



# **LBMA RESPONSIBLE GOLD GUIDANCE**

## **Version 9**

November 2021

## About LBMA: The Independent Authority for Precious Metals

LBMA is the pre-eminent standard-setting body for the global wholesale market for precious metals.

*Our mission is to ensure the highest levels of leadership, integrity and transparency for the global precious metals industry by setting standards and developing market services.*

LBMA plays a key role on behalf of the global precious metals market to ensure business integrity, by advancing standards, acting as a voice and champion for the market, and developing market solutions.

## Commitment to Responsible Sourcing

LBMA's Responsible Sourcing Programme (the Programme) protects the integrity of the global supply chain for the wholesale precious metals markets. It was set up to consolidate, strengthen and formalise the existing standards of the LBMA Good Delivery Refiners' (Refiners) due diligence practices. LBMA was actively involved in drafting the OECD Due Diligence Guidance<sup>1</sup> and its Gold Supplement and continues to support the OECD's work in supply chain due diligence and related projects.

Vital to the credibility of the LBMA Programme is its broad scope, which includes measures to combat money laundering, terrorist financing and human rights abuses globally. In addition, the Programme has also been developed to recognise the increasing importance of strong Environmental, Social and Governance (ESG) responsibilities.

## Responsible Sourcing Programme Overview

All LBMA Good Delivery List (GDL) Gold and Silver Refiners (Refiners) are required to implement LBMA's Responsible Sourcing Guidance (the Guidance), which comprises the Responsible Gold Guidance (RGG) and Responsible Silver Guidance (RSG), and obtain annual independent assurance on their publicly available compliance reporting. Failure to appropriately adhere to the Guidance may result in a Refiner being removed from the GDL, following LBMA's robust Incident Review Process (IRP).

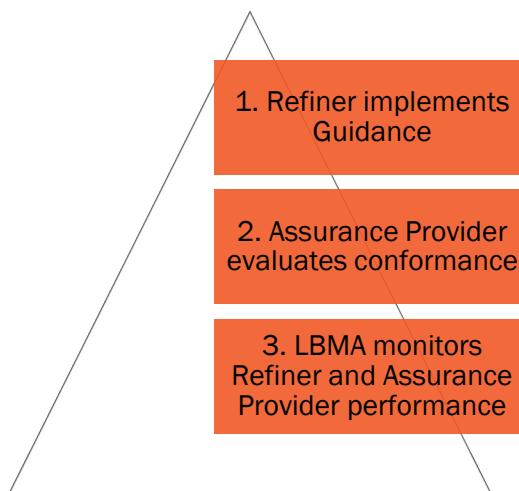


Figure 1: Three levels of control

In addition to the Guidance, LBMA regularly produces supporting toolkits and training materials for both Refiners and approved Assurance Providers to enhance the quality and consistency of the Programme application. Refiners should use the Refiners Toolkit (available on [www.lbma.org.uk](http://www.lbma.org.uk)) to implement the

<sup>1</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, April 2016

requirements of this Guidance. Refiners will be asked to justify any deviations from the scope of the Toolkit (on a comply or explain basis).

*Figure 2: The Responsible Sourcing Programme*

Refiners	Assurance Providers	LBMA
<ul style="list-style-type: none"> <li>• Responsible Sourcing Guidance:           <ul style="list-style-type: none"> <li>- Responsible Gold Guidance</li> <li>- Responsible Silver Guidance</li> </ul> </li> <li>• Management Implementation Guidance:           <ul style="list-style-type: none"> <li>- Refiners Toolkit</li> <li>- Disclosure Guidance Document</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Third-Party Assurance Guidance</li> <li>• Mandatory Assurance Training</li> <li>• Assurance Providers Application and Approved Assurance Provider List</li> </ul>	<ul style="list-style-type: none"> <li>• Country of Origin Data Analysis</li> <li>• LBMA Assurance Review Process</li> <li>• LBMA Incident Review Process</li> <li>• Compliance Panel and Physical Committee</li> <li>• LBMA Annual Responsible Sourcing Report</li> </ul>

The Guidance, together with the Responsible Sourcing Third-Party Assurance Guidance (the Assurance Guidance), should be applied in good faith by Refiners and Assurance Providers, and in the spirit of responsible engagement across the Refiners' supply chains. The notion of meaningful, measurable improvement should also underpin the Refiners' practices.

## Continuous Development

The Guidance should be interpreted as a minimum threshold upon which Refiners should build and continually improve their responsible sourcing practices for each of the applicable precious metals. The concept of continuous improvement is an integral component of the LBMA Programme and underpins the spirit of LBMA's five-step framework and responsible business practices.

## About this Document

This document is intended for use by LBMA Good Delivery Refiners.

Non-GDL precious metals or other refineries may also use the Guidance and are encouraged to apply any or all aspects to their operations. All refiners applying to join the LBMA Good Delivery List (GDL) for Gold and/or Silver are required to implement LBMA's Responsible Sourcing Guidance (the Guidance) and obtain annual independent assurance on their publicly available compliance reporting.

## Enquiries and Version History

Enquires may be emailed to: [RGG@lbma.org.uk](mailto:RGG@lbma.org.uk)

LBMA reserves the right to revise the document based on emerging good practice and implementation experience.

# Contents

<u>Definitions</u>	5
<u>Acronyms</u>	9
<u>Introduction</u>	11
<u>Purpose of the Document</u>	11
<u>Five-Step Due Diligence Framework</u>	12
<u>Harmonisation of Responsible Sourcing Initiatives</u>	12
<u>LBMA Programme Governance</u>	13
<u>Training and Resources</u>	14
<u>Step 1: Establish Strong Company Management Systems</u>	15
1.1 <u>Adopt and commit to a policy for gold supply chain due diligence</u>	15
1.2 <u>Establish management structures to support supply chain due diligence</u>	17
1.3 <u>Establish a gold traceability system</u>	19
1.4 <u>Strengthen company engagement with gold supplying counterparties</u>	19
1.5 <u>Establish a confidential grievance mechanism</u>	20
<u>Step 2: Identify and Assess Supply Chain Risks</u>	21
2.1 <u>Conduct supply chain due diligence to identify potential risks</u>	21
2.2 <u>Classify supply chains based on risk profiles</u>	25
2.3 <u>Undertake Enhanced Due Diligence measures for high-risk supply chains</u>	27
<u>Step 3: Design and Implement a Management Strategy to Respond to Identified Risks</u>	31
3.1 <u>Devise a risk management strategy for the identified risk</u>	31
3.2 <u>Monitor the improvement plan</u>	32
3.3 <u>Report findings to the Board Committee</u>	33
3.4 <u>Continuously monitor adequacy of risk management strategies</u>	33
<u>Step 4: Obtain Independent Third-Party Assurance on Supply Chain Due Diligence Practices</u>	34
4.1 <u>Assurance requirements</u>	34
<u>Step 5: Report Annually on Supply Chain Due Diligence</u>	37
5.1 <u>Reporting requirements</u>	37

# Definitions

**Artisanal and Small-Scale Mining (ASM):** Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing and transportation. ASM is normally not capital intensive and uses high labour-intensive technology. It can include men and women working on an individual basis as well as those working in family groups or as members of cooperatives or other types of legal associations and enterprises involving hundreds and even thousands of miners. Small, mechanised mines can be considered ASM.

**Board Committee (or committee appointed by the Board):** Any committee that has delegated powers and authority of the Board for responsible sourcing.

**Chain of custody:** A record of the sequence of entities which have custody of minerals as they move through a supply chain from origin of the material to end consumer.

**Conflict-Affected and High-Risk Areas (CAHRA):** These areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law.

**Contribution to conflict:** Contribution to armed aggression between two or more parties which leads to human rights abuses. The parties in the conflict may include government, militia, organised criminals or terrorist groups.

**Due diligence:** Research and analysis of a company or organisation done in preparation for a business transaction and throughout the relationship. Activities to be assessed, based on the Refiner's appetite, should include those risks identified in the Annex II of the OECD Due Diligence Guidance, money laundering, as well as Environment, Social and Governance responsibilities.

**Environment, Social and Governance (ESG):** Decision-making that considers the ESG factors as outlined in Step 1.1.

**Gold sources:** For this Guidance, there are three possible sources of gold and gold-bearing material for which different due diligence is recommended.

**Mined Gold (also referred to as primary gold):** Gold that originates from Large and/or Medium-Scale Mines (LSM) or Artisanal and Small-Scale Mines (ASM) and has never been previously refined. This term means any gold or gold-bearing material produced by or at a mine, in any form, shape and concentration, until it is fully refined (995 or greater), fabricated into a gold refinery product (e.g., bar or grain) and sold.

**Origin of Mined Gold:** The mine where it was extracted, i.e., where the mine is located.

Subcategories of Mined Gold:

- **Alluvial gold:** Newly Mined Gold that has been taken from sand and gravel deposits, most often in or near streams, typically as very small but visible pieces of gold. Alluvial gold is usually in the form of 'dust', and occasionally nuggets, which is already concentrated in form, easily transported and may be easily melted and/or semi-refined into small ingots (normally of 85% –

92% purity). Alluvial gold in all of these forms requires refining before use as bullion or jewellery, but can ordinarily be directly refined, without further intermediate concentration or processing.

