



LBMA SUSTAINABILITY & RESPONSIBLE SOURCING STRATEGY

2024-2026

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Overview

Through our Responsible Sourcing Programme (RSP), LBMA has been at the forefront of developing credible sourcing standards in the precious metals sector. Since 2012, Good Delivery Refiners have undergone our mandatory independent assurance programme to ensure compliance with LBMA's Responsible Gold Guidance (RGG), and in 2018 we introduced the Responsible Silver Guidance (RSG). The assurance programme plays an important role in verifying the legitimacy of gold and silver supply chains, ensuring sourcing meets international ethical standards.

As demonstrated by the various iterations of the RGG (we are currently on version 9 of the RGG and working towards version 2 of the RSG), the RSP ensures the continuous improvement of responsible sourcing business practices. Version 9 of the RGG itself marked a major strategic expansion to include Environmental, Social and Governance issues.

Our commitment to continuous improvement has not stopped there. The LBMA is also a signatory to the Gold Industry Declaration of Responsibility and Sustainability Principles, a collection of 10 guiding principles, signed by several global organisations. The Declaration formally expresses a shared commitment to operating in a responsible and sustainable way based on a clear set of shared goals. Further, in 2020 we published our first Responsible Sourcing Report as a means of providing greater transparency around the RSP. Understanding the importance of developing the sustainability agenda more widely, we have since published our Sustainability and Responsible Sourcing Report. It was in this report that we set out our commitment to launching a three-year Sustainability and Responsible Sourcing Strategy (Strategy).

Introduction

LBMA is committed to ensuring that sustainability is an integral part of the precious metals industry. This is why LBMA is to take a leading and proactive role in coordinating the industry to identify and implement best practice, with a sense of urgency, and with the objective of establishing precious metals as part of the solution, not part of the problem.

To deliver on that commitment, we have developed this Strategy, which continues to improve our core sustainability activities, such as responsible sourcing of gold and silver, while also addressing new and emerging sustainability issues in the market. Our intention is that, throughout 2024-2026, we will:

- maximise our positive contribution to sustainable development; and
- minimise any adverse Environmental, Social and Governance impacts of gold mining, refining, trading, and other market practices.

The Strategy is guided by our core values of promoting transparency, meaningful stakeholder engagement, market integrity, and resilience, which are also integrated into the five focus areas identified below. Whilst all sustainability issues are important, the Strategy necessarily prioritises issues based on the feedback from stakeholders, the market, and international standards of responsible business conduct developed by the OECD and UN. We also recognise that members have programmes and strategies in place as part of their own commitment to advancing the sustainability agenda. This Strategy seeks to complement the efforts that are already being undertaken, as well as guide those that are in the process of developing their own programme of work.

There are three fundamental approaches that underpin the Strategy:

- Coalition of the willing → come together to commit to deliver.
- Adapt and define best practice → what needs to change.
- Proportional and measured implementation → how to affect those changes.

The Rationale

by Sakhila Mirza, Executive Board Director and General Counsel

Responsible Sourcing and beyond

Responsible Sourcing has been front and centre in LBMA's efforts to ensure integrity, robust governance and meaningful transparency in the global gold supply chain. We, at LBMA, are now expanding our focus, by going beyond Responsible Sourcing, and launching the three-year sustainability strategy (also known as SRS Strategy).

2024 will mark 10 years of Good Delivery List (GDL) Refiners undergoing an independent third-party audit against LBMA's Responsible Gold Guidance – the document that underpins GDL Refiners' commitment to stringent ethical business practices. It will also be the first year of implementation of the three-year SRS Strategy (not to mention my 10 years in precious metals!)

A lot has happened, and a number of key milestones have been hit in the intervening years. I know just how much work has been involved in leading the Responsible Sourcing strategy, from establishing new processes for implementation and enforcement, to engaging with industry experts, civil society and national authorities, to working on improving transparency and communications. Yet, when developing this three-year SRS Strategy, and in the spirit of continuous improvement, I feel there is still so much more to do.

LBMA's commitment to ensure that there is a credible assurance programme for the global industry has resulted in nine versions of the Responsible Gold Guidance, each one pushing the agenda for ethical sourcing further than the one before it. Supporting the implementation of each guidance requires extensive collaboration across the value chain. A critical component is the thorough review process – first by independent and qualified assurance experts, then by LBMA's Responsible Sourcing team and the LBMA leadership – to provide confidence that the standards are being faithfully enforced.

All this work will not stop, nor will it slow down.

The drive for continuous improvement means the scope of the programme will continue to grow, as will LBMA's insistence that better and higher standards are adapted in response to new sourcing challenges, as well as the evolving demands and concerns of consumers, investors and regulators. This reality and philosophy forms part of Focus Area One of our first three-year SRS Strategy.

