CMSI Consultation Response

Respondent Details

NAME
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COUNTRY
Netherlands

PERMISSION
Yes, CMSI can disclose my feedback, name, and organisation.

STAKEHOLDER
Supplier / business partner

ORGANISATION
Drielsma Resources Europe / BK International Network

COMMENTS & QUESTIONS BY DOCUMENT

Document:
Governance

1. What is the vision?

COMMENT:

"progress to a circular economy" could be changed to "progress to a more circular economy"

A 100% reliance on either recycled or mined minerals would come with its own set of unacceptable risks and challenges. Combining both sources helps to minimise these risks, creating a more stable and secure supply chain overall whilst maximizing resource efficiency, reducing waste, and minimising environmental impact.

Respect stakeholders by being realistic and achievable with your visioning.

2. What is the mandate of the Legal Entity to deliver this vision?

COMMENT:

If the Assurance Process culminates in the Board finally resolving client-assurer disputes by qualified-majority vote (with 4 potentially sidelined), this could potentially place untenable public and political pressure upon the Assurance Provider. We recommend that both the Client and the Assurance Provider be represented in the group that decides how the dispute is resolved. Resolution should be by least resistance (maximum acceptance) of the group as a whole, and no kind of majority vote. For example, by Systemic Consensing (see later comments for a brief description).

There is potential for conflict of interest if the Secretariat is funded by the Clients of Assurance Providers, that the CSM governance model should mitigate. E.g., by avoiding a situation where a disconnected "tribunal" takes decisions by qualified-majority vote that could discredit or condemn an individual Client or Assurance Provider. (Please see later comments regarding the proposed 70% qualified-majority vote at Board level.) We would instead recommend that a Systemic Consensing (SK) approach to resolving disputes be adopted that would include both the Client and the Assurance Provider within the group that must make the final decision. (Please

see later comments for a brief description of SK). SK training is available in several languages for Secretariat staff. We would recommend that at least one professional SK facilitator support a trained member of the Secretariat in facilitating decision-making to resolve disputes between Clients and Assurance Providers. SK facilitators are trained in neutral, specialised process design, participation design, tools of clarifying, "healing" and strengthening intra-group relationships.

On meeting "market and regulatory demands": Recognising that the market is seeking a reduced, more-efficient, simplified assurance framework, we would like to suggest that the Secretariat regularly facilitate a collegiate check if the standard, procedures, rules and so on can be safely simplified. Such checks should at least seek the reflections, learnings, practices, successes, grievances and "annoyances" of each group in the governance structure, but also try to respond to complaints, "annoyances" and proposals of stakeholders. Further Ideas: in a fully mature CSMI, we would expect to see bottom-up initiatives/grass-root activities that ensure a living flexible organisation that increasingly serves society within a clear structure. If local stakeholders need support/resources from the Secretariat to contribute, these could eventually be formalised with a specific process - perhaps in collaboration with National Panels.

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3. What principles have guided the development of the governance model?

COMMENT:

Inclusive: Very good. Affected stakeholder groups need to believe in the governance model to creatively engage with and contribute to decision-making and thereby unlock niche value for the CMS. Stakeholders engage if they know how one can effectively influence. That's why consensus oriented decision making is key, plus clear communication of who/which group is empowered for what decision and "how I can participate in a group". Ideally, even process design should be participative, e.g., through public consultation like this one, but also in process design/improvement decisions.

Effective: Very good. Only those decisions that carry the support of all affected stakeholder groups will be effectively implemented. Responsibility for decisions and the necessary follow-up should be felt by all, so that what gets decided gets implemented. The organisation will need capacity-building (education, training, supervision of internal facilitation skills) to increase success-rate to be both inclusive and effective.

Credible: Very good. Organisations whose decisions benefit more from the group intelligence of their members are more appreciated, more cooperative, more resilient, and more self-motivated. Stakeholders who feel jointly responsible for decisions become ambassadors. Stakeholder recognition comes when affected people know how their effective influence in decisions can be reflected (because decision-making is transparent). Ideally, even process design should be participative, e.g., through public consultation like this one, but also in process design/improvement decisions.

Impact-driven: Very good. Inclusive decision-making that seeks to meet the needs of all affected stakeholders will yield actions that have more impact.

Efficient: Very good. Governance and decision-making culture can make or break the efficiency of the CSM. Systemic Consensing (SK-Prinzip®) helps organisations increase the quality and speed of their decision-making.

Diversity Criteria: Very good. If diversity is seen as mission-critical, the "Inclusive" principle must be respected. To maintain and benefit from diversity, all affected stakeholder groups need to have confidence in the governance model and all those who choose to engage need to know that they will be heard. Participants will only continue to meaningfully contribute to decision-making and support the decisions taken if they can, either a) recognise a systemic tendency of the organisation to try as much as possible to meet everyone's needs, or b) recognise an opportunity to use power to force their own will upon the group.