- **Gold ore:** Rock or gravel that contains an economically valuable concentration of gold. This concentration may be very small by weight, e.g., 1 gram of gold per tonne of ore, and still be economically recoverable in medium-scale and large-scale industrial mining. Gold ore, because of its bulk and weight, is ordinarily not transported far from a mine site for processing.
- **Gold concentrate:** An intermediate material produced from the processing of gold ore to achieve a higher concentration, but that still requires further intermediate processing to produce doré. A gold concentrate would ordinarily be transported to a nearby gold smelter for the creation of doré.
- **Gold doré:** A bar of newly Mined Gold metal alloy, generally originating from extensive processing of ores and smelting at mines to a high concentration (normally of 85% – 90% purity). Mined Gold in this form is not commercial quality and must then be transported to a refinery to be directly refined, without further intermediate processing.

**Owned mines:** A group of mines owned and operated by the same corporate group.

**Mining By-product:** Gold obtained from the mining of base metals, for example, from lead, zinc or copper ore, in which gold may be a trace constituent.

**Origin of Mining By-product:** This is an exception to the Origin of Mined Gold definition above. It is the point at which trace gold is first separated from its parent mineral ore (for example, at the refinery). The Refiner's due diligence should ensure that false representations are not made to hide the origin of newly Mined Gold through Mining By-products.

**Recycled Gold:** This term traditionally encompasses anything that is gold-bearing and has not come directly from a mine in its first gold life cycle. In practical terms, it relates to gold sourced by an LBMA refiner, or downstream intermediate processor, including end-user, post-consumer products, scrap and waste metals, and materials arising during refining and product manufacturing, and investment gold and gold-bearing products which are returned to a Refiner to begin a new lifecycle. This category may also include fully refined gold that has been fabricated into grain, Good Delivery bars, medallions and coins that have previously been sold by a refinery to a manufacturer, bank or consumer market, and that may thereafter need to be returned to a refinery to reclaim their financial value or for transformation into other products (e.g., 1 kilo bars).

**Origin of Recycled Gold:** The point in the gold supply chain where the gold is returned to the refiner or other downstream intermediate processor or recycler.

Subcategories of Recyclable Gold:

- **Unprocessed Recyclable Gold:** Recyclable Gold still in its original form and/or fabrication scrap, before it has been returned for processing and refining (e.g., bullion bars, pieces of jewellery, ornaments, coins, machine turnings, etc.).
- **Melted Recyclable Gold:** Recyclable Gold which has been melted as the first recycling process and cast into rudimentary bars or some other form with undefined dimensions and variable fineness.
- **Industrial By-product:** A material produced while processing another material, not the primary intended product but nevertheless a separate useful material. For example, gold refining often creates low-value by-products such as furnace flue dust, spent crucibles and floor sweepings.
- **Mixed Materials:** Materials that include multiple sources (e.g., both mined and recycled minerals/metals). Mixing of materials is not common practice and should be deemed a red flag.

Due diligence should be conducted on those sources of mixed gold in accordance with the full requirements of the Responsible Gold Guidance (RGG).

**Grandfathered Stocks:** Gold investment products (e.g., ingots, bars, coins and grain in sealed containers) held in bullion bank vaults, central bank vaults, exchanges and refineries, with a Verifiable Date prior to 1 January 2012, which will not require a determination of origin. This includes stocks held by a third party on behalf of the listed entities.

**Verifiable Date:** A date which can be verified through inspection of physical date stamps on products and/or inventory lists.

The requirements for Grandfathered Stocks with a subsequent date, or without a Verifiable Date, are the same as for other gold-bearing material, i.e., the Refiner must provide the same level of origin and due diligence documentation.

**Gold-supplying counterparty or counterparties:** A gold supplier that is directly engaged with a gold Refiner.

**Human rights:** For the purpose of this Guidance, human rights are those defined in the International Bill of Human Rights. The Bill includes the Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966), the International Covenant on Civil and Political Rights (1966), as well as its two Optional Protocols (on the complaints procedure and on the death penalty).<sup>2</sup> Refiners should also consider the United Nations Guiding Principles on Business and Human Rights. The United Nations has gradually expanded human rights law to encompass specific standards for women, children, persons with disabilities, minorities and other vulnerable groups, who now possess rights that protect them from discrimination that had long been common in many societies.<sup>3</sup>

**Intermediate Refiner:** Non-GDL Refiner that has performed a refining process on material prior to delivery to the GDL Refiner. An Intermediate Refiner typically consolidates various streams such as jewellery scraps, electronic scrap and process recoveries into viable batches for refining. Melting-only operations are not considered Intermediate Refiners.

**International Cyanide Management Code:** A voluntary initiative for the gold and silver mining industries, and the producers and transporters of the cyanide used in gold and silver mining. It is intended to complement an operation's existing regulatory requirements ([www.cyanidecode.org](http://www.cyanidecode.org)).

**International Standard on Assurance Engagements (ISAE 3000) revised:** This is the standard for assurance engagements other than audits or reviews of historical financial information, issued by the International Auditing Standards Board in December 2013. The standard stipulates that members of the engagement team are subject to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and the firm is subject to the International Standard on Quality Control 1 (ISQC 1).

**Know Your Customer or Counterparty (KYC):** This is the process of a business identifying and verifying the identity of its counterparts and establishing the facts to have a clear understanding of the nature and background of the relationship.

**Legitimate Artisanal and Small-Scale Mining:** For the purposes of this Guidance, legitimate refers, among others, to Artisanal and Small-Scale Mining that is consistent with applicable laws. When the applicable legal framework is not enforced, or in the absence of such a framework, the assessment of the legitimacy

<sup>2</sup> UN Office of the High Commissioner on Human Rights: <http://www2.ohchr.org/english/law/>

<sup>3</sup> They include the Convention on the Prevention and Punishment of the Crime of Genocide (1948), the International Convention on the Elimination of All Forms of Racial Discrimination (1965), the Convention on the Elimination of All Forms of Discrimination against Women (1979), the Convention on the Rights of the Child (1989) and the Convention on the Rights of Persons with Disabilities (2006), among others. UN Human Rights: <https://www.un.org/en/global-issues/human-rights>

of Artisanal and Small-Scale Mining will take into account the good faith efforts of Artisanal and Small-Scale Miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalisation as they become available (bearing in mind that, in most cases, Artisanal and Small-Scale Miners have very limited or no capacity, technical ability or sufficient financial resources to do so). In either case, Artisanal and Small-Scale Mining, as with all mining, cannot be considered legitimate when it contributes to conflict and serious abuses associated with the extraction, transport or trade of minerals.

**Minamata Convention on Mercury:** A global treaty to protect human health and the environment from the adverse effects of mercury. The convention entered into force on 16 August 2017 and includes a ban on the use of mercury in new mines, the phasing-out of mercury use in existing ones, the phasing-out and phasing down of mercury use in a number of products and processes, control measures on mercury emissions to air and on releases to land and water, and the regulation of the informal sector of Artisanal and Small-Scale Mining of gold ([www.mercuryconvention.org](http://www.mercuryconvention.org)).

**Money laundering:** Money laundering is the practice of disguising the origins of illegally obtained money. Ultimately, it is the process by which the proceeds of crime are made to appear legitimate. The money involved can be generated by any number of criminal acts, including drug dealing, corruption and other types of fraud. The methods by which money may be laundered are varied and can range in sophistication from simple to complex.

**Politically Exposed Persons (PEPs):** Individuals and their family members and close associates (either foreign or domestically based) who are or have been entrusted with prominent public functions by a particular country. These individuals can include heads of state or government, senior politicians and government officials, senior executives of state-owned corporations and important political party officials. The definition of PEPs is not intended to cover middle-ranking or more junior individuals in the foregoing categories. Many PEPs hold positions that can be abused for the purpose of laundering illicit funds or other offences predicated on the abuse of power such as corruption or bribery. PEP status does not predict criminal behaviour, but the additional risk exposure it brings means that Refiners must apply additional AML/CFT measures when establishing a business relationship.

**Supplier:** This term refers to any individual or organisation that is a participant in the supply chain for the supply of gold and gold-bearing materials.

**Sustainable Development:** Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.<sup>4</sup>

**Terrorist financing:** Includes the financing of terrorist acts, of terrorists and of terrorist organisations.

**World Heritage Site:** A landmark or area which is selected by the United Nations Educational, Scientific and Cultural Organization (UNESCO) as having a cultural, historical, scientific or other form of significance, and is legally protected by international treaties. The sites are judged important to the collective interests of humanity.

**Protected Area:** A Protected Area is a clearly defined geographical space, recognised, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values. Protected Areas include national parks, wilderness areas, community conserved areas, nature reserves, etc.<sup>5</sup>

**Ultimate Beneficial Owner:** Refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those

---

<sup>4</sup> Brundtland Commission definition of sustainability

<sup>5</sup> IUCN (2008)

persons who exercise ultimate effective control over a legal person or arrangement (defined as 10% or more ownership).

