

LBMA RESPONSIBLE SOURCING PROGRAMME

Third Party Assurance Guidance

November 2022

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 List (GDL) Gold and Silver Refiners' (Refiners) due diligence practices. LBMA was actively involved in drafting the OECD Due Diligence Guidance¹ 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 GDL 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).

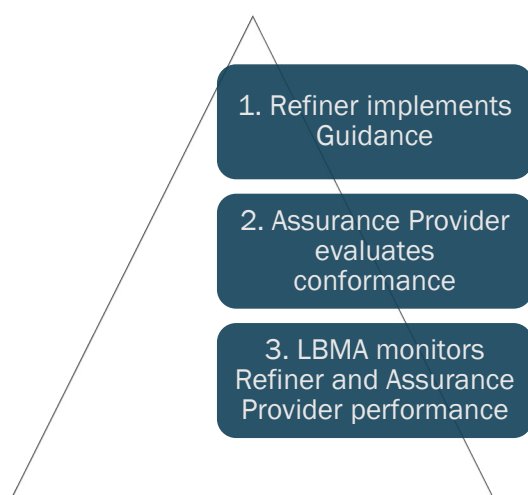


Figure 1: Three levels of control

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

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

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 Assurance Providers who have been engaged to perform independent assurance of the Refiners' Compliance Report in accordance with Step 4 of the Guidance. It sets out guidance for the application of the International Standard on Assurance Engagements 3000 (Revised)² (ISAE 3000) in the context of the LBMA Programme.

GDL and Non-GDL Precious Metals Refineries may also access the Assurance Guidance and may choose to apply any or all aspects to their operations.

Enquiries and Version History

Enquiries may be emailed to: Responsible.Sourcing@lbma.org.uk

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

² International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits of Reviews of Historical Financial Information, December 2013

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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.

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

Auditor: For the purpose of this document, an auditor refers to, Assurance Providers or assurance team,

Assurance: The carrying out of assurance is referred to as an assurance engagement. This is defined by ISAE 3000 as follows:

- A process where a Practitioner evaluates or measures a subject matter that is the responsibility of another party against suitable criteria;
- Based on that evaluation, an independent Assurance Report is prepared that expresses a conclusion to provide the intended users with a degree of confidence about the subject matter.

Beneficial Owner: 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 persons who exercise ultimate effective control (defined as 10% or more ownership for mined material and 25% for recycled) over a legal person or arrangement.

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 Environmental, Social and Governance responsibilities.

Environment: The totality of all the external conditions affecting the life, development and survival of an organism.³

ESG: Environmental, Social and Governance

Follow-up Audit: A separate audit of the Refiner's Corrective Action Plan relating to any high-risk non-compliances.

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

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

³ OECD definition

January 2012, which will not require a determination of origin. This includes stocks held by a third party on behalf of the listed entities.

High-Risk: For the purpose of this Guidance, high-risk may apply to any or all parts of a precious metals supply chain and any actor in a precious metals supply chain that is at a higher risk of being associated with or contributing to armed conflict, widespread violence, systematic or widespread human rights abuses, money laundering or financing of terrorism.

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).⁴ 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.⁵

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).

ISAE 3000 Assurance Engagements Revised: International Standard in Assurance Engagements ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) is a commonly applied standard for non-financial reporting engagements. It is issued by the International Auditing and Assurance Standards Board (IAASB). Key characteristics include:

- Three-party relationship (between company management, auditor and intended users of the Assurance Report);
- Designed to enhance the confidence of intended users;
- Evaluates the subject matter against the suitable criteria;
- Risk assessment, and plan and perform assurance procedures to obtain sufficient appropriate evidence to form a conclusion;
- The output is an independent Assurance Report.

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.

Limited Assurance: A lower level of assurance where a negative form of expression is issued. The objective of a limited assurance engagement is to reach a conclusion that is meaningful and not misstated based on the work performed.

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.

⁴ UN Office of the High Commissioner on Human Rights: <http://www2.ohchr.org/english/law/>

⁵ 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>

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.

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.

Objective Evidence: Verifiable information obtained from documents, records, observations and/or statements of facts.

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

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.

Precious Metals Refining: Metallurgical operations that add value and produce fine precious metals with a concentration of 995 parts per thousand or higher from precious metals and precious metals-bearing materials, usually beginning with lower concentrations, including ancillary activities such as sampling, laboratory analysis and assay, etc.

Reasonable Assurance: A higher level of assurance where a positive form of expression is issued. The objective of a reasonable assurance engagement is to reach an opinion on whether the subject matter is materially free from misstatement.

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 life cycle. 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).

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).

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.

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.

Introduction

1.1 Purpose of the Document

The Responsible Sourcing Third-Party Assurance Guidance (“Assurance Guidance”) is intended to support LBMA approved Assurance Providers (“Assurance Providers” or “Practitioners”) engaged to perform independent assurance in accordance with Step 4 of the Responsible Sourcing Guidance (“the Guidance”). It sets out guidance on the application of the assurance concepts and requirements specific to these types of engagements as well as practical steps to address potential issues that may arise. It is not intended to be an assurance standard and has been developed primarily to promote quality and consistency in the conduct of assurance engagements across the LBMA Responsible Sourcing Programme (“the Programme”).

It is expected that the Assurance Provider will apply the ISAE 3000 assurance standard in the performance of these engagements. The ISAE 3000 assurance standard is a commonly applied standard for non-financial reporting engagements. It is issued by the International Auditing and Assurance Standards Board (IAASB).

This Assurance Guidance should be read in conjunction with:

- the ISAE 3000 assurance standard
- the Responsible Sourcing Guidance (“the Guidance”), comprising the Responsible Gold Guidance (“RGG”)⁶ and the Responsible Silver Guidance (“RSG”)⁷
- the Refiners Toolkit

LBMA GDL Refiners (“Refiners”) should refer to this document to understand and prepare for the independent assurance process. Assurance Providers shall require Refiners to justify any substantial deviations from the Guidance and Refiners Toolkit (comply or explain).

Assurance Objective

The LBMA Guidance requires Refiners to undertake supply chain due diligence along the entire precious metals supply chain, consistent with anti-money laundering principles, as well as the five-step framework described in the Guidance. In addition, the Guidance has been developed to recognise the increasing importance of having strong corporate governance and address Environmental, Social and Governance (“ESG”) responsibilities in mined gold supply chains.

Each year, in accordance with Step 5 of the Guidance, Refiners are required to prepare a publicly available Compliance Report describing the underlying management systems and activities undertaken to conform with the Guidance as well as the actual performance against the Guidance. In addition, Refiners prepare a confidential Country of Origin Annex outlining volumes and jurisdictions from which various types of mined and recycled materials are sourced during the year. This is shared only with LBMA.

The Assurance Provider is expected to express a conclusion on whether the Refiner’s annual reporting fairly describes the Refiner’s activities and on management’s overall conclusion on meeting the objectives of the Guidance. 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.