Independent multi-stakeholder board: Very good. Even better, would be a commitment to giving multi-stakeholder groups that report to the Board the authority to independently decide on matters within their mandate or "sandbox". Definition of the frame of the sandbox is key and requires skilful board members, and reflection structures to foster a learning culture with a good "error culture".

4. What are some of the key features the governance model needs to include?

COMMENT:

Congratulations on a very professional consultation and on a thoroughly thought-through and well-intended governance proposal.

There is nevertheless an inherent contradiction between the governance principles and the proposed qualified-majority voting. Systemic Consensing (SK) is the best available method to resolve this tension between needing to be inclusive and needing to be effective. (Especially in hot, controversial topics). We would like to introduce you to Systemic Consensing (SK) and further explain our feedback in a dedicated meeting.

https://businesskonsens.eu/en/sk-principle_systemic-consensing-methode/

6. What will the composition of the Board look like?

COMMENT:

Both Committees having delegated authority within their respective limits is very important and very good, but what then about proposed tie-breaking?

COMMENT:

"collective responsibility" is good.

"representing the interests of mid-tier mining companies, and

one representing smaller mining companies" is very good.

On CuMark Board members: In line with previous comment, recommend you consider training in Systemic Consensing for this group at least. We cannot say to what extent the CuMark experienced the disadvantages of majority or preference-based decision-making. They have either observed them to a lesser or greater degree, or unkowingly left themselves vulnerable to them and it is only a matter of time.

7. How will the Board make decisions?

COMMENT:

"How will the Board make decisions?" is a crucial question!

But also for all groups within the organisation (Secretariat and Committees). The answer to this question sets the systemic culture of the organisation and steers the behaviour of the participants (professional ice-skaters do not spit on their "field" of play; professional rugby players do not argue with the referee - in each case the systemic success factors are different and, like an invisible hand, steer behaviour).

It is very good to have consensus as an ambition and a Code of Conduct for Directors. However, the Code does not offer tools and methods to help Directors to effectively implement the Code. Systemic Consensing provides a proven method to help ensure that individual commitments of the Code can be met, and not only by the Board, but throughout the organisation.

On last-resort 70% voting: Though well-intentioned, we believe this proposal sets the organisation up for failure to adhere to its Governance Guiding Principles and Code of Conduct for Directors. See comment above about qualified majority and "positive affirmation" methods of decision-making.

On Figure 3: Ideally, adoption of the final configuration and make-up could be the topic of decisions by Systemic Consensing to help ensure at the outset that there are no hidden objections - or unmet needs - and that all appointees have greater confidence in the structure. (For example, try to address all criticisms from this public consultation at least bi-laterally by proposing options and rating the stakeholder's resistance to each). We call this resistance integration and using resistance as a resource for change and innovation.

On Board composition: We note that, in practice, the proposed approach means that the resistance of a single mining company (or VC company or stakeholder) can ultimately be ignored (perhaps repeatedly). Knowing this will immediately influence the behaviour of Committee and Board members from the beginning - in a way that drives against the Governance Principles.

On the independent Chair: In our experience, it can sometimes also be helpful to allow the Board as a group to invite one ad-hoc outsider with an unusual perspective that could help make the particular decision being made (A Joker in the pack).

On Decision-making and protections: the desire for 100% consensus can often block progress, activate latent power imbalances, and work against meeting the governance guiding principles. Systemic Consensing (SK) helps invest energy of the organisation where it is needed, and yields a final decision that is as close to consensus as possible in the prevailing circumstances - not leaving behind, or ignoring, or "defeating" minority partners. The qualified-majority voting is understandable as a proposal to keep an "ability to act" for all stakeholders, but it unfortunately drives directly against the desired Governance Principles, and no longer represents best practice. In contrast, Systemic Consensing (SK) keeps the "ability to act" through rating resistance to proposals and options, with an up-front commitment to minimise group resistance, meet as far as possible each participants' needs, and therefore make decisions as close as possible to consensus in the given context and timeframe. Note that the group as a whole decides the threshold of group resistance that needs to be reached in order to decide on a case-by-case basis - thereby leaving the group in control of the flexible, but structured, process. Approval from a majority (3/4)(12/16) is not the same as "positive affirmation" from the group as a whole. Approval from a majority (3/4)(12/16) does not ensure all interests are equally protected. Approval from a majority (3/4)(12/16) does not guarantee broad support. Research shows that we have two independent systems in our brains. One: deals with "away from,..." thoughts, negative affection, avoidance,... and the other deals with "towards ..." thoughts, positive affection , attractiveness. In old-style decision-making, the two are unfortunately often mixed, which can create system dynamics that foster fight, flight, lobbying, or politics instead of cooperation, creativity and empowerment. Members try to avoid or circumvent their colleagues' resistance instead of moving towards them to meet and lower their resistance. Systemic Consensing (SK) regularly measures and responds to the group's resistance, setting up a dynamic of energy towards mutual understanding, creative problem solving, lowering resistance and therefore wiser decisions. The result is that all members feel equally heard/protected, all members affirm that they can live with the decision, and the decision enjoys broader support.

