

ESG at Zuger Kantonalbank

Responsible gold investments

We are conscious of our responsibility towards the environment, society and future generations. With our holistic approach, we are committed to underpinning our business with ethical principles as well as social and environmental responsibilities, thereby fostering sustainable and beneficial development. By doing so we create added value – for our stakeholder groups and for the environment.

Responsibility theme extends to gold too

Responsible and sustainably created products are becoming increasingly popular. This is also becoming ever truer for any kind of investment in gold. Investors increasingly want to know that the gold they are buying has been responsibly produced and procured. Particular attention is paid in this context to the social and environmental aspects of gold mining, including adherence to responsible business practices along the entire gold supply chain.

Gold is responsibly mined when it takes social and environmental aspects into account. The ability to identify its precise origin is an important part of that.

The value creation chain in traditional gold mining harbours a number of risks, whereby artisanal and small-scale mining (ASM) is particularly exposed in this respect. It is estimated that around 90% of all workers in the gold mining industry are employed in this subsector (see info box bottom right). The risks in question include repeated breaches of prevailing environmental and social standards. On the environmental side, for example, aspects such as climate protection deficiencies and the inappropriate storage and disposal of chemicals (e.g. quicksilver and cyanide) stand out. From a social standpoint, issues such as remuneration, working hours, tariff negotiations, discrimination and labour protection come to the fore.

Our approach

With its holistic approach, Zuger Kantonalbank is committed to underpinning its business actions with ethical principles along with social and environmental responsibilities to foster lasting positive development. For this reason, as well as offering our clients responsibly sourced physical gold bars ("fair trade" and "traceable" gold, i.e. gold whose provenance can be clearly identified), we also insist on certain minimum requirements

when it comes to the selection of gold investments in the portfolio management context.

"Fair trade" gold

In order to achieve fair trade certification, small-scale miners join forces to form legal mining organizations. To achieve the fair trade standard, these organizations have to fulfil clear guidelines when it comes to the use of chemicals and adherence to environmental legislation.

In addition, the standard prohibits exploitative child labour, forced labour, and other forms of discrimination. The certification also prescribes employment contracts, regulated working hours and protective clothing, along with measures for health protection and accident prevention. In return, mines that successfully achieve fair trade certification are awarded a fair trade bonus of USD 2,000 per kilogram of gold, which has an impact on the end price. The purchase of Max Havelaar fair trade gold (bars of 1 to 20 grams) from small-scale mining operations therefore finances investments in community projects where there is an emphasis on a company's environmental and social responsibility. For example, these projects might encompass the optimization of operational processes, improvements in working conditions, protective clothing, health and safety training, a responsible approach to the environment, and medical supplies and schooling for workers.

Gold production

- The average annual production of gold stands at around 3,500 tonnes.
- In addition, gold recycling plays an important role, delivering a further 1,200 tonnes a year on average.
- In gold production, a distinction is made between artisanal and small-scale mining (ASM) on the one hand and industrial large-scale mining (LSM) on the other.
- Some 90% of all workers in the gold industry are employed in ASM operations, yet this area accounts for just 10 to 20% of total gold production.

Traceable gold

By purchasing traceable gold, the investor is supporting the responsible mining of precious metals. Thanks to complete transparency over the origin of the gold, production standards can be clearly comprehended. Gold with this designation (gold bars of 1 to 1000 grams, as well as bars of 12.5 kilos) from professional industrial mining operations can be identified at every stage of the value creation chain, thereby fulfilling the necessary conditions in respect of transparency for end purchasers and setting a minimum standard in respect of the sustainability of gold production. In the rigorous selection of mines and countries, close consideration is paid to factors such as ESG ratings, up-to-date certifications, engagement and activities in the area of human rights, social engagement, and activities in the area of the environment and sustainability. All of this reduces risks in the ESG area.

Gold in portfolio management

There are a number of reasons why investors should include gold in their portfolios. Particularly at times of economic and political

uncertainty, gold is perceived as a “safe haven” due to its limited availability and general popularity as a store of value. In a portfolio context, gold is often used as a means of protecting against inflationary developments. Furthermore, the price of gold has a low correlation with the price behaviour of other asset classes such as equities and bonds (diversification effect).

In our portfolio management activities, we invest in gold solely through investment funds. In keeping with its commitment to the sustainability of physical gold, the bank also applies certain standards when it comes to investment fund selection. Only investment products that can demonstrate at least one traceable value creation chain are considered. Essentially this also makes it possible to guarantee that conditions at the production stage are socially and environmentally responsible.

Publications

You can find more information on our gold offering as well as further publications relating to ESG on our website at www.zugerkb.ch/en/esg.

We are signatories to or members of the following organisations

Signatory of:



Contact

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