⁶ Responsible Gold Guidance version 9, November 2021 <https://cdn.lbma.org.uk/downloads/Publications/2021/Responsible-Gold-Guidance-Version-9-Final.pdf>

⁷ Responsible Silver Guidance version 1, September 2017 <https://cdn.lbma.org.uk/downloads/responsible-sourcing/20170824-Responsible-Silver-Sourcing-Master-SHD-V1.pdf>

Reporting and Assurance deliverables:

Refiner	Assurance Provider
Supply Chain Due Diligence Policy and Compliance Report (Public)	Independent Assurance Report (Public)
Country of Origin Annex (Confidential)	Independent Assurance Report (Confidential)
Corrective Action Plan prepared by the Refiner, if required (Confidential)	Report to Management (Confidential)

Assurance Period

The Refiner's Compliance Report and Country of Origin Annex must be assured annually. The effective start date for the Guidance, and hence this Assurance Guidance, is for reporting periods commencing on or after 1 January 2022 and will cover activities over the previous 12 months. The Refiners have 12 months to implement the LBMA Responsible Gold Guidance and all requirements are expected to be implemented by the end of 2022.

It is expected that the responsible sourcing reporting will follow the Refiner's financial reporting cycle and the assurance must therefore be completed within three months of the Refiner's financial year-end.

Assurance Provider Approval

Only approved Assurance Providers that meet LBMA's core skills and competency requirements may perform these engagements. In addition, ISAE 3000 engagements are designed to be used with the International Standard on Quality Control (ISQC) 1,⁸ which establishes minimum quality control standards. The LBMA Executive publishes an Approved Assurance Providers List on its website (www.lbma.org.uk). Prospective Assurance Providers may apply for accreditation using the [Assurance Provider's Application Form](#).

At a minimum, Assurance Providers must fulfil the following requirements:

- a) **Independence:** The Assurance Provider, as a firm and individually, must have complete financial and other independence from the Refiner. In particular:
 - i) the Assurance Provider shall not be involved in the design, establishment or implementation of the Refiner's precious metals supply chain management systems for a period of at least 24 months prior to the engagement.
 - ii) Refiners must rotate Assurance Providers or Engagement Partners every ten years. Assurance Providers or Engagement Partners may be re-engaged after a period of ten years subject to LBMA approval.⁹
- b) **Institutional capacity:** The Assurance Provider must have adequate organisational capacities, including:
 - i) A robust system of quality control, including minimum requirements for independence, conflicts of interest, ethics and integrity, and assurance quality control reviews.
 - ii) The capacity to process appeals and/or handle complaints.
 - iii) The capacity to provide adequate and ongoing training to individual team members to maintain levels of competency.

⁸ International Standard on Quality Control (ISQC) 1 issued by the International Ethics Standards Board of Accountants (IESBA), December 2009

⁹ 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.

- c) **Skills and competencies:** The Engagement Partner should take responsibility for and play an active part in the engagement. In addition, individuals involved in the engagement must collectively possess the skills, knowledge and experience required to competently perform the engagement. These may include, but are not exhaustive to knowledge of and experience in:
- The Precious Metals Refining industry, including various types of sources, precious metals supply chains, procurement practices and refining methods.
 - Supply Chain Due Diligence principles, procedures and techniques.
 - Regulations and best practices including the OECD Due Diligence Guidance, Financial Action Task Force on Anti-Money Laundering and Financing of Terrorism principles, Human Rights, and Environmental, Social and Governance risks and management practices.
 - Local context, including social, economic, political and cultural considerations, of conflict-affected and/or high-risk areas.

LBMA must be informed of any changes in personnel at the Assurance Provider (for example, individuals joining / leaving).

The LBMA Executive shall continuously review and monitor the Approved Assurance Providers List based on changes in personnel or quality issues and may request Assurance Providers to undertake refresher training. Where a quality review reveals actions or omissions that affect the integrity of the Programme, the Executive reserves the right to remove the Practitioner from the Approved Assurance Providers List.

1.2 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).

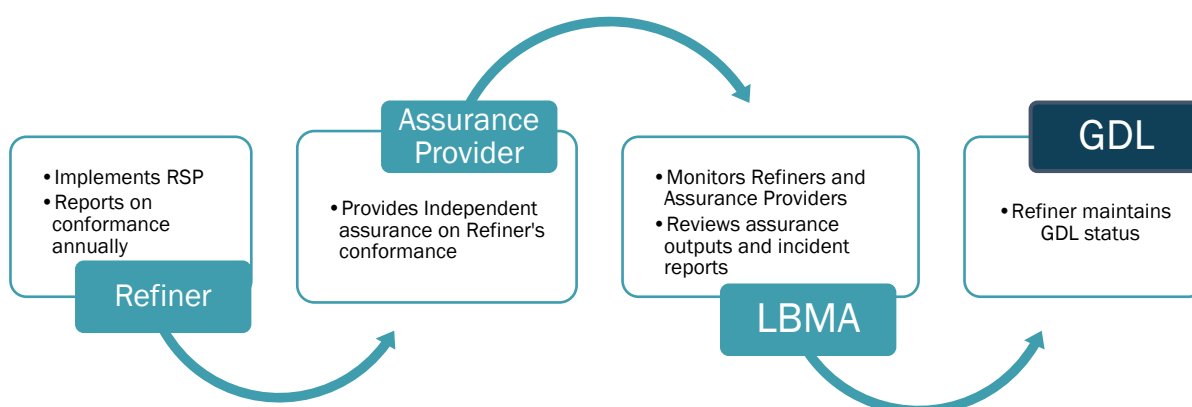
RGG Effective Date

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 or Assurance Provider 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 1: LBMA GDL Certification Process



Request for Further Information

LBMA reserves the right to request information and supporting documentation from Assurance Providers as well as the right to shadow assurance engagements. From the 2022 audit cycle, LBMA will shadow new Assurance Providers and routinely undertake independent practice reviews on a rotational basis to review consistency and quality of engagements across the Programme. Common themes and challenges identified will inform future Assurance Provider training and knowledge-sharing programmes.

LBMA may request Refiners to make additional information on their annual assurance engagements (e.g., Assurance Providers Report to Management) available to third party organizations to meet emerging regulations and requirements (e.g., EU conflict minerals regulations).

Special Assessments

A Special Assessment 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 Assessment, LBMA selects an auditor that is independent of the original auditor. The Special Assessment is an effective tool for LBMA to address issues that arise between annual assurance engagements. See www.lbma.org.uk for more information.

1.3 Training and resources

It is the Assurance Providers' responsibility to ensure that all team members involved in an LBMA assurance engagement remain up to date on developments in this area. To support this, LBMA provides a range of resources and opportunities accessible by Refiners and Assurance Providers including:

- Responsible Sourcing Newsletter



- Annual Responsible Sourcing Report
- Assurance Provider training and online responsible sourcing information modules
- Webinars on market developments, trends and insights.

These are available on the www.lbma.org.uk.

Assurance Providers are also encouraged to contact the responsible sourcing team with queries and information requests at responsible.sourcing@lbma.org.uk

1.4 Complaints

Any complaint about the quality of an assurance engagement or conduct of an Assurance Provider must be made in writing and must be supported by objective evidence. Oral complaints will not be accepted; all complaints must be in the English language. Complaints must be mailed or emailed to:

LBMA Chief Executive
7th Floor, 62 Threadneedle Street
London EC2R 8HP
mail@lbma.org.uk

Engagement Acceptance

Objective: Effective engagement set-up and efficient administration

The International Standard on Assurance Engagements (ISAE) deals with assurance engagements other than audits or reviews of historical financial information. ISAE 3000 assurance engagements require the Practitioner to evaluate the underlying subject matter against specific criteria. During the engagement acceptance phase, in addition to the requisite independence quality control requirements of the assurance team stipulated by the LBMA and ISAE 3000, the engagement partner should satisfy themselves with:

- the key requirements of the assurance engagement
- the scope, timing, and nature of the assurance engagement and procedures.