Sustainability: The Priorities and The How

The SRS Strategy has followed an extensive public consultation and sets out five areas of focus for LBMA. These focus areas define what we mean by 'sustainability' and also support the need to be transparent about our priorities for the next three years. It should come as no surprise, therefore, that LBMA's Responsible Sourcing Programme – the fundamental pillar for all GDL refiners – has been identified as Focus Area One. In delivering on our commitment to higher and better standards, LBMA will work with the

Refiners Working Group to meet the list of deliverables we have provided, and continue to engage with the wider eco-system through public consultations. Consultations are an important tool to help us understand expectations, and confirm if we are moving in the right direction.

The very important issue of LBMA's engagement with the Artisanal and Small-scale Mining (ASM) sector is outlined in Focus Area Two. One of the unintended consequences of regulatory and legislative changes has been the impact on direct sourcing of ASM material by GDL Refiners, which currently accounts for approximately 1% of combined throughput. LBMA started work in this area last year through a feasibility study which led to clear priorities, and a plan of action. This was communicated in October 2022 and, through the formation of the Task Force, is progressing well.

Focus Area Three goes beyond the responsibility and requirements for GDL Refiners, and addresses trust and integrity across the full value chain. The objective is to strengthen relationships with bullion banks, miners, recyclers, and traders to ensure a sustainable supply chain. This includes working with bullion banks to better align with OECD requirements and to support them with their supply chain reporting, and where relevant, their precious metals sustainability agenda, too. Furthermore, technology will play a pivotal role in supporting sustainable development, and LBMA will work with market participants to understand the type of industry guidance needed to help with market-wide implementation.

LBMA is also committed to continuing engagement with two other important groups to achieve this: the International Bullion Centres (IBC) and central banks. In 2020 LBMA published the IBC Recommendations, in an effort to strengthen our relationships with willing national authorities. Collaboration like this is essential in reinforcing sustainable supply chains through policy development and enforcement. Additionally, with the central banks keen to pursue a sustainable investment agenda, LBMA recognises the opportunity to engage with them to support their prioritisation, which includes global decarbonisation. Decarbonisation is also a high priority for several value chain actors, and LBMA's intention is to understand the role that we can play to support the wider market, as highlighted under Focus Area Five.

Overall, we have committed to a number of deliverables under Focus Area three, but the underlying focus is to improve transparency. This is going to involve establishing small, targeted working groups to guide LBMA on expectations and requirements, and, where relevant, develop public reporting templates. Through these working groups, we can then identify appropriate and reasonable timelines to deliver this strategy. Again, LBMA is not working alone on this focus area, and will be developing strategic partnerships to help with progress.

Focus Area Four, to keep it simple, is to demonstrate what LBMA is doing to support sustainability. How do we ensure we are running a sustainable organisation that is aligned with industry colleagues and best practice? More details will be shared on this in Q1 of 2024.

And finally, Focus Area Five highlights the wider sustainability agenda, and covers climate change and GHG emissions, UN Sustainable Development Goals, biodiversity and human rights issues. Our commitment here is high level, at this stage, as we navigate several challenging issues and identify partnerships with other organisations with whom we can collaborate to deliver on our pledges. Eventually, we will have to implement defined targets to help determine success and whether we are even heading in the right direction. In order to understand what those targets should be, we intend to work with subject matter experts over the next three years to provide LBMA with specific recommendations to action. A detailed plan will need to be established to ensure we can meet all that we have highlighted under this focus area, which also supports the Sustainability Declaration that was signed in Lisbon 2022. This plan, together with the timelines, will be shared for market wide consultation in the first half of 2024.

I hope this goes some way to explain our intention on how we plan to implement the three-year strategy. We are committed to public reporting on our progress under this SRS Strategy, and also to highlight the challenges we encounter, as we navigate the next three years. It is undoubtedly ambitious, but its without question necessary to support the future of sustainable supply chains.

Next Steps

The delivery of the Strategy is overseen by the LBMA Board and Executive Committee. LBMA will convene Independent Stakeholder Advisory Groups to provide input on the approach moving forward and to help to continue to identify priority issues and trends, and it commits itself to report on progress (annually) towards meeting the objectives, actions, and deliverables outlined herein.

Three-year priorities

The LBMA has identified four focus areas for action, which are directly related to LBMA's core business areas:

- Responsible sourcing
- Artisanal small-scale mining (ASM)
- Gold value chain
- Own contribution

In addition, there is a fifth focus area that identifies cross-cutting issues that support and enable further business actions. These issues include:

- Climate
- Biodiversity
- Other UN Sustainable Development Goals.

FOCUS AREA ONE: Strengthen trust and integrity of the assurance and oversight system for responsible sourcing of precious metal

Objective: Building on our core strengths in sustainability, we will continue to improve the predictability, accuracy, and legitimacy in our oversight of the assurance process for refiners against the Responsible Sourcing Programme.

