘*minimum standard*’ shall be determined to set the benchmark for ESG practice in gold mining industry.
- NGOs and their partners shall work with MME and MoE in supporting the development of specific guidelines or materials on ESG and gold mining practices for wider public awareness raising, and knowledge-sharing with other gold mining corporates in Cambodia.
- Corporate gold miners must strictly adhere to their EMP in ESIA Reports and other related compliances throughout their actual performance and monitoring to ensure proper treatment of ESG, including laborers' rights, local communities' rights, gender equity, indigenous peoples, and other surrounding natural and socio-cultural environment.
- Gold mining corporates shall disclose or continue to disclose more information on the performance of environment, social and governance related policies or guidelines on their websites or through any communication means or strategies that can be openly accessed.

- MME and MoE continue to strengthen the licensing and EIA report reviewing processes for gold mining projects in Cambodia. Though it has been an applause but it requires further effective and enhanced approaches to assure the quality of impact assessment and minimize the significant risks from licensing work.
- MME shall develop a publicly accessible database of all gold mining companies in Cambodia with all related information, such as detailed corporate profiles, management reports, status of mineral license, ESIA reports, mineral deposit report, monitoring reports, compliance reports, financial statements, or even community mineral funds.
- MME and MoE shall document and archive the written and video best practices of RNS (for best gold industrial project) and Angkor Gold (for best gold exploration project) and shall serve as models to inspire other small, medium and large gold mining corporates to adopt as much possible as they can afford.
- The Royal Government of Cambodia shall explore and impose more incentive options for good modality of gold exploration and industrial mining in order to optimize their performance and to inspire others to follow.
- From experiences on mining conflict, MME shall develop a more effective grievance and redress mechanism to address issues and grievances from important stakeholders, particularly the local communities. MME shall assign specific unit or establish a working group with regularly scheduled meetings with all gold mining corporates to bring about the reported issues, resolutions, and further prevention practices to avoid and minimize those complaints.
- The organization of the Extractive Industry Governance Forum is a credible and most appreciated event to allow a multiple-stakeholder platform to exist to learn from, to share with and to commit together in managing the extractive industry (EI) in a more responsible and sustainable approach. The forum is recommended to a continuous dialogue to build trust and collaborative partnership among all key EI and gold mining stakeholders to promote ESG and minimize social conflicts.
- MME shall strictly impose and enhance the rule of law in gold mining industry particularly for those none-complying corporates through fines and license suspension and withdrawal. Such responses not only force the none to a more complying performance, but also give guaranteed values and appreciations to those most complying.
- MME continues to update and share the information on Mineral Funds with all stakeholders through its website or periodical announcement (ideally for every three or six months) on funding collection from gold mining corporates and its expenditure status. Also, fund request, criteria and approval procedures and mechanism shall be publicly disclosed or guidebook on this is very much recommended.
- In a manner similar to MME, MoE continues to update and disseminate information about Environmental and Social Funds associated with gold mining projects to all relevant parties via its website or periodic announcements. Also, fund request, criteria and approval procedures and mechanism shall be publicly disclosed or guidebook on this is very much recommended.

- MME shall impose strong requirements for fund or capital investment declaration or reporting for the gold mining operations in Cambodia, and in compliance with the 2007 Law on Anti-Money Laundering and Combating the Financing of Terrorism in Cambodia. Article 4 identifies the Reporting Entities in which investment companies are entitled to declare their funding sources and purposes.

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