This section outlines the key concepts and the application thereof of the ISAE 3000 standard to LBMA responsible sourcing engagements.

2.1 Key requirements of an ISAE 3000 Assurance Engagement

Roles and Responsibilities

An LBMA assurance engagement is a four-party relationship and includes LBMA, the Refiner and the Assurance Provider working together to maintain the integrity of the LBMA Programme, such that the Intended User may place reliance on it.

Party	Role and Responsibility
LBMA	Establishes and maintains the integrity of the LBMA Programme by: <ul style="list-style-type: none">• Setting GDL standards including Programme requirements and Responsible Sourcing and Assurance Guidance documents• Approving and monitoring GDL Refiners• Approving and monitoring Assurance Providers• Reviewing Refiner's reporting and assurance deliverables and granting GDL status• Providing an independent grievance mechanism for stakeholders• Requesting Refiners to undertake Special Assessments as and when necessary
Refiner	Manages Programme integrity by: <ul style="list-style-type: none">• Implementing and conforming with Steps 1 to 5 of the Guidance and overall Programme objectives• Preparing and implementing a Precious Metals Supply Chain policy to identify, manage and report responsible sourcing risks in the supply chain• Preparing an annual Refiner's Compliance Report to publicly disclose conformance with the Guidance and Programme objectives• Appointing an LBMA approved independent Assurance Provider and providing access to all evidence required by the Assurance Provider• Implementing a Corrective Action Plan for all non-conformances identified• Submitting the reporting and assurance deliverables to LBMA within three months of the financial year-end• Undertaking follow-up audits on resolution of high-risk non-compliance within 90 days of the assurance engagement• Responding to LBMA's requests for additional information on the assurance engagement or directing Assurance Provider to do so• Complying with LBMA's requests for Special Assessments.

Assurance Provider	<p>Supports Programme integrity by:</p> <ul style="list-style-type: none"> • Evaluating and reporting on the fair presentation of conformance in the Refiner's Compliance Report, in accordance with ISAE 3000 • Satisfying LBMA and ISAE 3000's independent, competency and quality control requirements, and declaring this in the Assurance Report • Issuing a Management Report to the Refiner to detail non-conformances • Responding to LBMA's requests for additional information on specific aspects of the assurance engagement as authorised by the Refiner • Undertaking Special Assessments requested by LBMA.
Intended users	<p>Places reliance on Programme integrity by:</p> <ul style="list-style-type: none"> • Using the Refiner Compliance and Assurance Reports (and in some instances the Management Report) to assess company performance and make decisions.

Assurance Subject Matter

The LBMA assurance subject matter includes the Refiner's disclosures on its conformance with the Guidance and the underlying management systems used to derive these disclosures, as presented in the Compliance Report and the Country of Origin Annex. For example, Step 5 of the Guidance requires the Refiner to conclude on its overall conformance with the five-step framework. This conclusion, and the internal policies, processes, management systems and controls that support the conclusion, form the subject matter.

ISAE 3000 requires an assurance engagement to be conducted on an appropriate subject matter, qualified as one that is identifiable and capable of consistent evaluation or measurement against identified criteria and that can be subjected to procedures for gathering sufficient appropriate evidence to support an assurance conclusion. In other words, the Refiner should have appropriate procedures and processes in place for a systematic evaluation of risk and supplier due diligence to conclude on their conformance with the Guidance.

Assurance Criteria

The LBMA assurance criteria consist of the requirements set out within the Guidance, supplemented by the Refiner's interpretation and application at a more detailed level through its own policies, procedures and internal controls. It is the Assurance Provider's responsibility to assess the suitability of the assurance criteria, and hence the Refiner's precious metals supply chain policy and management systems. It is not necessary for the Assurance Provider to assess whether the Guidance requirements are adequate, only how the Refiner has interpreted and applied them.

The Assurance Provider evaluates the criteria by checking that it is:

- **Relevant:** The Refiner's policies and procedures have a logical connection to the LBMA Guidance and Programme objectives.
- **Complete:** The Refiner's policies and procedures, including those outlined in their public disclosures, consider all supply chain risks outlined in the Guidance.
- **Reliable:** The Refiner's policy and procedures can be consistently applied across all operations and suppliers in scope.
- **Neutral:** The information sources used to inform the Refiner's policies and procedures are free from bias.
- **Understandable:** The Refiner's policies and procedures are clear and comprehensive, and can be understood by the intended user.

In practice, detailed evaluation of the criteria is likely to take place during the planning and risk assessment phase, and this Guidance provides key considerations for the Assurance Provider to evaluate the Refiner's policy and procedures in the following section.

In the event that the Assurance Provider's assessment indicates the Refiner's interpretation and application of the Guidance is not suitable, the Assurance Provider should discuss with the Refiner the impact of the required changes to the interpretation and application of the Guidance. If the interpretation and application of the Guidance cannot be altered in time (for coverage over the 12-month period under review), the Practitioner should consider the impact on the Assurance Report, and whether it should issue a qualified conclusion or withdraw from the engagement.

ISAE 3000 requires the criteria to be publicly available for intended users to understand how the subject matter has been derived. The Assurance Provider therefore must ensure that sufficient information is published by the Refiner in its policies and Compliance Report for users to gain an appreciation of the criteria.

2.2 Scope, nature, extent and timing of procedures

The Assurance Provider plans the assurance procedures to be performed to gather sufficient, appropriate evidence to support a reasonable or limited assurance conclusion for the selected scope. To plan the nature, extent and timing of the assurance approach, the Practitioner should consider:

Assurance Scope	The scope includes factors such as locations, functions, activities, reports, as well as the time period to be covered during the audit.
Assurance Engagement Risk	The risk that the Practitioner expresses an inappropriate conclusion on the Refiner's conformance with the Guidance.
Materiality	Information is material if its misstatement, including omission, could influence the decisions of intended users to make sound judgements.
Evidence Quantity and Quality	When designing and performing procedures, the Practitioner shall consider the relevance and reliability of the information to be used as evidence.
Assurance Level	ISAE 3000 distinguishes between two levels of assurance. There is a greater extent of testing and evidence gathering in a <i>reasonable level of assurance</i> to provide a higher degree of comfort to users of the Compliance Report than in a <i>limited level of assurance</i> .
Timing of procedures	Assurance procedures may straddle the year-end or be completed post year-end. Time spent on site will depend on the complexity of the supply chain.