## Acronyms

**AML-CFT:** Anti-Money Laundering – Combating the Financing of Terrorism.

**ASM:** Artisanal and Small-Scale Mining

**CAHRA:** Conflict-Affected and High-Risk Area

**CRAFT:** Code of Risk-mitigation for artisanal small-scale mining engaging in Formal Trade

**DD:** Due Diligence

**EDD:** Enhanced Due Diligence

**ESG:** Environment, Social and Governance

**EITI:** Extractive Industry Transparency Initiative

**EU:** European Union

**GDL:** Good Delivery List

**ICMC:** International Cyanide Management Code

**ISAE 3000:** International Standard on Assurance Engagements

**IUCN:** International Union for Conservation of Nature

**KYC:** Know Your Customer or Counterparty

**LBMA:** London Bullion Market Association

**LPPM:** London Platinum and Palladium Market

**LSM:** Large-Scale Mining

**NGO:** Non-Governmental Organisation

**OECD:** Organisation for Economic Co-operation and Development

**OFAC:** US Office of Foreign Assets Control

**PEP:** Politically Exposed Persons

**RGG:** Responsible Gold Guidance

**RMI:** Responsible Minerals Initiative

**RPPG:** Responsible Platinum and Palladium Guidance

**RSG:** Responsible Silver Guidance

**RSP:** Responsible Sourcing Programme

**UBO:** Ultimate Beneficial Owner



**UNESCO:** United Nations Educational, Scientific and Cultural Organization

**UK:** United Kingdom

**US:** United States

**US SEC:** United States Security and Exchange Commission

**WHS:** World Heritage Site

**UN:** United Nations

# Introduction

## Purpose of the Document

The Responsible Gold Guidance (RGG) outlines the responsible sourcing requirements for all LBMA refiners producing Good Delivery Gold bars (Refiners). Refiners must demonstrate conformance with all sections of this Guidance and the associated Refiners Toolkit to remain on the LBMA Good Delivery List (GDL). An LBMA Responsible Gold Certificate is only issued to GDL Refiners that have successfully passed LBMA's annual responsible sourcing review process, supported by an independent assurance on conformance with the RGG. An organisation applying to be an LBMA Good Delivery accredited Gold Refiner must first implement this Guidance and pass an annual assurance covering a 12-month period to support their application process.

Each Refiner must apply the RGG proportionally to its business activities and to those involved in its gold supply chains. Proportionate application does not mean different standards for different institutions – it is a recognition of the differing levels of size, complexity, nature of engagement and sophistication of gold producers and refiners worldwide.

Refiners retain ultimate responsibility for the scope and quality of their due diligence activities, for the actions taken to respond to actual adverse impacts or the identified risks of adverse impacts, and for public reporting on the steps undertaken to protect their supply chains.

### Applicable Laws

However, the overarching requirement of the RGG is that all Refiners must be aware of, and comply with, the laws, rules and regulations applicable to them and the precious metals market in each jurisdiction in which they do business (Applicable Laws). This guidance does not provide a legal defence to a violation of any Applicable Laws. It is expected that all parties directly involved in the gold supply chain, including upstream producers, comply with all Applicable Laws.

### Long-lasting relationships

Refiners should also forge close long-lasting relationships with all relevant stakeholders, in order to provide material benefits to everyone concerned. Best practice is for Refiners to report material risks in their supply chains and mitigate these risks by developing programmes where short-term actions support a long-term future by attracting and retaining upstream and downstream counterparties, and by having a clear focus on the durability of supply chains.

LBMA encourages initiatives facilitating responsible and sustainable supply chains for all forms of mining in areas considered as Conflict-Affected and High-Risk Areas (CAHRAs). Refiners are strongly encouraged, with reference to Appendix 1 of the OECD Due Diligence Guidance Gold Supplement,<sup>6</sup> to consider measures to create economic and development opportunities for Artisanal and Small-Scale Miners and assist legitimate Artisanal and Small-Scale Miners to build secure, transparent and verifiable gold supply chains from mine to market. LBMA encourages Refiners to work together with national governments, central banks, donor agencies, industry associations and large-scale mining to support Artisanal and Small-Scale Mining (ASM), as appropriate. However, Refiners must ensure that no gold from ASM or Large-Scale Mining (LSM) is sourced from an area designated as a World Heritage Site. Refiners must ensure when sourcing from a location designated by a national government as 'Protected' that such sourcing is undertaken within the local regulatory or legislative framework.

---

<sup>6</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, April 2016

## Five-Step Due Diligence Framework

The RGG is based on the OECD's Five-Step due diligence framework for sourcing minerals from Conflict-Affected and High-Risk Areas, and the OECD Due Diligence Guidance Gold Supplement.



Figure 3: OECD Five-Step due diligence Framework



Figure 4: LBMA RGG Five-Step Due Diligence Framework

## Harmonisation of Responsible Sourcing Initiatives

LBMA is committed to the harmonisation of its requirements with other responsible sourcing initiatives or anti-money laundering requirements that meet, or exceed, those laid out in the RGG (other initiatives).

### Compliance with international regulations

LBMA assurance deliverables may, at a minimum, be used to demonstrate compliance with or implementation of the following recommendations or requirements:

- **OECD Due Diligence Guidance:** The 2018 OECD alignment assessment conducted by an independent third party has concluded that LBMA Guidance is closely aligned to the OECD Due Diligence Guidance and its Gold Supplement. This version further strengthens alignment between the RGG and the OECD Guidance.
- **Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act:** Dodd-Frank Section 1502, including any rules issued by the United States Security and Exchange Commission (US SEC), indicates that manufacturers can meet US requirements by relying on Refiners that have been certified by “industry groups’ ‘conflict-free’ designation programmes” such as LBMA’s.
- **European Union Conflict Minerals Regulation:** The Regulation came into effect on 1 January 2021.

#### Recognised responsible sourcing initiatives

LBMA’s intention is to not require duplication nor re-performance of existing responsible mining and sourcing audit arrangements. Independent audit, assurance or certification carried out under other initiatives may be used as evidence to assess conformance with relevant aspects of the RGG.

It must be noted that the scope of these initiatives may not completely address the requirements of the RGG. The onus is on the Refiner to assess which aspects of the RGG are met by other initiatives and to address the remaining areas appropriately.

## LBMA Programme Governance

LBMA uses multiple approaches to ensure the quality and integrity of the Programme. These include:

- Regular publication and updates of guidance documents, toolkits and templates to incorporate evolving best practices.
- Provision of training and additional resources for members and Assurance Providers.
- Ongoing review and enforcement of approved Assurance Provider requirements.
- In-house review of Refiners’ Assurance Reports.
- Proactive monitoring of gold activity in Conflict-Affected and High-Risk Areas (CAHRAs).

#### RGG effective date

Refiners shall start implementation of RGG Version 9 from 1 January 2022 and will have until 31 December 2022 to fully implement all the new requirements. New requirements are also applicable to existing supply chains and must be implemented when due diligence is revisited as per Step 2 of the Guidance. 2022 is considered the year of implementation, with the expectation that the first audits against RGG Version 9 are due for the year ending 31 December 2022.

#### GDL certification and quality review

On an annual basis, LBMA undertakes a risk-based review of the Refiner’s compliance and assurance deliverables. This is supported by LBMA’s internal Country of Origin data analysis and the continuous Incident Review Process (IRP). An IRP is launched when LBMA becomes aware of allegations of criminal activity and/or potential serious breaches of the RGG. The Refiner may be requested to provide additional information or detail on specific issues or aspects identified by LBMA. The Refiner’s GDL certificate is only granted once all LBMA reviews and related queries have been resolved.

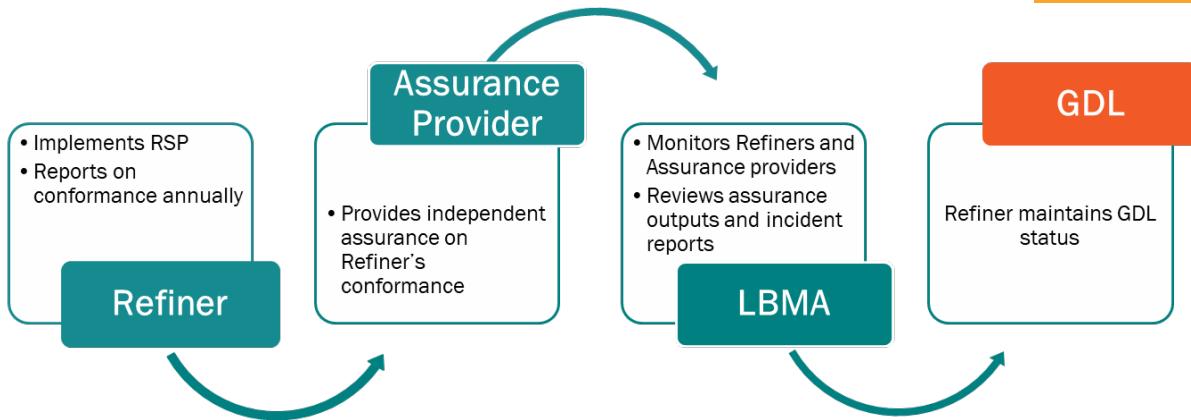


Figure 5: LBMA GDL Certification Process

#### Request for further information

LBMA reserves the right to request information and supporting documentation from Refiners. LBMA is committed to protecting the confidentiality of Refiners' commercially sensitive information. Access to specific information is only requested in relation to a GDL application, an assurance engagement, a reported grievance (including an IRP) or a Special Audit commissioned by LBMA. The information is kept strictly confidential in accordance with LBMA's data protection policy.

