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CIBJO CONGRESS 2019 THE MUZO COMPANIES

CIBJO CONGRESS 2019
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Colombia**

Keynote words at Opening session, 18th November



مؤتمر الإتحاد العالمي للمجوهرات
THE WORLD JEWELLERY CONFEDERATION CONGRESS

مملكة البحرين 18 - 20 NOVEMBER 2019 KINGDOM OF BAHRAIN

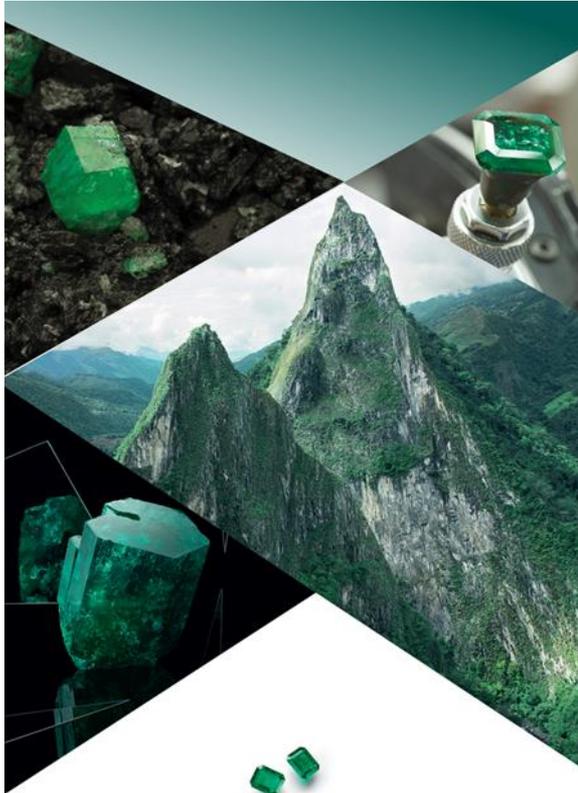
Challenges for our second decade in Colombia: On the road of Sustainability

Our experience at Muzo may contain lessons for sustainability

Almost one year ago many of you gathered in Bogotá, capital of Colombia, for the II World Emerald Symposium as well as the CIBJO 2018 annual conference, which we had the honor and pleasure of hosting in October 2018, a first for South America. Almost a thousand guests attended both venues including top luxury brands representatives, designers, dealers, merchants, guilds and associations from all parts of the jewelry world. The CIBJO event was a major success for Colombia and for our industry. CIBJO's powerful endorsement of the Colombian emerald industry was noted by all.

It is my great honor to be here today at the invitation of Mr. Cavalieri and CIBJO., this on the tenth anniversary of our operations in Colombia. As many of you know, the Muzo mine, also known as Puerto Arturo, is one of the oldest and most historic emerald mines in the world. For almost five centuries the largest and finest emeralds in the world have been produced at the Muzo mine. Even before the arrival of the Europeans, Muzo emeralds were traded as far as Peru and Mexico, to the Aztec and Inca empires. We at The Muzo Companies are proud to continue the tradition of the Muzo mine and to continue to produce these beautiful gems.

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What pearls were for Bahrain , emeralds for Colombia. They are a source not only of wealth but also of pride and are integral part of the artistic heritage of the country. Emeralds truly represents Colombia in the world. To be sure, fine emeralds are also produced in Zambia, Afghanistan and Brazil, but as is the case with Colombian coffee, Muzo emeralds are seen as special by those who knows about gems. We not only mine these fine gems. At Esmeraldas de los Andes, EDLA another of the Muzo Companies, we operate a state-of-the-art, high-tech workshop in one of the most professional gem-cutting operations in the world. Nearly 70 thousands stones international brand with sales & marketing offices in New York and Geneva. Emerald Mining Services, EMS, the mine operating company, has more than a thousand employees, has set emerald industry standards in Colombia.



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Today I would like to address those elements of our operation which are, perhaps, unique and of special interest to the members of CIBJO, in view of changing trends in the world gem industry, concerns for the environment and climate change, social responsibility, sustainability and, a related issue, traceability.

When the Muzo Companies arrived in Colombia in 2009, the emerald industry in that country had acquired a sinister reputation and the reality of the mines reflected this. Various factors had come together to make much of the emerald-producing zone a virtual no-man`s- land of violence, poverty, and primitive methods of mining. The damage done to the local environment was immense, with large open pit mines stripping away jungle trees and filling the riverbeds with waste. The human cost were great as well. Simply put, the vast majority of the population in the zone lived a hand –to- mouth existence, with virtually no public services, little infrastructure and almost no steady employment. - **History of violence. Desire of mine owners to bring change**



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I was immediately clear to our company that we could not continue to operate the mine in these conditions. Leaving aside the moral, political and legal issues, we knew the world was changing and, with it, the world gem market. Not just sophisticated clients but ordinary buyers, were demanding more information about gems they bought. How were they produced? Were fair the labor practiced adhered to? What about the communities around the mines? Was mining affecting the environment?

Without really understanding all of the changes we were putting in motion, we let common sense and good business principles to be our guide.



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We started with out with a number of basic rules. Among them:

1. We would abide by the laws and regulations of Colombia, working with the authorities to resolve differences in an above- board and transparent way. There would be no short-cuts, winking at the rules, tricks, lies or unethical practices. – The result has been complete support from the government.
2. We would establish modern labor practices, bring the employees into the formal economy, provide benefits, and bring women into the work force. The large number of single mothers left by the Colombian conflict and social conditions in the area made this last point important. - Formal employment made a tremendous differences.
3. We would conduct all of our financial affairs strictly within the formal financial system, that is to say, no cash would change hands in our operations.
4. Taxes and royalties would be paid in full.
5. We would strictly enforce environmental regulations and try to reverse some of the damage done by previous miners.
6. We would provide our clients with mine-to-market traceability. Those who bought from us could be sure that they were buying a gem produced in an ethical and legal manner.
7. The local community would be a full partner with us.