Assurance Scope

Implementation of Step 4 of the Guidance is mandatory for all Refiners. Each individual refinery accredited with LBMA must be subject to independent assurance, with the following scope considerations:

Organisational Boundary	
In scope	All units involved in the Refiner's precious metals supply chain, including sales, procurement, marketing, smelting, refining and supply chain risk assessment operations Off-site marketing offices which undertake Know your Counterparty (KYC) procedures
Out of scope	Refiner's operations that are not related to precious metals refining Locations of the Refiner's business partners, including suppliers
Material	
In scope	All precious metals-bearing material, including mined, recycled or grandfathered sources, received for refining or melting for the production of precious metals product (bars, grains, coins, etc.) within the assurance period
Out of scope	Precious metals-bearing material that, due to its properties, presents minimal responsible sourcing risks. For example: Low precious metals content – low-value industrial by-products such as furnace flue dust, spent crucibles and floor sweepings, or residue cell slimes from the refining of other metals

Multi-Site Assessments

Where Refiners source multiple metals that are covered under the LBMA and LPPM Responsible Sourcing Programmes and are required to conform to the Responsible Gold Guidance (RGG), Responsible Silver Guidance (RSG) and the Responsible Platinum and Palladium Guidance (RPPG), it may be possible to undertake one 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 conflict and ESG risks for primary supply chain
- Detailed sample testing adequately covers all metals in scope
- 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 engagement against the relevant metal Guidance should they chose to.

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

Virtual Audits

In 2020, LBMA released a virtual assurance policy to enable, in limited circumstances, an LBMA GDL Refiner to commission a remote assessment to ensure the safety of Refinery staff as well as the third-party Assurance Provider.

The policy applies to the following types of virtual assurance engagements:

- Gold and combined metals audits being undertaken by the same Assurance Provider in the previous year(s)
- Gold and combined metals limited assurance engagement
- Gold and combined metals follow-up engagement
- Silver-only reasonable, limited and follow-up engagements.

In all other circumstances, on-site assessments remain the only available option.

Virtual assurance can only be commenced with the explicit prior written permission of LBMA. LBMA reserves the right to reject any request to perform virtual assurance and reserves the right to shadow any virtual assurance engagements. Any request to perform a virtual assurance engagement must be jointly submitted by the Refiner and the Approved Assurance Provider.

Assurance Engagement Risk

Assurance engagement risk is the risk faced by the Practitioner of delivering an incorrect opinion on the Refiner's conformance with the Guidance. In other words, it is the risk that material non-conformances are not identified. It is driven by three key components:

- 1 **Inherent risk:** Qualitative characteristics of the subject matter (e.g., the geographical spread and complexity of the Refiner's precious metals supply chains) and the methods used for deriving this information (e.g., systems and processes used by the Refiner to implement the Guidance).
- 2 **Control risk:** The suitability of the Refiner's management systems, processes and internal controls to detect or prevent the risk of illicit material entering the Refiner's supply chain.
- 3 **Detection risk:** The extent and sufficiency of the Assurance Provider's procedures to identify material non-conformances in the Refiner's management systems.

These types of engagements are subject to relatively high inherent risks given the qualitative nature of the subject matter and different means to manage risk in the supply chain. To manage assurance risk, the Practitioner should therefore focus the assurance plan on the quality of the Refiner's internal controls to identify and manage supply chain risks, and should plan to conduct detailed testing on those areas that may lead to material non-conformances with the Guidance.

Assurance risk may be heightened by:

- A lack of availability of pre-audit information
- The possibility of bias or misreporting of facts
- The number of counterparties assessed to be in a 'conflict-affected or high-risk' area
- The trends reported over time, such as a decline in the control environment
- The information needs of users
- Inadequate reporting timelines.

Moreover, the Assurance Provider needs to consider assurance risk at various levels of the engagement and plan procedures accordingly.

Materiality

Information is material if its misstatement, including omission, could influence the decisions of intended users to make sound judgements. As part of the planning and risk assessment stage, as well as throughout the engagement, the Assurance Provider should consider the risk of material misstatements or level of non-conformances that could arise in the Refiner's disclosures and underlying management systems. The Assurance Provider uses professional judgement supported by the criteria set out in the Appendix to determine material non-conformances.

A management system deficiency may turn out to have multiple causes and the Assurance Provider is expected to exercise substance over form when assessing the risk level of the non-conformance, based on the above criteria. Examples of deficiencies may arise from, but are not limited to:

- Missed or unknown legal requirements
- Non-compliance with applicable law
- Departure from procedure or defined process
- Incomplete or missing documentation
- Ineffective implementation of a control, process or procedure
- Ineffective risk identification and risk assessment
- Inadequate training
- Incorrectly specified equipment and controls
- Ineffective organisational structure
- Lack of resources, time or capacity.

Where the auditor identifies a non-compliance (medium-risk, high-risk or zero-tolerance) as part of their assurance procedures, it is recommended that they communicate this with the Refiner immediately so that the Refiner can start to implement a Corrective Action Plan.

Quality and Quantity of Evidence

When designing and performing procedures, the Practitioner shall consider the sufficiency and appropriateness of the information to be used as evidence to support the assurance conclusion. Sufficiency relates to the quantity of evidence, and appropriateness is a measure of the quality of the evidence. Both are interrelated: quantity of evidence is affected by the risk of material misstatements – the higher the risk, the more evidence is likely to be required – and also by the quality of the evidence – the higher the quality, the less evidence may be required.

Quality of evidence is influenced by its source and by its nature, and is dependent on the circumstances under which it is obtained. For example, evidence is more reliable when:

- It is obtained from third-party sources, e.g., legal permits, licences or other authorisations
- Controls over internally generated evidence are more effective, e.g., exports of transaction records from independently audited financial management systems
- It is obtained directly by the Practitioner, e.g., observing versus inquiry about a control application
- It is in documentary form whether paper, electronic or other media, e.g., compliance committee meeting minutes.

It is important to note that there may be exceptions to the above criteria. For example, ISAE 3000 states that “evidence obtained from an external source may not be reliable if the source is not knowledgeable or objective”. It is therefore important to obtain and corroborate information from different sources or of a different nature. Where evidence obtained from one source is inconsistent with that obtained from another or the Practitioner has doubts about the reliability of information to be used as evidence, the Assurance Provider should determine whether changes or additions to assurance procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the engagement.

In a risk-based assurance engagement, the quantity of evidence collected requires some level of sampling, for example, reviewing a representative sample of documents and records. The selected sample must be robust, meaning that it should be of sufficient size in relation to the total population, and be able to objectively support the assurance conclusion. There are several techniques used to determine sample selection. For example, samples may be based on the Assurance Providers professional judgement (e.g., to support a suspicion of a problem) or through probabilistic sampling approaches (e.g., random sampling).

Using the Work of Other Parties

Evidence may also include information prepared by an expert employed or engaged by the Refiner. An internal audit function or other service providers and subject matter specialists (“other parties”) may regularly evaluate the Refiner’s responsible sourcing policy, procedures, processes and controls, or parts thereof. Where possible, the Assurance Provider should consider these existing reviews, confirm the extent to which these may be relied upon and complement them as needed. The Assurance Provider should as a minimum consider:

- The scope of the review to understand how it relates to the scope of the LBMA assurance
- The competencies of the other parties with respect to the subject matter of the review
- Whether the other party has used a systematic and disciplined approach, including quality control, in performing their work.

International Standard on Assurance (ISA) 610 Considering the Work of Internal Audit or ISA 620 Using the Work of an Auditor’s Expert or equivalent provide further guidance.