#### Special Audits

A Special Audit has a very specific focus and helps to provide a second opinion to confirm the Refiner's compliance with the LBMA Programme during the reporting period. It can arise out of:

- Country of Origin data analysis
- Incident Review Process
- Market intelligence
- Media allegations
- Whistle-blowing.

Under a Special Audit, LBMA selects an auditor that is independent of the original auditor. The Special Audit is an effective tool for LBMA to address issues that arise between annual assurance engagements. See [www.lbma.org.uk](http://www.lbma.org.uk) for more information.

## Training and Resources

LBMA provides a range of resources and opportunities accessible by Refiners and Assurance Providers to help them remain up to date on developments in this area, including:

- Responsible Sourcing Newsletter
- Annual Responsible Sourcing Report
- Assurance Provider training
- Webinars on market developments, trends and insights.

These are available on [www.lbma.org.uk](http://www.lbma.org.uk).

# Step 1. Establish Strong Company Management Systems

The objective of Step 1 is to establish appropriate gold supply chain due diligence policies and governance structures to oversee the prevention and mitigation of threat finance risks and to consider ESG factors, as defined below, in the Refiner's gold supply chain.

## 1.1. Adopt and commit to a policy for gold supply chain due diligence

Refiners must adopt a gold supply chain policy that incorporates the risks and risk management measures outlined in Annex II of the OECD Due Diligence Guidance (OECD Annex II) and extends to addressing adverse ESG factors in the Refiner's primary gold supply chain.

### **Threat financing (includes conflict risks as per the OECD Annex II)**

Systematic or widespread human rights abuses associated with the extraction, transport or trade of gold, including:

- Any forms of torture, or inhuman and degrading treatment
- Forced or compulsory labour
- Worst forms of child labour
- Widespread sexual violence or other gross human rights violations
- War crimes, crimes against humanity or genocide.

Direct or indirect support to illegitimate non-state armed groups, or public or private security forces ("illegitimate non-state armed groups, public or private security forces")<sup>7</sup> which:

- Illegally control mines, sites, traders or other intermediaries, and transport routes through the supply chains; or
- Illegally tax or extort money or minerals through the supply chains.

Bribery and fraudulent misrepresentation of the origin of gold.

Non-compliance with taxes, fees and royalties due to governments related to mineral extraction, trade and export from Conflict-Affected and High-Risk Areas (CAHRAs).

Money laundering or terrorism financing.

Contribution to conflict.

<sup>7</sup> UN Office of the High Commissioner on Human Rights: <http://www2.ohchr.org/english/law/>

Refiners are expected to address the ESG factors in their primary gold supply chain by making enquiries on policies and practices for the ESG factors noted below, and by using the Refiners Toolkit. ESG considerations are risk based to reflect the nature, size and complexity of the counterparty.

ESG Factors
Compliance with environmental, health, safety and labour regulation in country of operation and/or company policy.
<p>Environmental management, including:</p> <ul style="list-style-type: none"> <li>• Air, water, land pollution and incident management plans</li> <li>• Water stewardship, especially in water scarce and stressed areas</li> <li>• Unauthorised sourcing from World Heritage Sites and Protected Areas.</li> </ul>
<p>Storage, handling, and disposal of hazardous chemicals, including mercury and cyanide.</p> <p><i>Note: LBMA recognises that mercury is used mainly in Artisanal and Small-Scale Mining (ASM) sources and therefore does not ban such supply chains. Instead, LBMA requires Refiners working with such artisanal supply chains to assist them in establishing processes to use mercury in a safe manner and to limit negative impacts on the environment and health and safety, and to find alternative solutions to mercury.</i></p> <p><i>Refiners should engage with upstream producers to encourage them to comply with the International Cyanide Management Code.</i></p>
Management of labour issues, including remuneration, working hours, collective bargaining, discrimination, diversity, disputes and safeguarding of workers.
Community engagement and management programmes (land acquisition and community resettlement, cultural heritage sites and indigenous people, closure planning and safeguarding of vulnerable populations).
Management of business integrity and ethical conduct, and supporting the implementation of relevant initiatives such as the Extractive Industry Transparency Initiative (EITI).

The policy (or supporting process documentation) should include sufficient details on the gold supply chain due diligence. Refiners may, however, choose to publish a concise policy commitment document.

Minimum criteria for internal (or external) supply chain policy document:
<ul style="list-style-type: none"> <li>• Scope</li> <li>• Organisation and responsibilities</li> <li>• Identification and assessment of threat finance risks and consideration of ESG factors, including all those defined above</li> </ul>

- Detailed and meaningful Know Your Counterparty (KYC) and supply chain due diligence processes that, at a minimum, meet RGG Step 2.1 requirements
- Transaction monitoring processes that, at a minimum, meet RGG Step 2.1 requirements
- Criteria for high-risk supply chains that, at a minimum, meet RGG Step 2.2 requirements
- KYC and supply chain due diligence record maintenance requirements
- Employee training programme.

## 1.2. Establish management structures to support supply chain due diligence

Refiners must establish internal governance structures to provide effective oversight of the implementation and continuous improvement of the supply chain due diligence programme.

### Board level oversight

As a minimum, the Refiner must assign authority and accountability to the Board, or a committee appointed by the Board (and for the purposes of this Guidance, both the Board, and/or Board Committee are referred to as the Board Committee).

#### **Board accountability should include, but is not limited to:**

- Having the necessary competence, knowledge and experience, or utilising external expert advisors to provide oversight of the supply chain due diligence framework and outcomes.
- Ensuring internal accountability for the effectiveness of the supply chain due diligence policies and processes.
- Assessing whether effective structures and communication processes are in place for critical information, including the company policy, to reach relevant employees and gold-supplying counterparties.
- Regularly, and at a minimum annually, assessing the effectiveness of supply chain due diligence policies and processes to drive continuous improvement.
- Assessing whether an appropriate Compliance Officer has been appointed to take responsibility for all matters regarding the gold supply chain.
- Assessing whether the Compliance Officer has sufficient support in terms of the availability of resources necessary to support the operation and monitoring of the supply chain due diligence processes and systems.

### Compliance Officer

The Refiner must appoint a Compliance Officer, who must be a senior person in the organisation, reporting directly to the CEO (or equivalent) and/or the Board.

#### **Compliance Officer's responsibilities should include, but are not limited to:**

- Reviewing the gold supply chain due diligence processes and systems to meet the objectives of the RGG and the Refiner's risk management appetite.

- Ensuring effective structures and communication processes are in place for critical information, including the company policy, to reach relevant employees and gold-supplying counterparties.
- Ensuring the availability of sufficient resources (including capacity and experience) necessary to support the operation and monitoring of the supply chain due diligence processes and systems.
- Training employees with respect to supply chain risks (including threat finance and ESG) and preparing and updating of the Refiner's gold Supply Chain Policy and procedures.
- Reviewing Know Your Customer (KYC) files and risk classifications, and requesting additional documentation or information, as necessary.
- Ensuring that appropriate measures are executed in the case of high-risk supply chains or transactions.
- Providing proper and timely information for the Board to perform its duties.

### Training

Refiners must develop an ongoing gold supply chain training programme for all staff involved in the gold supply chain. Details of this activity should be recorded, with appropriate monitoring of attendance and understanding of the supply chain risks and due diligence processes.

### Payment through official banking channels

For transactions over \$10,000 in value, Refiners must make and receive payments for gold through official banking channels and should not undertake any cash-based transactions. The only permissible exceptions to this rule include:

- Cash purchases above the threshold with suppliers with records of government-issued identification and a purchase receipt which can be used for income tax purposes, where applicable.
- Cash purchases of legitimate ASM gold, as long as all transactions involving legitimate ASM gold are made through formal channels from the point of export in the country of production to any onward counterparty.

These ASM practices and/or cash transactions below the stipulated threshold should be supported by verifiable information and approved by the Compliance Officer.

### Cooperation with government authorities

Refiners must cooperate fully and transparently with government authorities and provide full access to records and information, as appropriate. Authorities include national or international law enforcement agencies and customs officials.

### Maintaining records

Refiners must maintain adequate records to demonstrate appropriate and ongoing risk identification, due diligence and traceability. Records are required to be maintained for at least five years, or the minimum timeframe stipulated by local regulatory requirements, following the end of the Refiner's reporting year.

## 1.3 Establish a gold traceability system

The Refiner must establish a system of controls for visibility and transparency over the supply chain. This includes a chain of custody or traceability system that identifies the origin of the gold and the upstream partners involved in the supply chain, and a mechanism to trace the input of each lot refined and the first destination of each product shipment. Material segregation is not required.

### Supply chain traceability system

The traceability system should collect and maintain supply chain information for each lot of Mined Gold, Recycled Gold or other feedstock refined.

