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Unlawful armed conflict leads to the suffering of individuals and communities and can be associated with serious abuses of human rights and breaches of international humanitarian law. Such conflict may have a significant effect on the stability of a country or affected areas, the socio-economic development of society and on the ability of companies to conduct their business in a sustainable manner.

In a peaceful society, the role of business in creating wealth and supporting development is well established and responsible gold mining entities conduct their business in ways that support sustainable development. The private sector, therefore, has a critical role to play in supporting peaceful socio-economic development. A well-run mining operation can play a positive role in an economy and in the socio-economic development of local communities and nations. However, where there is armed conflict, even the best managed operation(s) will need to take additional steps to ensure that both the gold it produces and its broader activities do not contribute to the conflict.

Where a company can demonstrate that it is operating a mine in an area assessed to be ‘conflict-affected or high-risk’ in a way that does not cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law, it should be encouraged to continue its operations. Indeed, the closure or suspension of a major source of employment and/or government revenue may accentuate the crisis and accelerate the descent of an area into conflict.

Although there has not been widespread concern that newly mined gold produced by responsible gold miners is linked to armed conflict, participating companies will be able to: strengthen their relationships with stakeholders through implementing the Standard; ensure that their business practices are designed to avoid causing, supporting or benefiting unlawful armed conflict; and, play their part in demonstrating how gold advances society. Furthermore, it is likely that the ability to provide such assurances will increasingly be expected within the gold supply chain and under the terms of a variety of regulatory and normative initiatives.

This Standard is designed to be used at mines that are producing gold. Nonetheless, the World Gold Council and its member companies recognise that if a mine development project is located in an area assessed to be ‘conflict-affected or high-risk’, adherence to the processes included in the Standard represents good practice, to the extent that they are applicable.

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Furthermore, they recognise the importance of conducting exploration and project development after appropriate consultation with potentially affected communities and other stakeholders, to identify and mitigate the effects of their activity and so minimise the risk of causing, supporting or benefiting unlawful armed conflict.

A2.1 Introduction

Whilst gold mining companies may have extensive experience of working in difficult operating environments, they are not, in isolation, best qualified to determine whether an area should be considered to be ‘conflict-affected or high-risk’.

Companies should use the *Conflict Barometer* produced by the Heidelberg Institute for International Conflict Research⁸ as the primary reference source for this assessment. Areas should be considered ‘conflict-affected or high-risk’ if they are currently ranked, according to the *Conflict Barometer*, as 5 (war) or 4 (limited war) or have been at any stage during the previous two calendar years.

Where a country or area within the country is ranked by the Heidelberg *Conflict Barometer* as 5 (war) or 4 (limited war) but the company does not believe that the area where their mine is situated, or through which gold or gold-bearing material is transported while in its custody, should be assessed to be ‘conflict-affected or high-risk’, the company needs to provide evidence supporting this conclusion to their assurance provider. In these cases, companies may use other authoritative sources (see Section A2.2) and should also publicly disclose their rationale for this determination.

Companies may also, at their discretion, determine that an area that is not ranked as 5 (war) or 4 (limited war) by the Heidelberg *Conflict Barometer*, should be assessed to be ‘conflict-affected or high-risk’ based on their experiences of the area concerned or authoritative sources of guidance.

Recognition of an area as ‘conflict-affected or high-risk’ should be undertaken only for the purposes of assessing conformance with this Standard, and be based on the reasonable and good faith efforts of the company. For the purposes of this Standard, **Recognition of Conflict** is defined as:

Assessment of whether an area should be assessed to be ‘conflict-affected or high-risk’. The principal reference should be the *Conflict Barometer* produced by the Heidelberg Institute for International Research where a ranking of 5 (war) or 4 (limited war) should be considered as evidence that an area is ‘conflict-affected or high-risk’. The application of these criteria does not mean that the World Gold Council or its member companies necessarily endorse the *Conflict Barometer* produced by the Heidelberg Institute or the conflict assessment level that it provides.

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A2.2 Reference sources

The principal reference in relation to **Recognition of Conflict** is:

- The *Conflict Barometer* produced by the Heidelberg Institute for International Conflict Research At their own discretion, in the circumstances described above in the introduction, companies may use the following reference sources.

Supra-national bodies:

- The United Nations Security Council (or subsidiary bodies such as United Nations Groups of Experts), to the extent that it identifies specific countries or groups of countries as being ‘conflict-affected or high-risk’ or as constituting a threat to international peace and security
- The European Union
- The African Union or regional African groupings such as ECOWAS, SADC and the EAC
- The Organization of American States.

National bodies and legislation that have widespread international acceptance or recognition and widely respected civil society organisations such as the International Crisis Group or the International Committee of the Red Cross.

A2.3 Criterion

The criterion in relation to **Recognition of Conflict** is defined as⁹:

Companies will assess whether the area(s) in which the mine is located or through which the gold or gold-bearing material is transported, while in the custody of the company, should be assessed to be ‘conflict-affected or high-risk’.

Overview

Part B – Company Assessment relates to the company’s willingness and ability to operate in areas recognised as ‘conflict-affected or high-risk’. A well-run company operating in a transparent manner can play a positive role even in such areas and a withdrawal of investment or termination of operations and employment may destabilise an already fragile environment. In such cases, it is important that companies are encouraged to continue operating if they are able to demonstrate that the gold they produce does not cause, support or benefit unlawful armed conflict, nor contribute to human rights abuses or breaches of international humanitarian law.

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The Company Assessment is not required if it is determined in Part A – Conflict Assessment – that the gold or gold-bearing material is not being extracted in a ‘conflict-affected or high-risk’ area.

Equally, there are companies that do not meet internationally accepted norms of business practice and by their activities and behaviour may complicate, or exploit, already difficult situations in countries or areas with weak governance. These companies will not conform with the Standard.