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

Existing Standards or Certifications

LBMA’s intention is not to require duplication nor re-performance of existing auditing arrangements. Independent audit or verification carried out under other initiatives may be used as evidence to assess

conformance with relevant aspects of the LBMA Guidance. It must be noted that the scope of these initiatives, however, may differ, as do programme governance requirements, and may not completely address the requirements of the LBMA Guidance. LBMA undertakes an independent assessment of all initiatives wishing to be recognised by LBMA. LBMA will announce recognised schemes separately and Assurance Providers should check LBMA website for up-to-date list of recognised schemes.

Levels of Assurance

Assurance procedures performed will vary in nature, timing and extent between reasonable and limited levels of assurance. A reasonable assurance engagement is designed to reach a conclusion on whether the subject matter is materially free from misstatement. It is a higher level of assurance, and a positive form of expression.

The procedures performed in a limited assurance engagement are less than those conducted for a reasonable level of engagement. The assurance obtained is therefore substantially lower than for a reasonable assurance engagement.

A key difference between reasonable and limited assurance is that during a reasonable assurance engagement, the Practitioner is expected to evaluate the design of the Refiner's internal controls to detect and prevent material risks of non-conformance prior to testing the implementation of these controls. For example, the Assurance Provider is required to consider whether the Refiner's:

- CAHRA classification is suitable to identify high-risk suppliers, based on the full suite of responsible sourcing risks outlined in the Guidance
- Compliance team has sufficient and appropriately skilled resources to identify and manage potential risks resulting from due diligence
- Key processes are sufficiently integrated to prevent risks from materialising
- Information management systems have sufficient and appropriate access controls such that records can be trusted.

A limited assurance engagement is still required to deliver a meaningful level of assurance. ISAE 3000 suggests emphasis on management inquiry, analytical reviews and limited detail testing in select areas (for example, transactions monitoring or supplier due diligence). Considerations for materiality, assurance risk and the quality of evidence remain relevant in the limited assurance approach.

Whether sufficient appropriate evidence has been obtained on which to deliver a meaningful conclusion is a matter of professional judgement. In practice, where the evidence gathered is not deemed sufficient or appropriate for a meaningful conclusion for a limited assurance engagement, the Assurance Provider will be required to extend the work performed.

Where possible, evidence gathering should be aligned to the Refiner's existing processes, controls and systems to reduce the burden on the Refiner of providing significant additional information that may not be part of the normal course of operating a site in accordance with good practice. Examples of the types of evidence-gathering activities that an Assurance Provider may perform include:

- **Inspection** e.g., reviewing a sample of Know Your Counterparty files to ensure relevant information has been obtained
- **Observation** e.g., reviewing internal control procedures during refinery site visits
- **Confirmation** e.g., performing walkthroughs of key processes and documents to confirm understanding
- **Inquiry** e.g., conducting management and key stakeholder interviews to gather information
- **Re-performance** e.g., checking the correct risk classification of counterparties
- **Re-calculation** e.g., checking the accuracy of the quantitative Country of Origin Annex information
- **Analytical procedures** e.g., conducting trend analysis on volumes supplied by counterparties.

Timing of Assurance Procedures

When determining the time necessary to complete the assurance engagement for each Refiner, the Assurance Provider is recommended to use the following Guidance criteria:

- The geographical location of each site (more time is required for the on-site audit of locations in conflict-affected or high-risk areas)
- Size and complexity of operations for each site, e.g.,
 - the number and risk level of counterparties and the overall size of operations
 - the number of transactions in the audit period
- Multi-Site Assessments.

In practice, engagement may start pre-year-end and procedures may focus on testing up to nine months of the year in review. 'Top-up' testing for the remaining three months should then be carried out post year-end to ensure the entire period under review has been covered. New engagements may benefit from this approach. It allows the Assurance Provider more time to evaluate both the design and operation of key processes and controls, as well as providing the Refiner with sufficient time to resolve assurance findings, where possible, prior to reporting.

Alternatively, depending on geographies and accessibility, it may be more efficient to conduct the full engagement post year-end.

Professional Scepticism

In addition, ISAE 3000 requires the Assurance Provider to exercise professional scepticism in the conduct of the engagement. Professional scepticism is necessary to question inconsistent evidence, the reliability of management systems and controls, and responses to enquiries. It also includes consideration of the sufficiency and appropriateness of evidence obtained. The Assurance Provider should also take into account cultural considerations and local regulatory or good practice requirements during the conduct of the engagement.

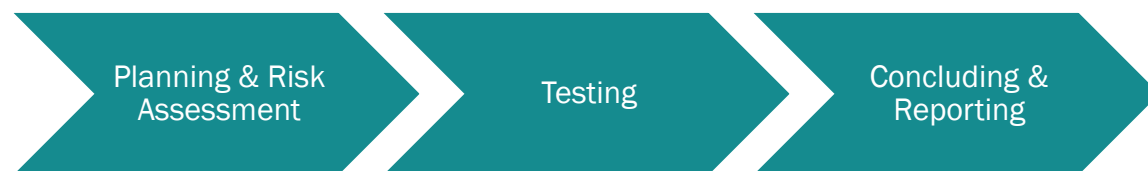
Assurance Process and Key Considerations

The Assurance Provider must undertake several responsibilities throughout the engagement. This includes planning the engagement and conducting an engagement risk assessment, performing testing procedures to gather sufficient appropriate assurance evidence, and completing an overall evaluation of the engagement to form and reporting their conclusion.

In an ISAE 3000 assurance engagement, the detailed testing plan is designed by the Assurance Provider based on the output of their planning and risk assessment procedures. Risks are considered as a reasonable possibility of a material misstatement in the Refiner's Compliance Report and Country of Origin Annex. The risk assessment is expected to be unique for each engagement and prescribing assurance procedures is therefore not possible.

This section, however, provides guidance on key considerations at each stage of the assurance engagement. Assurance Providers must note that this is not an exhaustive list of ISAE 3000 requirements and assurance considerations, nor should it be considered an assurance programme to be followed for every engagement. Practitioners are expected to incorporate this guidance into their own assurance programmes as relevant.

Assurance Phases



3.1 Planning and Assurance Engagement Risk Assessment

Objective: Assessing the engagement risk and setting the assurance plan

The objective of this phase is to assess the suitability of the assurance criteria and obtain an understanding of the Refiner's business, sector, industry and environment, its reporting policies, practices and performance, and the intended users of its report, to identify the risk of material non-conformances on which to focus the audit procedures. In this phase, the Assurance Provider undertakes desktop research supplemented by other procedures to:

- Assess the Refiner's interpretation and application of the Guidance, and evaluate the suitability of the assurance criteria
- Review the Refiner's general control environment with respect to responsible sourcing.

Assurance Providers follow the criteria set out in Step 1 of the Guidance: Establish strong company management systems to assess engagement risk. However, while the planning phase is a key step to managing assurance risk and engagement efficiency, the effectiveness of the assurance plan, including the nature, timing and extent of the planned procedures with respect to emerging material non-conformances, should be reconsidered throughout the engagement as an iterative process.

When assessing the suitability of the criteria, the Assurance Provider should be aware of the following:

- Professional scepticism – the need to maintain an independent and sceptical mindset, and entertain a realistic possibility that management’s assertions may be misstated
- Management bias – there may be reputational and commercial consequences to non-conformance
- Cultural considerations – the requirements of the Guidance may not be easy for companies to apply across all their operations, and there may not always be a cultural fit with certain territories. The Assurance Provider needs to preserve a mindset that does not consider inconsistent application of the Guidance and/or unethical behaviour to be acceptable for certain areas.