#### **The traceability information should include, but is not limited to:**

- Proof of mining origin for primary product (e.g., official government-issued certificate of origin, audited chain of custody documentation, blockchain traceability records, formal packing list).
- Proof of origin for Recycled Gold and Grandfathered Stocks (e.g., audited chain of custody information, blockchain traceability records, formal invoices or packing lists).
- A unique reference number assigned to each input and output in order for any tampering to be evident.
- Type of gold received (including source):
  - Mined Gold: LSM, ASM, Mining By-product or gold sourced from owned mines.
  - Recycled Gold: unprocessed, melted, Industrial By-product.
  - Grandfathered Stocks.
- Weight and assay: declared and processed.
- Export and import form for high-risk transactions, if applicable.
- Shipping/transportation documents (waybill/airway bill, pro forma invoice, if applicable) to establish chain of custody from origin to refinery.
- Date of arrival at the refinery and date of assay finalisation.

LBMA encourages Refiners to consider technology solutions (e.g., blockchain, machine learning or artificial intelligence), where feasible, to enhance transparency and efficiency in supply chain traceability.

## 1.4 Strengthen company engagement with gold-supplying counterparties

Refiners should build long-term relationships based on trust and mutual recognition with suppliers.

#### **Refiner's responsibilities include, but are not limited to:**

##### **Policy**

Refiners should require the gold-supplying counterparty to commit to either:

- the Refiner's gold Supply Chain Policy; or
- the counterparty's own gold supply chain policy, which at a minimum should be consistent with the OECD Annex II.

### **Contracts**

The Refiner's gold Supply Chain Policy or its requirements, or the counterparties' own OECD Annex II aligned gold supply chain policies or requirements, must be incorporated into contracts and/or agreements between the Refiner and its gold-supplying counterparties.

### **Capacity building**

Where appropriate, Refiners should assist in establishing processes to promote responsible mining and sourcing practices throughout the supply chain and assist gold-supplying counterparties or prospective suppliers, including legitimate ASM and local traders, in improving their supply chain practices. For example, Refiners should communicate their expectation and provide guidance or share good practices during on-site visits. Refiners may also consult and work together with national and industry authorities, local NGOs, human rights institutions, donor agencies and large-scale mining, etc., to support gold-supplying counterparties.

## **1.5 Establish a confidential grievance mechanism**

Refiners must develop a mechanism that allows any employee or external stakeholder (intended user) to voice concerns over the gold supply chain or any newly identified risk. Such mechanisms may be provided directly or through collaborative arrangements with other companies or organisations such as an Industry Programme or Institutionalised Mechanism.<sup>8</sup>

### **The grievance mechanism should be based on, but not limited to, the following principles:**

- Accessible: The mechanism should be known and usable by all intended users without fear of reprisal, and should include considerations for language, literacy, costs, physical location and technology.
- Independent: The mechanism should have a formal and independent oversight structure (e.g., the Refiner's Compliance Department) that ensures parties cannot interfere with fair conduct.
- Respectful: All complaints should be treated seriously and with respect.
- Transparent: The mechanism should have procedures to keep parties informed about the progress of their grievances through each stage and should provide sufficient information to build confidence in its effectiveness and meet any public interest reporting requirements.
- Contribute to continuous learning: The mechanism should provide a source for identifying lessons for improving both the mechanism and preventing future grievance and harm.

<sup>8</sup> LBMA, the RMI and the RJC have collaborated to develop an online cross-industry platform to screen and address grievances linked to smelters and refiners present in global supply chains. It can be accessed at [www.mineralsgrievanceplatform.org](http://www.mineralsgrievanceplatform.org)

# Step 2. Identify and Assess Supply Chain Risks

The objective of Step 2 is to identify actual and potential adverse impacts with respect to OECD Annex II and consider adverse ESG factors in the Refiner's gold supply chain. Due diligence is expected to be proportional to the business activities of each Refiner and its supply chains. An integrated due diligence process that considers sourcing from Conflict-Affected and High-Risk Areas (CAHRAs) as well as additional location-, supplier- or type of material-based high risks is considered most effective.

## 2.1 Conduct supply chain due diligence to identify potential risks

Refiners must perform supply chain due diligence following a risk-based approach. This includes mapping the supply chain to identify and assess risks effectively. Due diligence must be undertaken before entering a new business relationship with a gold-supplying counterparty and must continue throughout the relationship.

### Supply chain due diligence

A risk-based due diligence approach requires an assessment of the location and the supply chain that the gold-bearing material is sourced from as well as the type of gold-bearing material sourced. To identify high-risk supply chains, Refiners should undertake the following measures as a minimum.

#### **Location risk identification should include, but is not limited to:**

- Determination of the origin of the gold source:
  - Mined Gold: The location of the mine (LSM and ASM).
  - Recycled Gold: The point in the gold supply chain where the gold is returned to the Refiner or other downstream intermediate processor or recycler.
  - Mining By-product: The point of separation of gold from the mineral base, as provided under the World Customs Organization's Revised Kyoto Convention Annex K.<sup>9</sup>
  - Grandfathered Stocks: The determination of origin is not required for stocks with a Verifiable Date prior to 1 January 2012, otherwise origin is the location of the gold-supplying counterparty.
- Determination of the general transportation routing of the gold source from origin to refinery.
- Verification that sourcing from the Country of Origin is not in breach of any international sanctions.
- Verification that the mine site is not located in a World Heritage Site.

<sup>9</sup> World Customs Organization's Revised Kyoto Convention Annex K. E3. / F1:

"... substantial transformation criterion" means the criterion according to which origin is determined by regarding as the country of origin the country in which the last substantial manufacturing or processing, deemed sufficient to give the commodity its essential character, has been carried out."

### **Location risk identification should include, but is not limited to:**

This location-based risk identification process must include an integrated assessment of all risks outlined in Step 1.1.

Sources of such an integrated assessment must include, but are not limited to:

- Sanctions lists (US, UK, EU, UN, and relevant sanctions lists)
- Dodd Frank s. 1502
- EU CAHRA list
- Heidelberg Barometer
- Fragile States Index or equivalent
- UN Human Rights Office of the High Commissioner or equivalent
- Reports (including relevant country reports) by the Financial Action Task Force (FATF)
- Credible market intelligence on high-risk gold centres/transit hubs and on countries where there is a high risk of money laundering.

Refiners should also consider credible market intelligence to cover the risk factors included in Step 1.1, as relevant.

### **Supplier risk identification should include, but is not limited to:**

Using the KYC Questionnaire in the Refiners Toolkit:

- Identification and verification of the gold-supplying counterparty's name, physical address, corporate registration and licence information, using reliable, independent source documents, data or information.
- Identification and verification of Ultimate Beneficial Owners (UBOs) (defined as 10% or more ownership) and authorised signatories<sup>10</sup> of the gold-supplying counterparty, using reliable and current government-issued photo identity documents.
- Confirmation that the gold-supplying counterparty and its UBOs are not named on any government lists as wanted money launderers, or as known fraudsters or terrorists.
- Obtaining the gold-supplying counterparty's business and financial details, and information on the purpose and intended nature of the business relationship.

<sup>10</sup> Ultimate Beneficial Owners with significant influence over the gold-supplying counterparty and authorised signatories. Not required in the case of companies that are part of a group listed on a stock exchange or for banks with appropriate AML-CFT policies, or governmental authorities.

### Type of material risk identification

Sections below detail additional due diligence measures specific to various types of sourced material and scale of sourcing operations. Refiners should use reasonable and good faith efforts to apply each of the measures described but may determine the extent of such measures on a risk-sensitivity basis depending on the location of the company and transit zones, and the type of company, business relationship or transaction.

Refiners may use independent audit, assurance or certification reports of conformance with recognised responsible sourcing standards (other initiatives) as supporting evidence for all or part of the requirements outlined below. The onus is on the Refiner to determine which aspects of the RGG are being addressed through other initiatives and to ensure residual RGG requirements are appropriately met.

#### **Risk identification for Mined Gold from LSM should include, but is not limited to:**

Using the KYC Questionnaire for Mined Material in the Refiners Toolkit, identification of risks by obtaining, assessing and, where possible, verifying against publicly available information:

- Import/export gold licence for gold supplying counterparty, if applicable
- Mining practice, including processing and transportation method
- Production data and processing capacity, if available
- Sources of any third-party stock, including that from ASM, on the mine site and controls to appropriately manage these
- Anti-money laundering and terrorist financing policies and practices, where relevant
- Bribery and corruption policies and practices, including payment to government
- Human rights policies and practices
- Environmental policies and practices
- Health and safety policies and practices
- Labour policies and practices, if not already covered through other policies collected
- Community engagement programmes
- Ethics and business integrity policies and practices.

#### **Note 1: Risk identification for gold sourced from owned mines**

Where Refiners are sourcing from mines within the same corporate group as the Refiner, i.e., owned mines, it is expected that risk-based due diligence is still performed on applicable risks, e.g., management of third-party stock and ESG factors.

## Note 2: Risk identification for gold sourced from Mining By-Products

Where Refiners source gold as a Mining By-product, a risk identification assessment should be undertaken along the supply chain up to the smelter where the gold is separated from the base or other metal.

The Refiner will be expected to conduct due diligence on the responsible sourcing policies and practices of the by-product supplying counterparty and assess whether the counterparty has appropriately identified and managed its high-risk supply chains in relation to threat financing risks, at a minimum.