Key actions:

- 1) Assess models for improving multi-stakeholder understanding of the assurance and oversight process with a view to achieving a shared understanding on how to drive progress.
- 2) Continue to explore opportunities to engage stakeholders to support the development of standards and processes.
- 3) Consult with stakeholders in order to get better insight into the assurance approach to managing assurance providers, and checking the effectiveness and conduct of the assurance providers.
- 4) Promote and enhance transparency of assurance findings.
- 5) Enhance transparency of gold and silver origin information by the continued publication of aggregated data and where possible, providing more granularity and increasing the frequency of sharing data through the Gold Bar Integrity Project.
- 6) Ensure continuous improvement in promoting assurance provider proficiency, training and development of skills.
- 7) Define the OECD assurance process recognised for intermediate refiners.
- 8) Strengthen integrity and oversight of mutual recognition processes with other smelter/refiner

assurance programmes.

Key deliverables:

- Revise mutual recognition policy and process.
- Annual publication of aggregate data on gold and silver origin by country.
- Continue to build engagement with multi-stakeholder model in the development of future RGG and RSG iterations.
- Revised risk-based RGG and RSG oversight policy, including assurance provider review.
- Strategy for assurance provider training.
- Undertake a stakeholder mapping exercise to support with the key deliverables.

FOCUS AREA TWO: ASM

Objective: Encourage the share of responsible ASM gold in the market. Promote responsible engagement with ASM gold producers, with a view to supporting the livelihoods of miners.

Key actions:¹

1. LBMA should engage with its Good Delivery List (GDL) members to establish in more detail what they are or should be looking for from regulatory regimes for ASM, and then engage with governments, civil society, and other stakeholders in ASM-producing countries to seek to secure the reforms required to achieve these regimes. This task may be more effective if conducted in conjunction with donor governments and/or the UN-funded programme PlanetGold.
2. LBMA should explore collaboration with the World Gold Council (WGC) and other stakeholders to clarify the necessary and desirable regulatory conditions to encourage ASM/Large Scale Mining (LSM) cooperation, including in the production of responsibly mined ASM gold. This would in turn encourage GDL sourcing of ASM gold.
3. LBMA should encourage GDL refiners to develop long-term relationships with these processors and intermediate refiners, which would ideally include joint efforts to raise standards among ASM suppliers.
4. LBMA should encourage GDL refiners to explore sourcing ASM gold from intermediate refiners, for example on the Responsible Minerals Initiative's (RMI's) Responsible Minerals Assurance Process (RMAP²) conformance list.
5. LBMA and its members, in conjunction with other stakeholders where appropriate, should define the criteria and requirements that would enable GDL refiners to source artisanal gold from processors and intermediate refiners. These criteria should be consistent with the RMI's RMAP auditing requirements. Those that meet these requirements should form part of a new GDL for processors and intermediate refiners.
6. LBMA should take a lead in exploring how it and its Members can begin to move beyond the current largely compliance-based approach to ASM engagement towards a shared commitment to progressive improvement via mentoring and other partnerships, such as are envisaged in the OECD Responsible Minerals Guidance. This should include revisiting the language and approach of the RGG.

Key deliverables:³

- Develop a Strategic Plan to support and integrate ASM gold into Good Delivery List Refiner production.
- Communicate and deliver on ASM Strategic Plan.
- Create Responsible ASM demand and build global awareness.

¹ These recommendations/actions are taken from the report entitled [Towards and LBMA Good Delivery List for Artisanal and Small-Scale Responsibly Mined Gold](#) and the response to it in the [LBMA Board Response to the ASM Feasibility Study](#)



² <https://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/>

³ These deliverables/actions are taken from [the LBMA Board Response to the ASM Feasibility Study](#)

FOCUS AREA THREE: Strengthen sustainability, integrity, and trust in the gold value chain – bullion centres, refiners, miners, recyclers and traders

Objective: The responsibility to ensure precious metal is ethically sourced is shared across the entire industry and with the authorities in relevant jurisdictions. LBMA will continue to identify and work with value chain actors and relevant authorities, as well as central banks, to support a sustainable global precious metals market.

Key actions:

1. Continue independent reviews of International Bullion Centres (IBCs). Provide guidance to support improved policy among IBCs, support OECD in its efforts to promote coordination and peer learning, leverage traders to support messaging to IBCs and take appropriate action.
2. Improve bullion bank alignment with OECD requirements.
3. Update reporting template and guidance for bullion trading and banking members – better elaborate how traders and banks should use refiner assurances to undertake their own Due Diligence, including on broader Environment, Social, and Governance issues (ESG).
4. Undertake a survey of market participants' perceptions of trust and integrity of the gold market, and undertake an assessment of key risks with regard to ethics and integrity.
5. Enhance engagement with recyclers and re-processors of gold – prepare supplementary guidance.
6. Develop best practice guidance and any relevant protocols to support the adoption of technology that furthers the objectives of Gold Bar Integrity.
7. Engage with relevant central banks to explore opportunities on how LBMA can support them with their sustainable investment agenda and prioritisation of energy transition and global decarbonisation.