Guidance (ISAE 3000 / RGG)	Key considerations
<p>Obtain an understanding of the Refiner’s operating environment</p> <p>Identify the intended users and their information needs</p>	<ul style="list-style-type: none"> • Business and organisational structure: <ul style="list-style-type: none"> - Parent, subsidiaries, affiliates and their activities and locations - Names and locations of refineries, and types of precious metals-bearing material received and processed - Base metal refining operations to determine whether precious metals-bearing material could be mining by-products - Units or operations that are actively contributing to precious metals activities, processes and systems, including off-site offices, processing facilities and/or storage areas - Material processing method - Participation in other precious metals supply chain initiatives and commitment to ESG - Publicly available information on business partners and precious metals supply chain practices - General industry or market developments that may require specific attention - Prior year’s Compliance Report and Assurance Report - Prior year’s Management Report and Corrective Action Plan - Precious metals supply chain policy and procedures - Other internal or external audit / assurance engagement relevant for aspects of the LBMA assurance (e.g., anti-money laundering audits, bribery and corruption audits, ESG audits) - Prior and current year (if possible) Country of Origin Annex.
<p>Adopt and commit to a policy for gold supply chain due diligence</p>	<p>Policy evaluation:</p> <ul style="list-style-type: none"> • Gap assessment of the Refiner’s policy against Step 1.1 of the Guidance including: <ul style="list-style-type: none"> - OECD Annex II risks - Environmental, Social and Governance risks - Minimum criteria to be addressed in the policy document. • Policy implementation:

- Policy implementation and monitoring processes, including:
 - Effective date and formalisation process
 - Frequency of review and update process
 - Internal and external communication
 - Monitoring of policy awareness and understanding
 - Publication of policy
 - Incorporation of previously identified corrective actions where relevant.
- Note 1: In practice, Refiners may have a suite of policies which cover the Guidance requirements, including codes of conduct, procurement policy, human rights policy, anti-money laundering and cash transactions policy, and anti-bribery and corruption policy. In some cases, the Refiner may have a principles-based policy for external publication with detail referenced in additional internal policies and/or process documents. The auditor should review these collectively to ensure all requisite elements of the Guidance are covered.
- Note 2: Policies may not always reflect updates to the Guidance or the OECD Due Diligence Guidance. For example, recent additions in the RGG regarding environment and sustainability, and payments of taxes, fees and royalties due to governments in the OECD guidance are frequently missing from Refiners' policies.
- Note 3: Refiners may make a policy commitment to de-risk certain sources of gold, e.g., artisanal and small-scale gold or gold from certain jurisdictions. Note that this is not in line with the principles of the Guidance and the OECD Due Diligence Guidance.
- Note 4: Frequently, supply chain policies are not published. Not only is this a requirement of the Guidance, ISAE 3000 also requires the Assurance Provider to ensure that the policy (or the assurance criteria) is publicly available. In practice, Refiners may publish the high-level principles-based policy document. In this case, the Assurance Provider must ensure that sufficient detail on the policy and processes is included in the Compliance Report for the intended user's understanding.

Board-level oversight

- Board composition
- Experience and qualifications of members to provide sufficient oversight
- Refiner's overall performance, improvements and focus areas for supply chain due diligence
- Relevant statistics on high-risk supply chains. Regular follow-up and monitoring of documented risk mitigation strategies
- Monitoring of third-party assurance findings and Corrective Action Plans.
- Note 1: For larger organisations, the Board may delegate oversight of the responsible sourcing programme to a Board sub-committee. It is important for the Assurance Provider to assess whether there is sufficient senior level understanding and decision-making capacity within this committee.

	<ul style="list-style-type: none"> Note 2: Assurance Provider should assess whether the Board is carrying out its responsibility as defined in the RGG appropriately. Good governance practice is for the Refiner to have formal Board agendas and meeting minutes, and meet on a regular basis (in line with corporate governance requirements or other Board committee schedules). The Assurance Provider may consider obtaining relevant evidence by inspecting Board minutes or interviewing the Board chair.
Compliance Officer responsibility	<ul style="list-style-type: none"> Job description, capacity and team composition <ul style="list-style-type: none"> Compliance Officer's skills and experience to oversee the supply chain due diligence process Ongoing professional development Day-to-day role Reporting lines Individual and team capacity to fulfil the role.
Training	<ul style="list-style-type: none"> Skills, experience and ongoing development: <ul style="list-style-type: none"> Breadth of skills, relevance of experience and capacity of personnel to cover all aspects of the Guidance, including threat finance and ESG factors Quality and frequency of internal training material to ensure all aspects, including money laundering, OECD Annex II, and ESG, are appropriately addressed Training attendance and understanding monitoring.
Payment through official banking channels	<ul style="list-style-type: none"> Payment's policy and procedures: <ul style="list-style-type: none"> Possibility of cash transactions to be undertaken Controls assessment to ensure that all cash transactions made are in line with Refiner policy and LBMA RGG version 9. Accounting entries and reconciliations. Note 1: Some Refiners with retail businesses in certain jurisdictions (e.g., Japan) have long-standing practices of conducting cash transactions with domestic public consumers. These are conducted in line with local regulatory and legislative requirements, and Refiners should be able to demonstrate compliance with these requirements.
Cooperation with government authorities	<ul style="list-style-type: none"> Regulatory engagement procedures Compliance audits and/or fines Media reports.

Maintaining records	<ul style="list-style-type: none"> Record retention policy and practice.
Establish a gold traceability system	<ul style="list-style-type: none"> Determination of origin of different types of precious metals material (LSM, ASM, recycled gold, grandfathered gold, by-products) <ul style="list-style-type: none"> Alignment with RGG Type of evidence to support mineral's origin Minimum categories (mined gold (LSM, ASM, Mining by product), recycled gold (unprocessed, melted or industrial by-product, grandfathered stock). Information management system(s) used to manage precious metals traceability, e.g.: <ul style="list-style-type: none"> Goods delivery and acceptance Weighing. Process walkthroughs for each of above: <ul style="list-style-type: none"> Roles, responsibilities, skills and experience Information management systems (IMS) access and other system controls Integration of supplier due diligence and transactions monitoring processes with physical goods delivery Data entry process and review process. Refinery site visit: <ul style="list-style-type: none"> Any non-conformant precious metals on site Segregation of unverified inventory. Note 1: In practice, supplier risk assessment and due diligence processes are conducted by different personnel to those operating physical metal in the refinery. These processes may therefore lack integration. For example, doré from a suspended high-risk supplier could incorrectly be accepted by the goods-in team at the Refinery. The Assurance Provider should check that all parts of the Refiner's management system are appropriately integrated with the physical precious metals traceability process.