Part B uses criteria to assess whether the company has the appropriate mechanisms in place to demonstrate an ability to operate in ‘conflict-affected or high-risk’ areas. The OECD has developed *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. This guidance makes it clear that where minerals may be contributing to conflict, companies need to institute Remedial Action Plans to address the risks identified.

The Company Assessment is structured in a way that provides the company with the opportunity to implement such a Remedial Action Plan, and thereby avoid gold being categorised as being in **Non-conformance**. The Company Assessment addresses the following areas:

- 1 Commitment to human rights
- 2 Corporate activities
- 3 Security
- 4 Payments and benefits-in-kind
- 5 Engagement, complaints and grievances.

B1 Commitment to human rights

B1.1 Introduction

A company’s commitment to respect human rights and international humanitarian law may be one of the key factors in determining how activities are undertaken and decisions made within the organisation. The aim of this section is to recognise that companies that are transparent about their commitments to human rights and international humanitarian law are more likely to operate in a responsible way.

Risk-based due diligence for responsible mining refers to the steps companies should take to identify, seek to prevent and address actual or potential adverse impacts and to ensure

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that they respect human rights and do not cause, support or benefit unlawful armed conflict, or contribute to serious human rights abuses or breaches of international humanitarian law.

For the purposes of this Standard, **Commitment to Human Rights** is defined as:

Public commitments and other supporting documentation made by a company (or individual mine) to protect human rights, conform with international humanitarian law and not cause, support or benefit unlawful armed conflict.

B1.2 Reference sources

The principal references in relation to **Commitment to Human Rights** are:

- UN Global Compact – Company Communication on Progress
- UN Guiding Principles on Business and Human Rights
- Voluntary Principles on Security and Human Rights
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- International Alert Conflict Sensitive Business Practices
- International Committee of the Red Cross – Business and Humanitarian Law
- Guidance produced by labour organisations and nongovernmental organisations on human rights policies.

B1.3 Criterion

The criterion in relation to **Commitment to Human Rights** is defined as:

Gold produced by companies that publicly commit to: not supporting unlawful armed conflict, respecting human rights and international humanitarian law, including not tolerating exploitative child labour and, in addition, implement the Voluntary Principles on Security and Human Rights (even if they are not participants in the Voluntary Principles international plenary) or implement systems consistent with the Voluntary Principles.

B1.4 Process

Where the company operating the mine:

- has a suitably evidenced publicly available statement on not supporting unlawful armed conflict, respecting human rights and not tolerating exploitative child labour

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- implements the *Voluntary Principles on Security and Human Rights* or systems consistent with the requirements of the Voluntary Principles the next consideration is in **Corporate Activities** (Section B2).

It is suggested that a company's human rights policy should be informed by Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*.

For the purposes of this Standard, assurance in regard to implementation of the Voluntary Principles, or systems consistent with the requirements of the Voluntary Principles, should be made on the basis of conformance with the activities identified in the Reporting Guidelines of the Voluntary Principles. Where the assessment concludes that this is not the case, the mine is considered to be in **Non-conformance**.

B1.5 Assessment

The assessment should be undertaken using the process set out in Section B1.4 and against the criterion defined in Section B1.3. The assessment should be undertaken at least annually, or when the company makes new public commitments on human rights or security matters, or when the company is required by legislation to disclose any matter that may be relevant in this context.

B2.4 Process

Where the mining operation is not subject to any credible allegations of serious human rights abuses or breaches of humanitarian law and has used its influence to seek to prevent abuses being committed by others in the vicinity of its operations, if such abuses are occurring, the next consideration is **Security** (Section B3).

Where the mining operation is subject to credible allegations of serious human rights abuses or breaches of international humanitarian law and:

1 Formal proceedings or investigations have **not** taken place (e.g. before a court or tribunal) and the mining operation has publicly addressed the concerns raised, and has used its influence to prevent abuses being committed by others in the vicinity of its operations, if such abuses are occurring, the next consideration is **Security** (Section B3) or

2 Formal proceedings or investigations have taken place (e.g. before a court or tribunal) and the mining operation has **not** been found culpable or received a conviction for serious human rights abuses or breaches of international humanitarian law and has publicly disclosed and addressed the concerns raised and has used its influence to prevent abuses

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being committed by others in the vicinity of its operations, if such abuses are occurring, the next consideration is **Security** (Section B3) or

3 Formal proceedings or investigations have taken place (e.g. before a court or tribunal) and the mining operation **has** received a conviction or equivalent for involvement in serious human rights abuses or breaches of international humanitarian law in the past two years and:

- Where it has put in place sufficient remedial measures, related to matters under its direct control, to prevent a recurrence and publicly responded to allegations of serious abuses of human rights or breaches of international humanitarian law committed by third parties, and used its influence to ensure that such activities are not repeated, the next consideration is **Security** (Section B3)
- Where the mining operation has **not** put in place sufficient remedial actions to prevent a recurrence, or **not** publicly responded to credible allegations of serious abuses of human rights or breaches of international humanitarian law committed by third parties, or **not** used its influence to ensure that such activities are not repeated, it is likely to be considered as giving tacit support to the abuse. Where the assessment concludes that this is the case, the mine is considered to be in **Non-conformance**.

B2.5 Assessment

The assessment should be undertaken using the process set out in Section B2.4 and against the criterion defined in Section B2.3. The assessment should be undertaken at least annually, or where the company becomes aware of a significant issue with respect to its performance on human rights or credible allegations of serious human rights abuses or breaches of international humanitarian law within the area of its operations.

B3 Security

B3.1 Introduction

This section looks at ensuring, as far as possible, that mine security providers or personnel do not cause or contribute to promoting or maintaining conflict in the locality of the mine, including funding or otherwise benefiting armed groups. Gold is a valuable commodity and its inherent value may be a contributing factor to conflict in poor and disadvantaged communities. Where the presence and value of gold at the mine site becomes a potential contributory factor in causing, supporting or benefiting unlawful armed conflict, the way in which a company, and in particular mine security, responds is important.