Key deliverables:

1. Create a reporting template for use by bullion banks and traders.
2. Share publicly the results of the market survey and undertake an assessment of key risks in relation to ethics and integrity as per key action item 4 above.
3. Best practice guidance on due diligence prepared for recyclers and re-processors of gold, following engagement, as provided under key action item 5 above.

FOCUS AREA FOUR: LBMA's own sustainability

Objective: While LBMA is a small organisation, it is important nonetheless that we seek to observe the highest standards of environmental and social performance, including those related to our own workforce, diversity and inclusion, and climate impacts.

LBMA recognises this focus area covers matters that are outside of the LBMA's expertise. LBMA will work alongside subject matter experts in relation to the relevant items.

Key actions:

1. Identify and assess the social (including human rights) and environmental (including climate) impacts of LBMA's operations and its key business partners.
2. Adopt targets to mitigate the effects of LBMA operations on climate and reduce Green House Gas (GHG) emissions.
3. Undertake an independent integrity and ethics assessment of LBMA operations, business partners, and governance.
4. Promote gender and racial diversity across the LBMA, including among senior management and the Board of Directors.

5. Promote and support workforce's participation in Social Action projects/organisations.

Key deliverables:

- LBMA social and environmental impact assessment.
- Independent integrity and ethics assessment.
- Scope LBMA climate policy with science-based, net zero commitments.

FOCUS AREA FIVE: Enablers that will support a sustainable precious metals industry

Objective: LBMA, through leadership and collaboration, to identify key issues, connected to the UN Sustainable Development Goals, where further action will support the integrity and sustainability of the precious metals value chain.

LBMA recognises this focus area covers matters that are outside of the LBMA's expertise. LBMA will work alongside subject matter experts in relation to the relevant items.

Given the diverse nature of organisations and their varying degrees of sophistication, reporting requirements need to be applied proportionally. This does not mean that different standards apply, merely that the requirements should be commensurate to the nature of an organisation's type and level of engagement in the precious metals market, as well as the size and complexity of its activities in the market.

Key actions:

LBMA to engage with other organisations (i.e., other associations) to:

1. Help to reduce the gold industry GHG emissions in line with the goals of the Paris Agreement.
2. Explore issues around other UN Sustainable Development Goals (SDGs) that impact the industry and develop appropriate mitigation strategies.
3. Scope and develop impact assessments in regard to:
 - bullion supply chain biodiversity;
 - broader human rights (beyond OECD Annex II⁴) to identify the most salient human rights risks associated with the gold market, including gold mining, trading, and recycling; and
 - corruption and integrity from mine to refiners and together develop a mitigation strategy based on the results.
4. Work towards a consensus on the definition of sub-categories of recycled gold to further aid the GHG framework.

LBMA to lead:

1. Develop key indicators and data sources to track LBMA's contribution to the UN SDGs.
2. Provide a suitable roadmap for the reporting of GHG emissions and provide support to members through working group consultations.
3. Create a GHG reporting template and framework for refiners to report Scope 1 and 2 emissions in a robust, standardised, and comparable manner, that is interoperable with downstream and upstream reporting/data practices.
4. Coordinate GHG reporting template for miners, in coordination with WGC, working towards a plan for Scope 3 emissions data for bullion products.

⁴ <https://www.responsiblemineralsinitiative.org/minerals-due-diligence/issues/oecd-annex-ii-risks/>

5. Explore feasibility of creating data sets for gold bullion product-level emissions.
6. Support and encourage market reporting against the Task Force on Climate-related Financial Disclosures (TCFD) framework and the Taskforce on Nature-related Financial Disclosures (TNFD) framework.
7. On the basis of impact assessments (as provided above), update RGG and RSG to clarify the most salient progress criteria on gold and silver sourcing related to ESG issues, including and where relevant:
 - Corruption and human rights (including labour and health and safety)
 - Environmental protection and water stress
 - Local development, communities and social responsibility
 - Recycled gold
8. Identify and develop ESG reporting indicators for refiners to generate comparable data on ESG risk management, to be used by the market – combining existing reporting on due diligence with ESG and GHG reporting more broadly.

Key deliverables:

- TCFD and TNFD promotional strategy.
- GHG Roadmap / net zero roadmap / climate risk assessment and adaptation.
- Revision of RGG and RSG.