Strengthen company engagement with gold - supplying counterparties	<ul style="list-style-type: none"> • Engagement with gold-supplying counterparty: <ul style="list-style-type: none"> - Inclusion of policy commitment in contractual agreement - Process to promote responsible sourcing within the supply chain. • Awareness and understanding of the policy and processes – see also <i>Training, Supplier Engagement and Grievance mechanism considerations</i>.
Establish a confidential grievance mechanism	<ul style="list-style-type: none"> • Grievance process design: <ul style="list-style-type: none"> - Employee awareness of grievance process - Accessible by internal and external stakeholders (with respect to technology, language, etc.) - Review, escalation and monitoring of concerns raised - Number and types of grievances raised - Reporting of significant concerns to the Board. • Note 1: An anonymous whistleblowing or grievance process is important to encourage employees and stakeholders to report any concerns without any reprisal for doing so. However, in certain jurisdictions, this may not be the legal or acceptable practice. Cultural and legal norms therefore need to be considered when dealing with these matters. The Assurance Provider should then assess whether the grievance process is effective in encouraging internal and external stakeholders to come forth, and what actions management may take to promote reporting, e.g., providing details of the LBMA hotline or using an independent operator to manage the internal process.

References

- OCED Annex II
 - ISA 610 Considering the Work of Internal Audit
 - ISA 620 Using the Work of an Auditor's Expert
 - LBMA Mutual Recognition Matrix
-

3.2 Testing

Objective: Executing procedures to collect sufficient appropriate evidence

In this phase, the Assurance Provider executes procedures to collect sufficient appropriate evidence to determine that:

- The Refiner's Step 2 risk assessment and classification procedures, systems and controls are appropriately designed and implemented to prevent and detect illicit precious metals-bearing material in the supply chain
- The Refiner's Step 3 risk mitigation procedures, systems and controls are appropriately designed and implemented such that identified risks are appropriately addressed
- The Refiner's Step 5 Compliance Report and Country of Origin Annex describes the design, implementation and performance of the processes and controls during the reporting period in line with the Assurance Provider's understanding.

Key Considerations for Step 2: Risk Assessment and Classification

The RGG version 9 outlines the minimum requirements for Refiner's due diligence procedures and provides relevant templates in the Refiners Toolkit. Assurance Providers are required to use their experience and subject matter knowledge in assessing whether the Refiner's processes, systems and controls are appropriately designed, as well as to assess whether these processes, systems and controls have been appropriately implemented.

Guidance (ISAE 3000 / RGG)	Key Considerations
Conduct supply chain due diligence to identify potential risks	<p>Location risk assessment:</p> <ul style="list-style-type: none"> • Inclusion of RGG minimum requirements • Quality of sources used to inform the risk criteria (external vs internal; recognised vs unknown; third-party independence and reputation) • Breadth of sources used to inform the risk criteria (coverage should include conflict risks, sanctions, gold transit routes). • Note 1: Country risk assessment sources are continuously updated, the organisation's process should reflect this <ul style="list-style-type: none"> - Review of suitability of sources (method and frequency). • Note 2: Assurance Providers should have knowledge of responsible sourcing challenges in various jurisdictions and provide appropriate challenge to the Refiner's process and risk assessment results. This can be done through: <ul style="list-style-type: none"> - Conducting own media searches - Keeping abreast of the items in the Responsible Sourcing newsletter and other sources. • Note 3: In circumstances where judgement is applied by the Refiner, the Assurance Provider needs to understand the process the company has followed to be comfortable with the company's conflict assessment conclusions. For example, consider whether: <ul style="list-style-type: none"> - Other reference sources applied by the company are reliable and appropriately used

- There is other publicly available information not considered by the company that indicates an operation may be located in a 'conflict-affected or high-risk' region (e.g., from recent political instability, performing a media search).

Supplier and type of material risk assessment:

- Walk-throughs of supplier risk assessment process design:
 - Inclusion of RGG minimum requirements:
 - Use of relevant LBMA KYC Questionnaires and Due Diligence Checklists, or
 - Inclusion of the minimum requirements in the Refiner's own KYC checklist
 - Process followed for unobtainable supplier information
 - Compliance Officer review and sign-off procedures
 - Access controls over information management systems.
- Sample testing of supplier files:
 - Verifying supplier list is complete by comparing against formal supplier database or management system
 - KYC and Due Diligence forms completed with all supporting evidence gathered
 - KYC and Due Diligence forms reviewed by Compliance Officer
 - Risk Classification completed correctly as zero-tolerance, high-risk or low-risk per LBMA the Guidance.
- Note 1: Artisanal and small-scale mines may not always be legalised but should be legitimate. These operations may not have documented policies and procedure documents; however, the Refiner's due diligence should support that relevant responsible production practices are implemented.
- Note 2: Owned mines (i.e., mines within the same corporate group as the Refiner) are expected to undergo risk-based due diligence on threat financing as well as ESG factors. An independent internal assessment may be conducted by Refiners on the anti-money laundering, anti-bribery and corruption, and ESG policies and practices of their mines, which may include:
 - Review of cash transactions for suspicious activities
 - Review of the human resources records to assess below minimum age and wage resources
 - ESG performance metrics
 - Known issues with stakeholders (regulators, communities, workers).
- Note 3: Owned mines may include third-party stock, which may be from high-risk locations or suppliers, and controls to manage third-party stock should be reviewed during the due diligence process.
- Note 4: For by-products, the RGG makes specific reference to the World Customs Organization's Revised Kyoto Convention Annex K to determine the point of separation of gold from the mineral base, and hence the origin of the gold by-product. This is interpreted as follows:
 - Goods produced wholly in a given country shall be taken as originating in that country
 - Where two or more countries have taken part in the production of the goods, the origin of the goods should be determined according to the substantial transformation criterion. Regarding the substantial transformation criterion, the ad valorem percentage rule could be used. Such rules are based on the dutiable value/price.

	<ul style="list-style-type: none"> ○ For example, copper is mined in Chile, the gold is extracted from the copper by a smelter in Japan, purchased by a trader in South Korea and then sent to an LBMA refinery. The country of origin for the LBMA refinery would be Japan as: 1) there are two countries in the production of the gold that is received by the LBMA refinery (Chile and Japan); and 2) the value of the product after smelting in Japan is higher than before processing in Japan. Therefore, the country of origin for the LBMA Refiner is the country of the smelter and not the country of extraction (as the Refiner receives a transformed product and not minerals) and not the country of the trader (who does not add value to the metal). • Note 5: While the origin of recycled gold is defined as the point in the gold supply chain where the gold is returned to the Refiner or other downstream intermediate processor or recycler, the Refiner should make all reasonable attempts to evaluate the supply chain as far upstream as possible to determine potential risk. Where there may be potential risk in a supply chain, the Assurance Provider should assess whether the Refiner has made all reasonable efforts to identify and manage this risk.
Monitoring of Transactions	<ul style="list-style-type: none"> • Completeness of supplier list / transactions lists • Shipping / transportation document (waybill / airway bill, pro-forma invoice) • Note 1: The procurement process may not be integrated with the supply chain due diligence process, e.g., transport of material could be diverted to a high-risk country, but the due diligence process is not updated. Good practice would include the Refiner assessing the security processes around transportation (secure packaging, reputable transportation company, armed guards), reconciliations between goods delivery notes and goods received notes, and requiring prior alerts for any changes to routing.
Classify supply chains based on risk profiles	<ul style="list-style-type: none"> • Note 1: Sample testing should focus on medium- and low-risk classifications to assess under-reporting. • Note 2: Large Scale Mines are not automatically considered low risk as they may be situated in high-risk jurisdictions or have high-risk organisational structures. • Note 3: Local supply chains may also not always be low risk as the supplying counterparty may have complex organisational structures or supply high-risk material.
Enhanced Due Diligence	<p>On-site visit</p> <ul style="list-style-type: none"> • Walk-throughs of on-site visit process: <ul style="list-style-type: none"> - Frequency of site visits (new suppliers and existing) - Determination of site visit scope aligned to due diligence findings - Subject matter experience of personnel conducting site visits