The principal aim of this section is to ensure that those engaged to provide security services to the mine and its employees – or any other agents of the company – do not take

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part in, or support, serious abuses of human rights or breaches of international humanitarian law. In addition, it is important that the mining operation, its agents or its security providers do not fund or otherwise benefit armed groups or their supporters and that the mine operator seeks to use its influence with public security forces acting in the immediate vicinity of the mine, to ensure that they observe applicable human rights and international humanitarian law. The provisions of the Voluntary Principles on Security and Human Rights may be used by companies to assist in this aim.

For the purposes of this Standard, **Security** is defined as:

Company employees or third parties (including government forces) contracted and/or paid to ensure the security of the mine and its employees

B3.2 Reference sources

The principal references in relation to **Security** are:

- Voluntary Principles on Security and Human Rights and the Implementation Manual
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- Transparency International – Bribe Payers and Corruption Perceptions Indices
- International Alert Conflict Sensitive Business Practices
- Global Reporting Initiative Mining Supplement
- Montreux Document on Private Military and Security Companies
- Company Annual/Sustainable Development/Corporate Social Responsibility Reports.

B3.3 Criteria

The criteria in relation to **Security** is defined as:

Gold should be produced from a mine where the personnel providing security have not been credibly accused of human rights abuses; where the mine has not financed or provided benefits to armed private groups who have committed or been credibly accused of human rights abuses; and where the mine has sought to use its influence with public security forces acting in the vicinity of the mine to ensure that they observe human rights and international humanitarian law and the rule of law.

B3.4 Process

Where:

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- for Private Security Providers, the provider has not been found responsible, convicted or credibly implicated, in the previous two years, of committing or aiding or abetting serious human rights abuses or breaches of international humanitarian law in the country in which the mine is located, and
- for Private Security Providers, the security personnel providing security to the mine have not been found responsible, convicted or credibly implicated, in the previous two years, of committing or aiding or abetting serious human rights abuses or breaches of international humanitarian law in any country,
- for Public Security Providers, the company has exerted reasonably good faith efforts to establish whether the individual's providing security to the mine have not been found responsible, convicted or credibly implicated, in the previous two years, of committing or aiding or abetting serious human rights abuses or breaches of international humanitarian law, the next consideration is in **Payments and Benefits-in-Kind**

(Section B4).

Where:

- for Private Security Providers, the security provider or contracted personnel have been found responsible, convicted or credibly implicated in the previous two years of committing, or of aiding or abetting, serious human rights abuses or breaches of international humanitarian law, but a Remedial Action Plan has been implemented and evidence can be provided that this is effective, the next consideration is in **Payments and Benefits-in-Kind** (Section B4),
- for Public Security Providers, individuals providing security to the mine have been found responsible, convicted or credibly implicated, in the previous two years, of committing or of aiding or abetting serious human rights abuses or breaches of international humanitarian law, but the mine has used its influence to ensure that such personnel are removed from involvement in providing security to the mine, the next consideration is in **Payments and Benefits-in-Kind**

(Section B4).

Where:

- for Private Security Providers, the security provider or contracted personnel have been found responsible, convicted or credibly accused in the past two years of committing, or of aiding or abetting, serious human rights abuses or breaches of international humanitarian law, but a Remedial Action Plan has not been put in place or there is no

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evidence that such a plan is effective, the assessment concludes that the mine is considered to be in **Non-conformance**.

- for Public Security Providers, individuals providing security to the mine have been found responsible, convicted or credibly implicated in the previous two years' of committing, or of aiding or abetting, serious human rights abuses or breaches of international humanitarian law but the mine has not used its best endeavours to ensure that such personnel are removed from involvement in providing security to the mine, the assessment concludes that the mine is considered to be in

Non-conformance.

B3.5 Assessment

The assessment should be undertaken using the process set out in Section B3.4 and against the criteria defined in Section B3.3. Due diligence in this area should be ongoing, drawing on a range of sources. A formal assessment should be undertaken at least annually, or if there are credible reports providing evidence about the role of the security force in serious human rights abuses or breaches of international humanitarian law.

B4 Payments and benefits-in-kind

B4.1 Introduction

The aim of this section is to demonstrate that the company:

- i) acts transparently in making payments to governments and government entities
- ii) is committed to not making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law
- iii) undertakes risk-based due diligence to mitigate against the risk of making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law. Public disclosure of payments to government should be in line with instruments that specifically address transparency of payments considerations, such as the EITI, authoritative national legislation or authoritative guidance including the *OECD Supplement on Gold*.

For the purposes of this Standard, **Payments and Benefits-in- Kind** is defined as:

The company makes appropriate public disclosure regarding financial payments to governments and government entities, is committed to not making payments or providing

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benefits in-kind to non-government entities that cause, support or benefit unlawful armed conflict and undertakes risk-based due diligence to mitigate against making payments or providing benefits-in-kind to such non-government entities.

B4.2 Reference sources

The principal references in relation to **Payments and Benefits-in-Kind** are:

- Voluntary Principles on Security and Human Rights
- Extractive Industries Transparency Initiative
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- IFC Performance Standards
- Foreign Corrupt Practices Act and equivalent authoritative national legislation
- Transparency International Corruption Index
- UN Convention Against Bribery
- Company Annual/Sustainable Development/Corporate Social Responsibility Reports (for information about payments made to the Government and other official bodies, including taxes).

B4.3 Criteria

The criteria in relation to **Payments and Benefits-in-Kind** are defined as:

- Appropriate public disclosures are made regarding financial payments to governments and government entities, unless such disclosure is prohibited by law or contract
- The company has a policy which demonstrates its commitment to not making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law
- The company undertakes risk-based due diligence to mitigate against making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law.