The Refiner may adapt the KYC Questionnaire for Recycled Material to assess the smelter supplying the by-product, or use audits, assurance or certification reports for other recognised responsible sourcing initiatives (see Recognised Responsible Sourcing Standards), as supporting evidence.

A Refiner that only sources Mining By-product is still subject to an RGG assurance over its policies, processes and systems to manage the risk of false misrepresentations of origin.

### **Risk identification for Mined Gold from ASM should include, but is not limited to:**

Using the KYC Questionnaire in the Refiners Toolkit, identification of risks by obtaining, assessing and, where possible, verifying against publicly available information:

- Suppliers of ASM gold sources, including:
  - local artisanal mining team, association or cooperatives (it is not necessary to identify individual diggers)
  - ore processing plant
  - aggregators and traders
  - local gold exporter
- Whether the mining project can be considered legitimate ASM (i.e., legally registered, cooperative-based and/or government-recognised, or central bank supported initiative)
- Mining practice, including extraction, processing and transportation method
- Use, storage and recovery of mercury, and if applicable, impact on the environment and the health of those involved in the production, handling and processing of gold
- Human rights practices and policies to the extent available
- Environmental practices and policies to the extent available
- Health and safety practices and policies to the extent available
- Labour practices and policies to the extent available
- Community engagement practices and policies to the extent available
- Payments to government practices and policies to the extent available.

### **Risk identification for Recycled Gold should include, but is not limited to:**

Using the KYC Questionnaire for Recycled Material in the Refiners Toolkit, identification of risks by obtaining, assessing and, where possible, verifying against publicly available information:

- Main markets, products and customer segments of the counterparty
- Profiles of the counterparty's gold and precious metals suppliers
- Types and forms of precious metals sourced by the counterparty

- Country of Origin of gold and precious metals processed by the facility
- Type and location of facilities operated by the counterparty (refining, manufacturing, jewellery production, pawn shops, etc.)
- Import/export licences, if applicable
- Anti-money laundering and terrorist financing policies and practices
- Anti-bribery and corruption policies and practices
- Responsible sourcing policies and processes .

#### **Monitoring of transactions**

The Refiner should conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship to ensure that the transactions are consistent with the Refiner's knowledge of the supply chain and risk profile. The monitoring of transactions should be undertaken by applying a risk-based approach.

#### **Transactions monitoring should include, but is not limited to:**

- Checking volumes, types and concentrations of gold-bearing material for consistency with previous shipments
- Monitoring the actual transportation routing for each shipment
- Verifying physical shipment against shipping/transportation documents (assays, weights, serial numbers)
- Confirming that documents and materials are consistent with each other (purchase order, goods receipt, invoice) and with the KYC information (mine capacity, origin, sources).

Where material inconsistencies or suspicions are identified:

- The gold should be physically segregated and secured (until the inconsistencies are resolved)
- An investigation should be undertaken and documented
- Findings should be reported to the Compliance Officer, Board and appropriate authorities, as applicable.

## **2.2 Classify supply chains based on risk profiles**

Refiners must determine their own criteria to classify supply chains based on the risk profiles determined during the initial due diligence. Risk classification criteria are expected to incorporate the threat finance and ESG factors stipulated in Step 1.1, and should be regularly reviewed and updated. The following minimum criteria must be considered to determine zero-tolerance and high-risk supply chains.

#### **Zero-tolerance supply chains**

Where zero-tolerance issues are identified, the Refiner must not enter a business relationship with a gold-supplying counterparty or must terminate an existing relationship immediately. The Refiner must notify LBMA immediately as outlined in Step 5.1.3.

#### **Zero-tolerance issues include, but are not limited to:**

- The Mined Gold is known to originate from areas designated as World Heritage Sites
- The Mined or Recycled Gold is known to be sourced in breach of international sanctions (including but not limited to those of the UN, EU, UK and US)
- The Mined or Recycled Gold supplying counterparty, other known upstream companies or their UBOs are known money launderers, fraudsters or terrorists, or have been implicit in serious human rights abuses, or in direct or indirect support to illegitimate non-state armed groups.

### High-risk supply chains

Supply chains classified as high risk will trigger Enhanced Due Diligence (EDD).

#### Mined Gold risk classification

##### **High-risk issues for Mined Gold should include, but are not limited to:**

For location-based high risks, the Mined Gold:

- Originates from, has transited or has been transported via a Conflict-Affected and High-Risk Area (CAHRA)
- Is claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit
- Is claimed to have originated from a country that has limited known reserves, likely resources or expected production levels.

For supplier-based high risks, the gold-supplying counterparty or other known upstream companies:

- Have shareholders, or UBOs, or other gold supplying interests in one of the location-based high-risk criteria
- Have UBOs that are Politically Exposed Persons (PEPs)
- Have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders
- Have been known to have sourced gold from a high-risk country in the last 12 months
- Have material discrepancies/inconsistencies in the documentation provided or have refused to provide requested documentation.

For type of material-based high risks, the Mined Gold is:

- Sourced from ASM
- Produced with the use of mercury
- Contributing to catastrophic harm or highly adverse ESG factors, to the extent that the Refiner is able to identify this (e.g., through a record in the public domain or in the Refiner's due diligence file).

#### Recycled Gold risk classification

Risk classification of Recycled Material should be proportionate to the risks identified, with priority given to persons, place and transactions that present higher risk.

### **High-risk issues for Recycled Gold should include, but are not limited to:**

For location-based high risks, the Recycled Gold:

- Originates from, has transited or has been transported via a CAHRA as defined by the Refiner in Step 2.1
- Is claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit, and/or is unjustifiably claimed to have originated from a country that has limited exports of gold.

For supplier-based high risks, the gold-supplying counterparty or other known upstream companies:

- Operate in a money laundering high-risk country
- Have shareholders, or UBOs, or other gold-supplying interests in one of the location-based high-risk criteria
- Have UBOs who are Politically Exposed Persons (PEPs)
- Have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders
- Have been known to have sourced gold from a high-risk country in the last 12 months
- Have significant unexplained geographic routing from their supplier or counterparty in the supply chain.

For type of material-based high risks, the Recycled Gold is:

- From an Intermediate Refinery or trader with a high-risk supply chain or a trading counterparty sourcing from an Intermediate Refinery with a high-risk supply chain.

## **2.3 Undertake Enhanced Due Diligence measures for high-risk supply chains**

Where EDD is triggered, Refiners must undertake an on-site investigation/visit at the location of the gold origin (i.e., mine sites for Mined Gold and the gold-supplying counterparty office for Recycled Gold).

### **The on-site visit should be, at a minimum, but not limited to:**

- Aimed at substantiating the documented KYC information
- Focused on investigating threat financing risks, as defined under Step 1.1, and the specific supply chain due diligence findings
- Conducted before any transactions occur or, at the least, within six months of the business relationship commencing
- Conducted by competent employees or independent third-party consultants, who are free of any conflict of interest with the supplier. Everyone conducting an on-site visit must commit to reporting truthfully and accurately
- Consult relevant internal and external stakeholders (for example, local or central authorities, upstream companies, international or civil society organisations, or affected third parties), where applicable

- Fully and accurately documented in the Site Visit Report templates included in the Refiners Toolkit. Refiners choosing to not use the template will be required to justify their position
- Followed up, depending on the number and severity of issues identified and documented in the improvement plans.

Additionally, EDD measures should comprise the following steps based on the type of gold-bearing material received. These measures may be conducted during the on-site visit or remotely, as appropriate.

#### **EDD measures for high-risk LSM gold supply chains should include, but are not limited to:**

- Proportionate KYC on each company involved in the conflict location-based high-risk supply chain from the mine to the refinery (including gold producers, intermediaries, gold traders and exporters, and transporters).
- Understanding the nature of public or private security services provided at the mine sites and through the supply chain (including the screening and training of security personnel in line with the Voluntary Principles on Security and Human Rights).
- Considering the risks of militarisation of mine sites and transportation routes, and direct or indirect support to illegitimate non-state armed group, or public or private security forces.
- Determination of the risk of any serious human rights abuses committed by any party at mine sites, transportation routes and points where gold is traded and/or exported.
- Estimating the number of Artisanal and Small-Scale Miners (if any) on the producer's concession, and:
  - confirming their status as legitimate ASM
  - considering risks of gold from third-party sources unknowingly being introduced into the producer's operations
  - considering the relationship between producer and ASM actors to identify instances of conflict or tension.
- Complete self-declaration of taxes and royalties compliance, as applicable.
- Understanding payments or compensation made to government agencies and officials, public or private security forces, or other armed groups at all points in the supply chain from extraction onwards, unless prohibited by law.
- Considering compliance with environmental, health, safety, labour, community, business integrity regulations, policies and good practices for issues identified in the initial due diligence.

#### **EDD measures for high-risk ASM gold supply chains should include, but are not limited to:**

- Proportionate KYC on each company involved in the location-based high-risk supply chain from the ore processing plant or gold aggregator to the Refiner (including cooperatives, gold traders and exporters, and transporters).
- Collecting information on the government, political or military affiliations of ASM suppliers, including any reported instances of affiliation with non-state armed group, or public or private security forces.