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Some of the tasks in front of us were obvious. We needed to reconstruct the water handling system at the mine to prevent run-off into the local river. The entire area needed a general clean-up. Potable water plants had to be built, waste disposal systems created, and we had to put a stop to the cutting of trees in the jungle surrounding the mine.

For many years the local residents had been given spoil from the mine to wash for overlooked or low quality emeralds. While we had no problems with this in theory, the fact was that it polluted the local river and the environmental police had moved to outlaw the practice. There were some tense confrontations with the local people but they eventually accepted that the government, not the company, had imposed the rules.

We also had a large number of older indigent people living in the area of the mine. They lived, usually, in sub-human conditions and some were literally starving. We created a dining facility for them that feeds 300 people a day, free of charge. Working with the army, we brought in medical teams that held health fairs and treated any resident who came.

The local schools and public health clinics were also included in our social programs. A full time biologist works with reforestation team to restore areas cut over by previous mining operations.



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The company could not possibly provide employment for all the people in the area, so we established a cacao cooperative which now has more than 1.000 families. We provide a warehouse, transportation for the crops, technical advice, and sales support. This program is poised to grow in the years ahead.

With the global climate change a front burner issue all over the world, we found ourselves in a rather favorable position to help maintain a balance between development of the mine and the local environment.

Our mine is located in area of heavy jungle. With the exception of modest amount of farming or cattle raising, it forms a pocket of natural beauty and relatively unspoiled landscape. With open pit mining now banned, vegetation has reclaimed areas once bare of trees.

Combined with the mountain scenery, the lush jungle growth makes the area a potential ecological tourist destination, unusual for a mining region. We hope to encourage this new source of employment for the region.

It is important to note that, like many other gem stone mining operations, we have had to deal with difficult question of relations with artisanal miners in the are of our mine. Although we employ more than 1000 people at the mine, it is not possible to give jobs to everyone in the region who wants one. I must be honest in saying that on at least three occasions we had major conflicts with the local *guaqueros*, as informal miners are know in Colombia. There were other incidents as well.



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Working with the local community and the municipal government, as well as other mine operators in the area, we were able to resolve most of the conflicts by setting up a sub-contracting company to give the informal miners an opportunity to work side-by-side with our formal employees in a designated area of our mine. This system has worked well for us and for them.

As I noted, we also had to deal with the unexpected problem of women in the work force. Women had not been employed in the mine before our operation was initiated but it quickly became apparent that there was a real need to include women in our plans. Our mine director was approached by groups of single mothers eager to work in the mine and it was obvious that they badly needed the work. He decided to offer jobs to women in the mine accordance with Colombian Law, which restricted some positions. The experiment was such success that we soon had a substantial number of women working as heavy equipment operators, in security, as geologist and engineers, and in other mine support tasks. Their presence in the mine has been a positive in every way.

The employment of these women led to other new ideas. We formed a company in the local town of Muzo to produce uniforms for our miners and for local school children. We reached out local farmers and began to buy their produce for our company dining facility. Our newest project is a jewelry company. We have provided emerald cutting machinery and jewelry-making tools to local residents so they can manufacture jewelry and artistic objects using local and traditional motifs.

The bond we have formed with the local community is strong and very day our social responsibility staff looks for ways to create even stronger relationships. In 2019, The Colombian Congress recognized our work by awarding us one of their highest honors, the first foreign entity to be so honored.



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Yesterday, November 17, was our tenth anniversary of operations in Colombia. We are proud of our record and of the hard work it took to create a mining company and a world-class gem cutting facility. We did not realize at the time, but we were fortunate that our experience in the Colombian emerald industry was virtually zero. We had to write our own book, so to speak, and we made mistakes, but at the end of the day this allowed us to avoid even worse mistakes and to eliminate the many errors of the past.

Today, as we look toward our second decade operations, we can safely say that we have matured as a company and can concentrate on implementing the concept of sustainability. It is our most important challenge.

In the world of today it is not enough to produce a top quality product, the consumer of today demands much more.

Our customers want to know that we have produced our product in an ethical and legal way, that fair labor practices have been observed, that we have worked in harmony with the environment, and that the local community supports and participates in our operations.



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As enter 2020 it is clear that all colored gemstone mining operations, from large and medium size operations to small, local artisanal mines, must try to come to terms with a changing world market. There is a room for everyone but there must be ground rules for all as well.

To sustain means to allow an activity to continue long into the future, without causing damage to the environment in which the activity takes place. It is more than simply ensuring a steady supply of product or even safeguarding the natural environment. True sustainability means that an activity, such as gem stone mining, is an integral and welcome part of the community. A sustainable mining operation is one that sees the mine itself as only a part of a much larger project. It means living and working with the community and leaving the community a better place for all.

In the case of the Muzo Companies, we had a unique opportunity to both change the entire nature of relationship between the mine and the local community, and to serve as an example for the rest of the Colombian emerald industry. Others are now following in our footsteps and more will seek opportunities in the region in the future.

In closing, allow me to again thank Mr.Gaetano Cavalieri and all of the members of CIBJO for their gracious invitation to this important event. As the Colombian emerald industry and the Muzo Companies continue to work to build a sustainable future, we are confident that CIBJO and the work it does will continue to serve as mentor and guide. For that, we are immensely grateful.

Thank you for your kind attention.