B4.4 Process

Where the company:

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- has publicly disclosed payments to government in the country in question (where such disclosure is not prohibited by law or contract), and
- has a policy in place which demonstrates its commitment to not making payments or providing benefits-in-kind to nongovernment entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law, and
- has a policy in place designed to prevent bribery and extortion and has internal procedures to be followed in case the policy is breached, and
- undertakes risk-based due diligence to mitigate against making payments or providing benefits-in-kind to nongovernmental entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law, the next consideration is in **Engagement, Complaints and Grievances** (Section B5).

Where this is not the case, the assessment concludes that the mine is considered to be in **Non-conformance**. For the purposes of this Standard, the level of disclosure of payments to government in the country in question should be in line with instruments that specifically address transparency of payments considerations, such as the EITI, authoritative national legislation or authoritative guidance including the OECD *Supplement on Gold*. Due consideration should also be given to security concerns in making these disclosures. Where disclosure of payments to governments is prohibited by law or contract, the company should publicly disclose that this is the case.

Companies should use their best endeavours to avoid payments to public security forces except where the basis for such payments is clear and within the framework of law, and should seek to maintain their contacts with such security forces within formal channels.

B4.5 Assessment

The assessment should be undertaken using the process set out in Section B4.4 and against the criteria defined in section B4.3. It should be noted in respect of the public disclosure referred to in this section, the company may rely on disclosure(s) that it has made for other purposes and the Standard does not necessarily require any additional disclosure.

Due diligence should be ongoing in areas assessed to be ‘conflict-affected and high-risk’. The formal assessment should be undertaken at least annually.

B5 Engagement, complaints and grievances

B5.1 Introduction

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This section assesses the interaction between the mine, its employees, contractors and local communities through the mine's processes for the identification of and engagement with these parties and the ability of individuals, the community and other stakeholders to raise concerns about the operation's impacts.

Engagement with employees, contractors and communities in areas assessed to be 'conflict-affected or high-risk' is a fundamental element in ensuring that a mine understands its impacts and the dynamics between elements in a community or communities and their relevance to an actual or potential armed conflict situation. In their engagement activities, companies should seek to include traditionally marginalised groups such as women, young people and indigenous peoples. Engagement plans should, where appropriate, include interactions with artisanal and small-scale miners, including assessing the extent to which they and their activities may be considered 'legitimate', through seeking to behave in good faith and to seek formalisation.

Grievance mechanisms (for both employees and the community) may be a source of information for the identification of any adverse human rights impacts associated with an operation and should form part of ongoing human rights due diligence and, once identified, should enable a grievance to be addressed and remedied in a timely, transparent, accessible and equitable fashion. As a point of reference, the UN Guiding Principles envisage that any such local grievance mechanism should be legitimate, accessible, predictable, equitable in its operation, transparent, rights-compatible and based on the potential for dialogue and engagement.

For the purposes of this Standard, **Engagement, Complaints and Grievances** is defined as:

A mine that regularly engages with its employees, contractors and local stakeholders with a view to understanding their concerns, including the security context for its operations and its effects, and provides appropriate mechanisms through which employees, contractors and those affected by the mine's operations can raise concerns about the mine's operations and provides a means of resolving such concerns or grievances.

B5.2 Reference sources

The principal references in relation to **Engagement, Complaints and Grievances** are:

- UN Guiding Principles on Business and Human Rights (specifically Principles 29, 30 and 31)
- Public statements made at the mine level, including the process by which communities can raise issues of concern and have access to remedies

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- Policies, programmes and management systems for community relations, community engagement, community development and social impact assessment.

B5.3 Criteria

The criteria in relation to **Engagement, Complaints and Grievances** are defined as:

- Gold produced from a mine that has a ‘whistle-blower’ programme in place to allow concerns from employees to be raised in a manner that seeks to ensure that employees raising concerns in good faith will not face retaliation or

be victimised

- Gold produced from a mine that engages regularly with local stakeholders with a view to understanding their concerns and maintains a grievance process through which those affected by the mine’s operations can raise concerns and seek an effective and timely remedy for such concerns.

B5.4 Process

Where a mine does not have a whistle-blower programme in place or does not have a process for the identification of, and engagement with, local stakeholders or has not provided a grievance process through which employees, workers at mine-site and those affected by the mine’s operations can raise concerns about the mine’s activities, the assessment concludes that the mine is considered to be in **Non-conformance**.

Where a mine has a whistle-blower programme in place, does have a process for the identification of and engagement with local stakeholders and has provided a grievance process through which those affected by the mine’s operations can raise concerns about the mine’s activities, and there is evidence that the process is followed, the next assessment is the **Commodity Assessment**. Where such a process has not been effectively implemented, the assessment concludes that the mine is considered to be in **Non-conformance**.

It should be noted that the process for identification of local stakeholders should include processes for identifying minority or historically marginalised groups, including, amongst others, women, youth and indigenous peoples.

B5.5 Assessment

The assessment should be undertaken using the process set out in Section B5.4 and against the criteria defined in Section B5.3. The assessment should be undertaken annually and may coincide with the routine data collection process as part of the company’s Annual

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Report and Accounts or Sustainable Development/Corporate Social Responsibility Report.

Decision-making

This Standard is based on a decision-making process, where the decision is arrived at with reference to a number of criteria and information made available to the public by reputable independent bodies, or placed in the public domain by the company itself. It is for the company to review the assessment in line with the guidance provided in Sections B1.5, B2.5, B3.5, B4.5 and B5.5. To address the uncertainties that may arise in arriving at any decision, this Standard provides guidance on decision-making on page 15.