- Collecting evidence of any serious human rights abuses committed by any party at mine sites, transportation routes and points where gold is traded and/or exported.
- Considering the militarisation of mine sites and transportation routes, and the risk of direct or indirect support to illegitimate non-state armed group, or public or private security forces.
- Considering any conflict or tensions in the relationship between LSM and ASM.
- Considering the risk, suspicions or reports that gold from other sources is being unknowingly introduced into the gold supply chain and/or fraudulently represented.
- Considering the storage, handling and usage of mercury, and the impacts on the environment and workers' health.
- Evaluating the appropriateness of other ESG risk management practices pertaining to issues identified in the initial due diligence.
- Understanding payments or compensation made to government agencies and officials, public or private security forces, or other armed groups at all points in the supply chain from extraction onwards, unless prohibited by law.

**EDD measures for high-risk Recycled Gold from Intermediate Refiners should include, but are not limited to:**

- An independent Assurance Report on the Intermediate Refiners' responsible sourcing practices on a comply or explain basis. The assurance should:
  - include conformance with an OECD aligned responsible sourcing scheme
  - be commissioned by the Intermediate Refiner
  - be completed before the start of a new business relationship or within a reasonable timeframe<sup>11</sup> of the Refiner implementing this Guidance
- The identity of the UBOs of the Intermediate Refiners.

<sup>11</sup> Existing suppliers will have until July 2023 to commission the assurance.

**Note 3: EDD measures for gold sourced indirectly from Intermediate Refiners**

Refiners sourcing Recycled Gold indirectly from Intermediate Refiners (e.g., through trading companies) should:

- use best efforts to identify the Intermediate Refiners; and
- review the due diligence to check whether red flags have, or reasonably should have been, identified in the Intermediate Refiners' supply chains.

Where high risks are identified, the Refiner should:

- determine whether the Intermediate Refiner's due diligence processes are audited against an OECD aligned responsible sourcing scheme; and
- apply risk management strategies in accordance with Step 3, where the Intermediate Refiner's due diligence practices have not been audited or where any medium-risk or high-risk audit non-conformances have been identified.

Where no high risks have been identified, no additional due diligence is required on the material. If the Refiner is unable to identify the Intermediate Refiners, risk management procedures should be applied.

**EDD measures for high-risk Recycled Gold from other sources should include, but are not limited to:**

- Checking government watchlist information for each company located in high-risk locations for Recycled Gold and involved in the supply chain from the counterparty to the refinery (including transporters).
- Interviews with select management and site personnel to determine and corroborate the supply chain due diligence practices, purchasing, and anti-money laundering and counter-terrorist financing procedures.
- Considering the counterparty's competence and capacity for supply chain due diligence proportionate to risk.
- Considering the appropriateness of the counterparty's risk classification methodology.
- Assessment of due diligence records to confirm that procedures are being undertaken as per the counterparty's supply chain due diligence policy with due considerations for commercially sensitive information.
- Assessment of on-site visit methodology to the counterparty's high-risk supply chains, with due consideration for commercially sensitive information.

The Compliance Officer and/or the Board Committee should approve each new supply chain initially assessed as high-risk and should revisit each year the decision whether to continue with these business relationships or not.

# Step 3. Design and Implement a Management Strategy to Respond to Identified Risks

The objective of Step 3 is to evaluate and respond to the identified risks in Step 2 to prevent or mitigate adverse impacts. Where appropriate, Refiners should seek to exercise leverage and enhance supplier engagement to address the risk most effectively. Refiners should also enhance their own systems of information collection and transparency. Where known risks or founded suspicion of upstream suppliers sourcing from or linked to any party committing zero-tolerance or high-risk abuses are identified, the Refiner must immediately cease or suspend engagement with the counterparty.

## 3.1 Devise a risk management strategy for the identified risk

Refiners must determine their own risk management strategies based on internal risk appetite and processes. However, the following minimum criteria must be considered for risk management.

### Terminate relationship

The Refiner should immediately stop refining gold where its EDD concludes that there are known instances of:

- Money laundering
- Terrorist financing
- Serious human rights abuses
- Direct or indirect support to illegitimate non-state armed groups
- Fraudulent misrepresentation of the origin of minerals.

The Refiner should report such instances to the appropriate authorities and to LBMA, where applicable, and in accordance with local and international legal requirements.

### Suspend relationship

The Refiner should suspend refining gold where its EDD concludes that:

- There is a founded suspicion of:
  - money laundering
  - terrorist financing
  - serious human rights abuses
  - direct or indirect support to illegitimate non-state armed groups
  - fraudulent misrepresentation of the origin of minerals
- There are reported catastrophic ESG impacts as defined in the Refiner's classification criteria.

Refining may resume once additional information/data refuting the preliminary suspicions or a timely and appropriate response to addressing the ESG impacts has been obtained from the supplier. This should be approved by the Compliance Officer and/or the Board Committee.

### **Continue relationship with improvement plan**

Refiners may continue to refine gold where the EDD is not fully satisfactory, or where it concludes that the counterparty is using reasonable and good faith efforts despite instances of:

- Bribery
- Non-fraudulent misrepresentation of the origin of minerals
- Non-compliance with taxes, fees and royalties due to government
- Material breaches of environmental, health, safety, labour and community-related local legislation, and/or ESG risks that have the high likelihood to result in highly adverse impacts.

In this case, the Refiner should require the counterparty to adopt an improvement plan which is:

- Devised with the Refiner's input and engagement
- Clearly documented, including performance objectives and quantitative and/or qualitative performance measurement indicators
- Approved by the Compliance Officer and/or the Board Committee.

## **3.2 Monitor the improvement plan**

Where Refiners decide to continue relationships as counterparties implement an improvement plan, the principles of good faith efforts to make meaningful improvements in the supply chain must be adopted. The risk management strategies must include measurable steps to be taken by the counterparty, performance monitoring, periodic reassessment of risk and regular reporting to the Board Committee, as applicable.

### **Improvement plan monitoring**

The risk monitoring strategy should at a minimum:

- Identify significant and measurable improvements towards eliminating the risk within six months from the adoption of the improvement plan.
- Define additional measures in a revised improvement plan based on the progress achieved within the first six months.
- Formally assess performance to determine that measures have been properly undertaken by the deadline (e.g., through independent audits, a follow-up on-site visit or remote review, as appropriate).

To facilitate monitoring activities, Refiners should, as appropriate:

- Consult relevant stakeholders such as local or central authorities, upstream companies, international or civil society organisations, and affected third parties.

After the six-month time frame, Refiners should consider:

- Suspending the relationship where limited or no measurable improvement can be demonstrated, until the supplier responds to the improvement plan; or
- Terminating the relationship after failed attempts at risk mitigation and performance improvement.

The Compliance Officer and/or the Board Committee should frequently revisit the decision to continue with business relationships under the risk mitigation strategy (i.e. annually, at a minimum).

### 3.3 Report findings to the Board Committee

The Board retains ultimate control and accountability for the gold supply chain. Actual and potential risks identified in the supply chains and proposed risk management strategies must be communicated to the Board Committee.

**The Board should at a minimum receive information on the following:**

- Relevant statistics on high-risk supply chains
- Counterparty under risk mitigation strategies and status of risk mitigation strategies
- Reports on the progress and effectiveness of improvement plans.

### 3.4 Continuously monitor adequacy of risk management strategies

Supply chain due diligence is a dynamic process and requires ongoing risk monitoring. After implementing a risk management strategy, Refiners should assess if Step 2 of this Guidance should be repeated or, for instance, if another on-site visit is required. Any changes in the supply chain may require the Refiner to repeat some due diligence steps to ensure effective management of risk.

# Step 4. Obtain Independent Third-Party Assurance on Supply Chain Due Diligence Practices

The objective of Step 4 is for Refiners to have their supply chain due diligence policies and processes, applicable to each gold refinery, independently assured by an LBMA approved Assurance Provider. The independent assurance provides the Board, LBMA and external stakeholders with the comfort that the Refiner's supply chain due diligence policies and processes are appropriately designed, and are effectively operating to meet the objectives of the RGG and to protect gold supply chains against the material threat of finance risks and ESG factors.

## 4.1 Assurance requirements

### Assurance Provider independence and competency

The Board Committee is responsible for the approval of a third-party Assurance Provider, and must ensure that it is independent of the organisation and has the requisite competencies, experience and capacity to carry out the engagement. LBMA has aligned assurance independence requirements to the EU mandatory audit firm rotation<sup>12</sup> and Refiners must rotate Assurance Providers every ten years on a comply or explain basis, subject to LBMA approval. Where audit firm rotation is not a viable option, the Refiner should at a minimum rotate the Assurance Partner responsible for signing off on the engagement.<sup>13</sup>

LBMA undertakes a rigorous Assurance Provider approval and monitoring process, and Refiners must select an Assurance Provider from the Approved Service Providers List (available on [www.lbma.org.uk](http://www.lbma.org.uk)).

### Assurance objective

The Assurance Provider is expected to express a conclusion on whether the Refiner's annual reporting (refer to Step 5 of this Guidance) fairly describes the Refiner's activities and on the Refiner's management's overall conclusion on meeting the objectives of the RGG. It is designed to enhance the intended users' degree of confidence in the Refiner's public Compliance Report and the confidential Country of Origin Annex.