On delegation to Committees: This needs to be very carefully designed and delimited to avoid encouraging the use of back-channels to work against the Governance Principles. Allowing Board veto can be like a parent saying to a child "you can be anything you want. but you have to ask me". If Committee members (including representatives of the Board) feel that Committee decisions can be side-lined by a qualified majority of the Board, they will be far less motivated, and stakeholder engagement will be limited. We recommend setting a clear framework and boundaries (Decision Domains) within which each group is mandated to make their own decisions without the need for top-down Board approval. With Systemic Consensing (SK), the Board's needs and expectations can be better represented as an equal partner within the Committee itself. In contrast to ultimate "decision rights" above, review of the Board is indeed recommended to check that the Decision Domain has been respected, or to check if it needs to be adapted. For Committee decisions within its Decision Domain, the Board should have "power within" the Committee, not "power over" the Committee. To further buttress the Governance Principles, you might consider "double coupling" such that a Committee member also joins Board discussions of Committee outputs. Systemic Consensing (SK) can also be used to choose representatives to the Board on a least-resistance basis.

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8. What will the composition of the Mining and Value Chain Committees look like?

COMMENT:

How will the CSM ensure recruitment of representatives from small or mid-tier companies, fabricators, and recyclers? There will be more volunteers if they feel that they are assured of making meaningful contributions to the decisions taken. Qualified-majority voting may attract volunteers that wish to wield power, and deter volunteers that don't wish to be powerless.

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9. How does delegated authority work and what would the delegated responsibilities of Mining and Value Chain Committees be?

COMMENT:

"How does delegated authority work" is a key consideration!

On ultimate decision-rights of the board: In line with previous comments, it would be interesting to un-pick this. Retaining ultimate decision-making rights within the Board can in some cases encourage behaviour that would be inconsistent with the Governance Guiding Principles (see Comments to Figure 3).

Rather than make Board-liability a blanket-reason for all decisions to be taken at Board level, we recommend you explicitly split-out the possible grounds for Board Member liability and transparently communicate these up-front to the Committees, so that the boundaries of the different Decision Domains can be made clear.

On rejecting proposals for reconsideration of Committees: This is good, but would be even better if no qualified-majority voting was used in the Committee or the Board. Avoid back-channeling and power-broking.

See previous comments on serious disadvantages of the last-resort 70% voting rule.

QUESTION 1

The governance principles that guided the development of the governance model are inclusive, effective, credible, impact-driven, pragmatic and efficient. From your perspective, does the proposed governance model meet expectations for consistency with these principles?

Response: `1: Significantly below`

The intention significantly exceeds our expectations (5). The systemic robustness (consistency with the General Governance Principles) is significantly below our expectations.

QUESTION 2

Does the proposed governance model ensure no single group is able to unduly influence decisions?

Response: `unsure`

There is an inherent contradiction between the governance principles and the proposed qualified-majority voting. Systemic Consensing (SK) is the best available method to resolve this tension between needing to be inclusive and needing to be effective. (Especially in hot, controversial topics). We would like to introduce you to Systemic Consensing (SK) and further explain our feedback in a dedicated meeting.

> ## Document:
> # Assurance

QUESTION 1

From your perspective, does the Assurance process meet your expectations of a robust, credible, replicable and transparent approach?

Response: `No Response`

Document: Standard

QUESTION 1
Does the scope, content, and narrative style of the consolidated standard meet your individual expectations and the collective industry expectation for responsible production practices?
Response: No Response

QUESTION 2
Do the requirements meet your expectations for being sufficiently clear to support consistent and practical implementation and to achieve necessary performance improvement?
Response: No Response

QUESTION 3
From your perspective, does the three-level performance structure (Foundational, Good, Leading) of the Consolidated Standard meet your expectations for providing an effective on ramp and clear articulation of good practice and effective path to continuous improvement?
Response: No Response

Document: Claims

QUESTION 1
We would value perspectives on a few additional questions related to threshold of performance associated with achievement claims. Please click here/ see page 11 of Reporting and Claims Policy.
Response: No Response