Further information

Each of the above sections includes reference points against which the relevant criteria may be objectively evaluated. However, in undertaking the assessment, companies are encouraged to use additional sources of information where the use of such information may result in a more robust decision. In this context, the following additional sources of information may be helpful:

- Business and Human Rights Resource Centre
- Extractive Industries Transparency Initiative
- Amnesty International – Country reports
- International Crisis Group – Country reports
- UN Development Programme – Private sector case studies
- International Committee of the Red Cross
- International Alert Conflict Sensitive Business Practices
- IFC Performance Standards
- Trade union representations and publications

Overview

Part C – Commodity Assessment relates to the handling of the gold on site and the movement of the gold once it leaves the mine. This Standard is designed to apply to all gold that is under the custody of the company. Gold not in the custody of the company is outside the scope of this Standard and could fall under other relevant approaches, for example, the LBMA's Responsible Gold Guidance. The Commodity Assessment is not required if it is determined in Part A – Conflict Assessment, that the gold or gold-bearing

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material is not extracted in a ‘conflict affected or high-risk’ area, unless the gold is transported through such an area while under the custody of the company and therefore carries a risk of being made subject to extortion or illegal ‘taxation’ by armed groups.

Commodity Assessment – Overview

Part C –

C1 Nature of gold production

C1.1 Introduction

The Commodity Assessment is intended to assess the risk that the gold production may directly cause, support or benefit unlawful armed conflict, or contribute to serious human rights abuses or breaches of international humanitarian law. At many mines, significant processing takes place to extract and purify the gold from the surrounding material. This purification process enhances the value of the gold by removing impurities.

Most gold mines purify the gold to doré, a gold/silver amalgam, normally containing greater than 50% gold. This doré is then sent to refiners for further processing. Some mines however do not undertake any significant processing and purification of the gold on or near the mine site. This is particularly the case where gold is not the main metal being extracted. In these cases, the bulk material may be transferred to an external company, normally a smelter, for further processing. In these circumstances, the gold-bearing material leaving the mine is of relatively low grade and is a visually indistinguishable component of the bulk material and the gold requires significant, capital-intensive processing to extract it from the bulk material. As such, this gold does not constitute a potential source of financing for unlawful armed groups or others without access to dedicated, specialised equipment.

The first stage of the Commodity Assessment is therefore determining if gold-bearing material leaves the mine site in a form from which it is easy to extract gold. For the purposes of this Standard, the **Nature of Gold Production** is defined as:

The nature of gold-bearing material which leaves the mine site and the consequent further processing that is required to extract gold.

C1.2 Reference sources

The principal reference in relation to the **Nature of Gold Production** is:

- Information related to the mine, including the grade and type of ore produced at the mine.

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C1.3 Criterion

The criterion in relation to the **Nature of Gold Production** is defined as:

Gold-bearing material leaves the mine-site in a form in which it can be easily processed into gold.

C1.4 Process

Where the mining operation can demonstrate that all gold bearing material leaving the mine-site cannot be easily processed into gold, the next consideration is **Transport** (Section C3).

Where the mining operation can demonstrate that some but not all gold-bearing material cannot be easily processed into gold, the next consideration is whether the gold-bearing material that cannot be easily processed into gold is segregated from the gold-bearing material that can be easily processed into gold. Where this is the case, the next consideration is **Control of Gold at the Operation** (Section C2) but this only relates to the gold-bearing material that can be easily processed into gold.

Where all gold-bearing material that leaves the mine-site can be easily processed into gold or where there is no segregation of gold-bearing material, the next consideration is **Control of Gold at the Operation** (Section C2).

C1.5 Assessment

The assessment should be undertaken using the process set out in Section C1.4 and against the criterion defined in Section C1.3.

C2 Control of gold at the operation

C2.1 Introduction

This section examines how gold or gold-bearing material is managed on the mine lease area, prospecting area or any other area within the mine operator's control, up until any gold or gold bearing material is transported from the mine's area of control. The aim of this section is to ensure that the security and management of any gold or gold-bearing material within the mine's area of control is well documented before it leaves the site. It is expected that the company operating the mine will have management systems in place to secure and track the flow of gold and gold-bearing material within the mine's area of control. For the purposes of this Standard, **Control of Gold at the Operation** is defined as:

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The rigour with which gold or gold-bearing material is secured and managed within the mine's area of control.

C2.2 Reference sources

The principal reference in relation to **Control of Gold at the Operation** is:

- Controls and procedures relating to the security and management of all gold or gold-bearing materials within the mine's area of control.

C2.3 Criteria

The criteria in relation to **Control of Gold at the Operation** are defined as:

Appropriate security and management systems are in place to: (i) track the flow of gold and gold-bearing material within the mine's area of control, and (ii) minimize the risk or incidence of illegal addition or theft of gold and gold-bearing material. Mine handling may include gold and gold-bearing material from various sources. Refer to **Externally Sourced Gold** in Part D that sets out the assessment for externally sourced gold.

C2.4 Process

The main consideration is whether the controls related to **Control of Gold at the Operation** include the mining operation having robust management systems, processes and internal controls in place to secure and track the flow of gold and gold bearing material within the mine's area of control. As part of this process, the mining operation should formally document the flow of gold and gold-bearing material at the operation, and undertake an assessment to identify the risk points that arise and ensure that documented security controls are in place and a process to review and provide assurance that these controls are functioning. Where a mine is operating in an area assessed to be 'conflict-affected or high-risk', it should consider any credible evidence of significant theft of gold or gold-bearing materials being used to finance unlawful armed conflict and take appropriate mitigation measures.

Specific management systems that should be in place should include:

- Traceability systems that map the flow of gold and gold bearing material from point of origin to point of dispatch
- Reference systems able to uniquely identify each batch of gold that leaves the mine's area of control and imprint that reference number in such a way that tampering or removal will be evident.

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Where the mining operation has sufficiently robust management systems in place to secure and track the flow of gold and gold-bearing material within the mine's area of control, the next consideration is **Transport** (Section C3).

Where the mining operation does not have sufficiently robust management systems in place to secure and track the flow of gold and gold-bearing material within the mine's area of control, the assessment concludes that the mine is considered to be in **Non-conformance**.

C2.5 Assessment

The assessment should be undertaken using the process set out in Section C2.4 and against the criteria defined in Section C2.3.