Refiners must grant Assurance Providers the requisite access to relevant sites, personnel, documentation (including previous years' management reports) and data in order for them to perform their duties.

### Assurance standards.

LBMA will only accept an assurance engagement performed in accordance with the ISAE 3000 revised assurance standard. A reasonable level of assurance should be carried out in year one of implementation or appointment of new Assurance Provider. Refiners may select a limited level of assurance for the next two years only if medium-risk or high-risk, or indeed zero-tolerance non-conformances are not identified during the reasonable or limited assurance engagements. Reasonable assurance is mandated every three years; however, Refiners may choose this level of assurance each year. The required assurance frequency

<sup>12</sup> EU Statutory Audit Reform Directive 2014/56/EU3 and Regulation 537/2014

<sup>13</sup> The ten-year audit period begins on 1 January 2022. Rotated assurance firm or partner may be re-engaged after a period of ten years.

should increase if instances of non-conformance are identified or if there is a significant change of circumstance in the Refiner's supply chain.

LBMA has prepared detailed Third-Party Assurance Guidance for the application of ISAE 3000 to this type of engagement (which is available on [www.lbma.org.uk](http://www.lbma.org.uk)). Refiners should consult this document to support their preparation for the assurance engagements.

#### **Assurance period**

Assurance of the Refiner's conformance to the RGG is required on an annual basis (in accordance with the assurance standards section above) within three months of its financial year end and should cover the supply chain due diligence activities over a 12-month reporting period.

#### **Assurance deliverables**

The assurance deliverables should include three key reports, as described below:

##### **1. Independent Assurance Report on the Refiner's Compliance Report (Public)**

This report is addressed to the Refiner's Board of Directors and states the Assurance Provider's conclusion on the Refiner's Compliance Report. This Assurance Report must be publicly disclosed alongside the Refiner's Compliance Report, or it should be made clear how it can be accessed by intended users.

##### **2. Independent Assurance Report on the Refiner's Country of Origin Annex (Confidential)**

This report is also addressed to the Refiner's Board of Directors and states the Assurance Provider's conclusion on the information included in the Country of Origin Annex. As the Country of Origin Annex is a private document, the corresponding Assurance Report will also be a private report for the Refiner and LBMA. It may be shared with other stakeholders at the Refiner's discretion.

##### **3. Report to Refinery Management (Confidential)**

A report issued by the Assurance Provider to the Refiner's management is the formal mechanism for communicating the detailed findings of the assurance engagement to the Refiner. This is a private document for the Refiner and LBMA. It may be shared with other stakeholders at the Refiner's discretion.

#### **Note 4: Consistency in assurance deliverables**

Assurance Providers are expected to ensure sufficient transparency and consistency in the information presented in both the Refiner's reporting and the assurance deliverables to meet the users' needs. For example:

- For an unqualified Assurance Report, the Compliance Report cannot conclude full compliance with the RGG when medium-risk and high-risk assurance non-conformances have been raised

- The Assurance Report should draw attention to the medium-risk and high-risk assurance non-conformances identified (either in the Assurance Report itself or in disclosures in the Refiner's Compliance Report).

Further detail is provided in the Third-Party Assurance Guidance.

#### **Submission of assurance deliverables to LBMA**

Copies of all three deliverables should be submitted by the Refiner, or the Assurance Provider as designated by the Refiner, to the LBMA Chief Executive via email on an annual basis and within three months of the financial year end. Assurance Providers and/or Refiners may apply for an extension should this not be feasible due to unforeseen circumstances.

#### **Multi-site assurance and standards equivalence**

Where Refiners source multiple metals that are covered under LBMA's and LPPM's Responsible Sourcing Programmes and are required to conform to the RGG, Responsible Silver Guidance (RSG) and the Responsible Platinum and Palladium Guidance (RPPG), it may be possible to undertake a single multi-metal assurance engagement, if the following criteria are met:

- There is one multi-metal refinery processing all metals in scope
- The Refiner's supply chain policies and management systems are consistent for all metals in scope
- The RGG is used as the basis for the multi-metal assurance engagement, i.e., all metals in scope should be assessed for threat finance risk and ESG factors
- Detailed sample testing adequately covers all metals in scope (further guidance is provided in the Third-Party Assurance Guidance)
- Refiners provide sufficient disclosures on each metal in scope in the Compliance Report
- Assurance Providers include sufficient information on each metal in scope in the Assurance Report or provide separate Assurance Reports for each metal in scope.

Refiners may continue to commission separate assurance engagements against the relevant metal Guidance should they choose to.

Where refineries are in different jurisdictions or sites, Refiners must undertake separate assurance engagements for each refinery.

# Step 5. Report Annually on Supply Chain Due Diligence

The objective of Step 5 is for Refiners to publicly report on their gold supply chain due diligence policies, practices and performance for the reporting year, with appropriate regard for security, proprietary information, data protection regulations and the legal rights of the other supply chain actors. This public disclosure is to raise awareness of and generate confidence in the Refiner's measures to combat threat finance risks and to address adverse ESG factors in the Refiner's primary gold supply chain.

## 5.1 Reporting Requirements

### Reporting objective

Step 5 reporting is expected to provide sufficient detail of the Refiner's supply chain due diligence policies, management systems and risk assessment processes for users of the reporting to obtain a complete, accurate, timely and balanced view of the Refiner's activities over the reporting period. Critically, the annual reporting must also detail actual performance during the year, including, in particular, the results of the risk assessment and risk mitigation steps in order for users to understand the effectiveness with which the Refiner is meeting the objectives of the RGG. It is expected that annual reporting will be specific to the business circumstances in each particular year and reflect the dynamic due diligence process.

### Reporting period

Reporting on the Refiner's conformance to the RGG is required on an annual basis, covering the supply chain due diligence activities over a 12-month reporting period.

### Reporting deliverables

Refiners must provide the following four reporting requirements to meet the needs of different stakeholders for each reporting period:

#### **1. Supply Chain Policy (Public)**

Refiner's Supply Chain Policy should be documented and/or updated in line with Step 1 at the beginning of each reporting period. The Policy document must be made publicly available on the Refiner's website.

## 2. Refiner's Compliance Report (Public)

The Compliance Report should, as a minimum, meet the requirements outlined in the Disclosure Guidance Document in the Refiners Toolkit. Minimum information includes (but is not limited to):

- Name of the Refiner and refinery
- Reporting period
- Summary of activities undertaken to conform to the RGG and meet the objectives of the Programme
- Refiner's level of conformance with each of Steps 1 to 5 of the RGG
- Management's overall conclusion on conformance with the RGG and the objectives of the Programme
- The steps taken to map the circumstances of the high-risk operations and supply chains (EDD), methodology, practices and information yielded by on-site visits, and actual or potential risks identified.
- The steps taken to strengthen chain of custody or traceability systems for high-risk supply chains, risk mitigation strategies, monitoring and tracking of performance, and results of follow-ups after six months.
- The number of instances where the Refiner has disengaged with suppliers and/or supply chains without disclosing the identity, except where the Refiner deems this acceptable in accordance with applicable laws.

The Compliance Report must be submitted to LBMA and made publicly available on the Refiner's website.

## 3. Refiner's Country of Origin Annex (Confidential)

The Country of Origin Annex should, as a minimum, meet the requirements outlined in the Disclosure Guidance document in the Refiners Toolkit. Minimum information includes:

- List of gold sources by country and by type of material sourced
- Total gold sourced by type of material (LSM, ASM, Recycled Gold, Grandfathered Stocks) in the reporting period
- The identity of the Refiner and the local exporter located in high-risk locations should always be disclosed except in cases of disengagement.<sup>14</sup>

The Country of Origin Annex should be submitted to LBMA but is not required to be made publicly available.

## 4. Corrective Action Plan (Confidential)

Refiners should submit a Corrective Action Plan if a high-risk non-conformance has been identified during the assurance and/or if the Refiner fails to satisfy one or more of the requirements as set out in

<sup>14</sup> This requirement is stipulated on page 111, footnote 59 of the OECD Due Diligence Guidance

Steps 1 to 5 of this Guidance. For each high-risk non-conformance identified, the Corrective Action Plan should include:

- A description of the issue
- Reference to the relevant section in this Guidance
- The corrective action(s) to be taken
- The timeframe for completion of corrective action(s)
- The person responsible for the implementation of each corrective action.

The Corrective Action Plan must be submitted to LBMA but is not required to be made publicly available.

In addition, Refiners must report any of the following to LBMA, with due consideration of local and international legal requirements:

- Zero-tolerance non-conformances identified during the Refiner's due diligence processes in suppliers or supply chains already onboarded
- Zero-tolerance non-conformances identified during the Refiner's assurance process
- Assurance Providers with whom the Refiner has decided to cease engagement as a result of performance issues.

**The incidents should be reported to the Responsible Sourcing Manager.**

#### [\*\*Submission of reporting deliverables to LBMA\*\*](#)

Copies of all four deliverables should be submitted by the Refiner, or the Assurance Provider as designated by the Refiner, to the LBMA Chief Executive via email on an annual basis and within three months of the reporting year-end. The Compliance Report should be publicly disclosed alongside the independent Assurance Report within three months of the reporting year-end. Refiners may apply for an extension should this not be feasible due to unforeseen circumstances.