C3 Transport

C3.1 Introduction

This section evaluates how the gold and gold-bearing material moves from the mine to the next point of processing (usually a refinery). In many cases, this will be relatively straightforward, with a well-established process of tracking, based on high levels of security.

The receiving refinery is responsible for undertaking due diligence on their suppliers and ensuring the integrity of the chain of custody between them and the mine. National and international legislation provides steps refiners must take to avoid money laundering, the financing of terrorism and other forms of organised crime.

The aim of this section is to ensure that as gold and gold bearing material moves between the mine and the refinery:

- its integrity is preserved
- it does not become subject to extortion, illegal handling charges or taxes which might be used to fund conflict
- those handling the gold or gold-bearing material are not known parties (or under the control of known parties) to any unlawful armed conflict or serious human rights abuses or breaches of international humanitarian law.

For the purposes of this Standard, **Transport** is defined as: The physical movement of gold and gold-bearing material from the mine to the refinery including any changes of custody, or responsibility for, or control over, the physical gold or gold-bearing material.

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The transfer point occurs when the custodianship and control over the metal changes, which marks the limit of the applicability of this Standard.

C3.2 Reference sources

The principal references in relation to Transport are:

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- Financial Action Task Force – Recommendations
- US Foreign Corrupt Practices Act and equivalent national legislation in other countries
- EU Money Laundering Directive
- UN Convention Against Transnational and Organized Crime (Palermo Convention)
- LBMA Responsible Gold Guidance.

C3.3 Criteria

The criteria in relation to **Transport** are defined as:

- Mining operations should undertake due diligence on intermediaries who transport their gold or gold-bearing material
- Gold and gold-bearing material transported from the mine's area of control should have an 'Integrity of Shipment' process in place to ensure that the same gold and gold-bearing material that is shipped from the mine's area of control is that which arrives at the end location and any discrepancies are identified and investigated
- Gold and gold-bearing material meeting the *Conflict-Free Gold Standard* is segregated from gold and gold-bearing material that does not meet the Standard throughout its transport between the mine and the refinery

C3.4 Process

Where the company itself does not transport the gold or gold bearing material from the mine's area of control to the refiner (or next participant in the chain of custody), the company should undertake due diligence on the transport provider to assess whether they are involved or implicated in causing, supporting or benefiting unlawful armed conflict or contributing to serious human rights abuses or breaches of international laws. As part of this due diligence undertaking, the company should:

- identify the ownership and related businesses, verify the identity of the company, check government watch list information and identify any affiliation of the company with the

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government, political parties, the military, criminal networks or non-state armed groups, in line with the OECD *Gold Supplement*

- obtain assurances from the transport provider that they have put in place appropriate risk management systems to avoid causing, supporting or benefiting unlawful armed conflict, for example, using the OECD Guidance.

Where the company operating the mine retains ownership of the gold or gold-bearing material leaving the mine's area of control to the refiner (or next participant in the chain of custody), the company must ensure that an Integrity of Shipment is in place that assures that gold material that leaves the mine's area of control arrives at the receiving location intact. Where the gold or gold-bearing material does not arrive intact, an investigation must be conducted to assess whether the gold or gold-bearing material caused, supported or benefited unlawful armed conflict en-route from the mine's area of control to the refiner (or alternative next participant in the chain of custody).

Where all intermediaries are deemed to have appropriate risk management systems in place or an Integrity of Shipment process is in place when intermediaries are not involved, and all gold and gold-bearing material that conforms with the Standard is segregated from that which does not, the next consideration is whether the mining operation has **Externally Sourced Gold**, in Part D.

Where the company operating the mine does not transport the gold or gold-bearing material itself from the mine's area of control to the refiner (or next participant in the chain of custody) and any of the intermediaries are deemed to be causing, supporting or benefiting unlawful armed conflict or do not have appropriate risk management systems in place, or the gold and gold-bearing material that conforms with the Standard is not segregated from that which does not, the assessment concludes that the mine is considered to be in

Non-conformance.

Where the company retains ownership of the gold or gold bearing material leaving the mine's area of control to the refiner (or next participant in the chain of custody) and does not have Integrity of Shipment processes in place, the assessment concludes that the mine is considered to be in

Non-conformance.

C3.5 Assessment

The assessment should be undertaken at least annually using the process set out in Section C3.4 and against the criteria defined in Section C3.3. The assessment should additionally

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be undertaken when there is a new intermediary, when the transporter changes their transport procedures or when the handling regime for the gold changes.

Decision-making

This Standard is based on a decision-making process, where the decision is arrived at with reference to a number of criteria and information made available to the public by reputable independent bodies, or placed in the public domain by the company itself. It is for the company to review the assessment in line with the guidance provided in Sections C1.5, C2.5 and C3.5. To address the uncertainties that may arise in arriving at any decision, this Standard provides guidance on decision-making on page 15.

Overview

In addition to extracting gold, companies may choose to source gold or gold-bearing material from external suppliers. This is likely to happen in one or more of the following ways:

- Local purchasing of gold mined by artisanal or small-scale miners
- Local purchasing of gold mined by a third-party mining company
- Local purchasing of processed gold (e.g. gold that has already been refined to a high purity)
- Gold purchased from a refiner (e.g. gold that is sold to a refiner and then an equivalent amount of gold is repurchased after refining)
- Gold extracted by the company but then sold to another party for toll treating or other processing service before being re-purchased
- Treated gold (e.g. toll treating) which is processed with or alongside the mine's gold or gold-bearing material.

Externally Sourced Gold – Overview

Companies sourcing gold or gold-bearing material from external suppliers are required to undertake due diligence to identify and prevent or mitigate any risks of causing, supporting or benefiting unlawful armed conflict, or contributing to serious human rights abuses or breaches of international humanitarian law. Due diligence should aim to ensure that gold from external sources does not contribute to unlawful armed conflict. It should be noted that refiners who adhere to the LBMA Responsible Gold Guidance will have already conducted appropriate due diligence on their gold and gold-bearing material.

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Companies sourcing from artisanal or small-scale miners are encouraged to note Appendix 1 to the *OECD Gold Supplement*, which suggests that these companies ‘should assist and enable legitimate ASM producers from whom they source to build secure, transparent and verifiable gold supply chains. Companies who do not source from artisanal or small-scale miners are encouraged to note the suggested measures to encourage the formalisation of ASM operations, including participating in collaborative initiatives with governments, international organisations, donors and civil society organisations for formalisation, the improvement of social and environmental performance and to support responsibly produced, legitimate ASM gold to find routes to market.

D1 Externally sourced gold

D1.1 Introduction

Conformance with this Standard means that companies accept that they will implement risk-based due diligence procedures to ensure that any third-party entity, operating in an area assessed under the Standard to be ‘conflict-affected or high-risk’, that provides gold or gold-bearing material to the company’s operations, will also conform with the principles listed in the Declaration on Mining and Armed Conflict.

Companies sourcing gold or gold-bearing material should undertake risk-based due diligence on their gold suppliers. Due diligence should aim to ensure that gold from external sources does not contribute to unlawful armed conflict, serious human rights abuses or breaches of international humanitarian law. The company should initially determine whether the gold or gold-bearing material is potentially from a ‘conflict-affected or high-risk area’, using the process laid out in Part A, Section A2.1 of this Standard to identify such areas. To do so, they should identify the areas where the gold and gold-bearing material comes from and the areas in which this material passes through during its onward transportation. They should also use good faith efforts to identify the presence of any ‘red flags’ for this material, including considering whether it is claimed to originate from a country that has limited known reserves or stocks or it has been previously refined in a country where gold from ‘conflict-affected and high-risk areas’ is reasonably suspected to transit.

If the initial due diligence reasonably determines that there are no links between the gold and gold-bearing material and areas assessed to be ‘conflict-affected or high-risk’, no further due diligence is required for the purposes of this Standard. If this is not the case, companies should conduct further due diligence in line with the OECD Guidance.

For the purposes of this Standard, **Externally Sourced Gold** is defined as:

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Gold or gold-bearing material that has not been extracted by the company but purchased or processed from external sources.

D1.2 Reference sources

The principal references in relation to **Externally Sourced Gold** are:

- OECD Guidance on the Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas and the accompanying Gold Supplement
- LBMA Responsible Gold Guidance.

D1.3 Criterion

The criterion in relation to **Externally Sourced Gold** is defined as:

All externally sourced gold or gold-bearing material should be subject to risk-based due diligence processes aimed at ensuring that externally sourced gold and gold bearing material has not contributed to unlawful armed conflict, serious human rights abuses or breaches of international humanitarian law.

D1.4 Process

Where the mining operation does not accept externally sourced gold, the mine is considered to be in **Conformance** and the **Management Statement of Conformance** should be produced to this effect. Where the mining operation does accept externally sourced gold and due diligence is not undertaken in assessing the links between this gold and gold-bearing material and areas assessed to be ‘conflict-affected or high-risk’, the assessment concludes that the mine is considered to be in **Non-conformance**.

Where the mining operation does accept externally sourced gold and initial due diligence is undertaken and it reasonably determines that there are no links between the gold and gold-bearing material and areas assessed to be ‘conflict affected or high-risk’, no further due diligence is required for the purposes of this Standard and the mine is considered to be in **Conformance** and the **Management Statement of Conformance** should be produced to this effect.

If the initial due diligence reasonably determines that there may be links between the gold and gold-bearing material and areas assessed to be ‘conflict-affected or high-risk’ and companies have conducted further due diligence in line with the OECD Guidance, the mine is considered to be in **Conformance** and the **Management Statement of Conformance** should be produced to this effect. Where this is not the case, the mine is considered to be in **Non-conformance**.

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D1.5 Assessment

The assessment should be undertaken using the process and against the criterion set out in section D1.4 and against the criterion defined in section D1.3. The assessment should be undertaken at least annually.

Overview

In order to maintain the integrity of the supply chain, implementing companies need to provide a statement expressing management's view that the company has the appropriate systems and processes in place to ensure that all gold and gold-bearing material leaving the mine's area of control is produced in conformance with this Standard.

The Management Statement of Conformance can either be a document that covers gold and gold-bearing material dispatched from a mine over a period of time (and which is updated as and when circumstances change) or documentation attached to each dispatch of gold and gold-bearing material (e.g. on waybills or invoices).

Suggested language

The following is suggested language for a Management Statement of Conformance:

{Mine company name} confirms, to the best of our knowledge, that the gold or gold-bearing material has been produced by [XX] mine, which has the appropriate systems and controls in place to conform with the World Gold Council's Conflict-Free Gold Standard. The company's latest Conflict-Free Gold Report relates to the twelve months ended [xx] and was subject to independent assurance. The Conflict-Free Gold Report and the independent assurance report can be viewed at [xx]. Nothing has come to our attention to indicate any non-conformance since that date.

This Statement of Conformance is provided by {Mine company name} as part of the conformance requirements for the World Gold Council's Conflict-Free Gold Standard and in order to provide a good faith representation to the next participant in the chain of custody.

Gold or gold-bearing material which is **not** in conformance with this Standard will need to be specified as such. For the purposes of this Standard, **Management Statement of Conformance** documentation is defined as:

Documentation expressing management's belief that the company operating the mine has the appropriate systems and processes in place to ensure that all gold and gold-bearing material leaving the mine's area of control is being dispatched in conformance with the Standard.

E1.1 Reference sources

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Not applicable.

E1.2 Criterion

The criterion in relation to **Management Statement of Conformance** documentation is:

Where management believes that the mine has the appropriate systems and processes in place to ensure that all gold or gold-bearing material leaving the mine's area of control is being dispatched in conformance with this Standard, documentation should be in place to this effect. This documentation can either be a 'standing arrangement' (which is updated as and when circumstances change) or attached to each individual dispatch of gold and gold bearing material.

E1.3 Process

Where the company operating the mine believes it has the appropriate systems and processes in place to ensure that all gold or gold-bearing material leaving the mine's area of control is being dispatched in conformance with this Standard, and provides documentation to this effect to the next participant in the chain of custody, the mine is considered to be in **Conformance**.

Where the company believes it has the appropriate systems and processes in place to ensure that all gold or gold-bearing material leaving the mine's area of control is being dispatched in conformance with this Standard, but does not provide documentation to this effect to the next participant in the chain of custody, the assessment concludes that the mine is considered to be in **Non-conformance**.

Where the company does not believe that it has the appropriate systems and processes in place to ensure that all gold or gold-bearing material leaving the mine's area of control is being dispatched in conformance with this Standard, the assessment concludes that the mine is considered to be in **Non-conformance**.

E1.4 Assessment

The assessment should be undertaken using the process and against the criterion set out above. The assessment should be undertaken at least annually.

Deviations from Conformance with the Standard Where the company adopts a Remedial Action Plan

In the event that a mining operation does not adhere to one or more of the Standard's assessment criteria (aside from minor/administrative issues which are addressed in the section below), it is considered to be in Deviation from Conformance with the Standard.

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Notwithstanding the occurrence of a Deviation from Conformance, a mining operation can remain in conformance with the Standard if it creates and adopts a Remedial Action Plan as set out below.

The Remedial Action Plan should include the following elements:

- a description of the Deviation from Conformance
- corrective action to be taken by the company
- identification of responsible parties for corrective action
- estimated timeframes for implementation, and
- such other matters as the company deems appropriate.

The Remedial Action Plan must be created and action commenced as soon as is practicable, and at most, within 90 days of management becoming aware of the Deviation from Conformance with the Standard. In addition to adopting the Remedial Action Plan, the company operating the mine must also notify the next participant in the chain of custody of the Deviation from Conformance and the adoption of the Remedial Action Plan. During the company's assurance review, the company shall provide its assurance provider with a copy of the Remedial Action Plan (which may be redacted if deemed necessary by the company to protect any particularly sensitive information, such as security concerns). The company may choose to revise its Remedial Action Plan while corrective actions are ongoing to reflect current information.

The company's Conflict-Free Gold Report should include a reference to the existence of a Deviation from Conformance and state that there is a Remedial Action Plan in place to address it. When the Remedial Action Plan has been completed or the Deviation from Conformance is remedied, notice shall be provided by the company to the assurance provider and the next participant in the chain of custody.

In the event that the company concludes it will not be able to address the Deviation from Conformance with the Standard through its Remedial Action Plan (whether revised or not) or if a period of six months has passed since the adoption of the Remedial Action Plan and the Deviation from Conformance continues substantively unabated, the mine will be deemed to be in non-conformance with the Standard and gold or gold bearing material from the mine that has the Deviation from Conformance must be specified as non-conforming.

Where the company declines to adopt a Remedial Action Plan

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In the event that the company operating the mine believes it cannot address a Deviation from Conformance through a Remedial Action Plan and chooses not to create a Remedial Action Plan in respect of a Deviation from Conformance, the mine will immediately be deemed to be in non-conformance with the Standard and gold or gold-bearing material dispatched from the mine that has the Deviation from Conformance must be specified as non-conforming.

The company must also promptly notify the next participant in the chain of custody of the Deviation from Conformance and its decision not to adopt a Remedial Action Plan. The company is not permitted to use the Management Statement of Conformance in Part E of the Standard for gold or gold-bearing material being dispatched from the mine in question.

The company may choose to implement a Remedial Action Plan at a later date in respect of the Deviation from Conformance but the relevant gold or gold-bearing material from the mine in question will not be deemed to be in conformance with the Standard until the Deviation from Conformance is actually remedied.

Where the company recognises that a Remedial Action Plan is insufficient

When a situation has arisen that blatantly contravenes both the letter and spirit of the Standard, such as an operation being found to be implicated in funding unlawful armed groups credibly implicated in serious human rights abuses or breaches of international humanitarian law, the company may recognise that a Remedial Action Plan may not be sufficient to redress the actions taken.

Non-conformance

As noted above, a mine may be considered as being in non-conformance with the *Conflict-Free Gold Standard* when the company operating the mine:

- adopts a Remedial Action Plan but fails to implement and complete this Remedial Action Plan in a timely manner, or
- declines to adopt a Remedial Action Plan
- recognises that a Remedial Action Plan is insufficient.

In such situations, the company operating the mine should publicly report that the mine is in non-conformance with the Standard for that period for the operation(s) concerned. The company is no longer permitted to provide a Management Statement of Conformance declaring management's view that the gold from that mine conforms with the Standard.

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The company must also promptly notify the next participant in the chain of custody of the non-conformance.

In a situation where there is a Deviation from Conformance that cannot be sufficiently addressed through a Remedial Action Plan, or the company chooses not to do so, and where the next participant in the chain of custody declines to accept the gold or gold-bearing material because of the non-conformance, it is for the company to determine what they do with this gold or gold bearing material and they should document this as part of their evidence pack assembled for external assurance.

Minor and/or administrative Deviations from Conformance with the Standard

In the event of a Deviation from Conformance with the Standard that is minor and/or administrative in nature, there is no need to adopt a Remedial Action Plan in order to remain in conformance with the Standard (although a company may choose to do so). Instead, the company should take prompt steps to rectify the Deviation from Conformance on a go forward basis and notify its assurance provider as to the existence of such a minor and/or administrative Deviation from Conformance and the steps taken to correct the issue. If it is not possible to promptly rectify a minor and/or administrative Deviation from Conformance, the company shall follow the procedures set out in 'Deviations from Conformance with the Standard' regardless of the fact that the relevant Deviation from Conformance is minor and/or administrative.