- Inclusion of RGG minimum requirements:
 - o Use of relevant LBMA Site Visit Reports or
 - o Inclusion of minimum requirements in Refiner's own site visit checklist
- Process followed for unobtainable information
- Compliance Officer review procedures
- Access controls over information management systems.
- Sample review of Site Visit Reports:
 - Scope and coverage (i.e., all relevant aspects of threat financing and ESG factor risks are covered as identified in the initial due diligence)
 - Competency of employee or independence of independent third-party assessor to undertake required scope
 - Follow-up process and internal communication of issues identified
 - Review of On-Site Visit Report.
- Note 1: Site may not include as assessment of the ESG factors. The scope of the site visit should include all potential risks identified during the initial due diligence.
- Note 2: Good practice is for Refiners to conduct ongoing site visits on a rotational basis to high-risk suppliers, although not stipulated in the RGG.
- Additional EDD measures: LBMA minimum requirements have been considered by the Refiner.
- Note 3: Refiners are expected to obtain an Independent Assurance Report from intermediate refiners with high-risk supply chains, and existing suppliers have been given until July 2023 to commission this assurance to provide sufficient time to establish appropriate systems and processes. In the interim, the Refiner is expected to continue to assess the potential risk in the supply chain and deploy effective measures to manage this. Assurance Providers should discuss interim measures being undertaken by Refiners for these supply chains.

Key Considerations for Step 3: Mitigation Strategies

The risk management strategy is a critical component of the five-step process. Suspension and continuation of the relationship with improvement plans is likely to be more subjective based on the Refiner's risk appetite. However, the Assurance Provider is required to exercise appropriate judgement based on experience and subject matter knowledge in assessing whether the risk management strategy and any improvement plans are appropriate and meet the objectives of the LBMA Programme.

Guidance (ISAE 3000 / RGG)	Key Considerations
Devise a risk management strategy for the identified risk	<ul style="list-style-type: none"> • Note 1: The Refiner determines its ESG risk classification to define catastrophic and highly adverse ESG impacts in the same manner as it determines the threat finance risk classification. The Assurance Provider should review whether the definitions are appropriate, and that any judgement applied by the Refiner to reach its decision on risk classification is clearly documented and logical.

	<ul style="list-style-type: none"> Note 2: Where the Assurance Provider identifies evidence of zero-tolerance risks which have not been appropriately dealt with by the Refiner, the Assurance Provider should report such instances to the appropriate authorities and to LBMA, where applicable, and in accordance with local and international legal requirements.
Monitor the improvement plan	<ul style="list-style-type: none"> Documented improvement plan Clear targets and measurement metrics, if applicable Agreed by supplier Assessment process (independent, competency of assessor, timeframe, on-site / remote) Prior year improvement plans which cut over into current assessment period.
Report findings to the Board	The Board is provided with updates on risk mitigation plans.
Monitor adequacy of risk management strategies	Feedback loop in process from Step 3 to Step 2 for continuous monitoring.

References

OECD Annex II

KYC Questionnaire LBMA Mined Gold

KYC Questionnaire LBMA Recycled Gold

Due Diligence Checklist Mined Material

Due Diligence Checklist Recycled Material

Site Visit Report Mined Material

Site Visit Report Recycled

Key Considerations for Step 5: Annual Reporting

Ultimately, assurance is provided on the disclosures contained in the Refiner's Compliance Report and the Country of Origin Annex (Refiner's Reports). The Assurance Provider is required to assess whether the Refiner's Reports contain sufficient information regarding the Refiner's application of the LBMA Responsible Sourcing Guidance, as well as actual performance, in particular the results of the risk assessment and risk mitigations steps during the assurance period.

Guidance (ISAE 3000 / RGG)	Key Considerations

Disclosure Guidance: Compliance Report

- Note 1: LBMA has produced a detailed Disclosure Guidance¹⁰ document outlining the minimum information requirements for the Refiner's Compliance Report. The Assurance Provider's responsibility therefore is to ensure that:
 - This minimum information is appropriately included in the Refiner's Compliance Report; and
 - The disclosures provided are:
 - Complete: Omission of key information is a misstatement. The report must provide a true reflection of the practices and performance during the year
 - Accurate: The report should provide reliable information for the intended users to make judgements
 - Consistent: The Compliance Report, Assurance Statement, Management Report and Corrective Action Plans must all be consistent with each other and not display obvious contradictions
 - Timely: The report should contain information for the period in question
 - Balanced: The report should provide a balanced reflection, including challenges and how these are being addressed as well as positive achievements.
- Note 2: The Disclosure Guidance is aligned to the requirements of the Responsible Gold Guidance (RGG) version 9 and supplements Step 5 of the RGG. As Refiners have until 31 December 2022 to fully implement the new requirements of RGG version 9, the Disclosure Guidance should be implemented for reporting for the year ending 31 December 2022. It is noted, however that Refiners may not have certain systems and processes in place to produce quantitative data, and/or qualitative data that may not be covered in RGG version 9, outlined in the Disclosure Guidance. As such Refiners have until 31 December 2023 to address this aspect of the Guidance.

For the avoidance of doubt, Step 5 of RGG version 9 (page 38), says: The Country-of-Origin Annex should, as a minimum, meet the requirements outlined in the Disclosure Guidance documents in the Refiners Toolkit. Minimum information includes:

- (a) List of gold sources by country and by type of material sourced and related information
- (b) Total gold sourced by type of material (LSM, ASM, Recycled Gold, Grandfathered Stocks) in the reporting period
- (c) The identity of the Refiner and the local exporter located in high-risk locations should always be disclosed except in cases of disengagement

This Minimum information is required as part of the RGG version 9 implementation. Refiners will have until 31 December 2023 to meet the additional Country-of-Origin requirements highlighted in the Disclosure Guidance

- Note 3: Information can be referred to in the Refiner's Compliance Report but be disclosed elsewhere (for example, on the company website).

¹⁰ <https://www.lbma.org.uk/responsible-sourcing/guidance-documents>

Disclosure Guidance: Country of Origin Annex

- List of gold sources by country
- List of gold sources by type of material sourced (Large Scale Mining, Artisanal and Small-Scale Mining, recycled gold, grandfathered stocks)
- Consistency with measurement units
- The identity of the Refiner and the local exporter located in high-risk locations should always be disclosed to LBMA except in cases of disengagement.

References

LBMA Disclosure Guidance document

3.3 Assurance Providers' Conclusion and Reporting

Objective: Forming the assurance conclusion and preparing the assurance deliverables

The objective of the reporting phase is to evaluate the overall engagement in light of the non-conformances and misstatements identified, to assess whether sufficient, appropriate evidence has been obtained to support the conclusion expressed. The Assurance Provider prepares the assurance deliverables accordingly.

Practitioner's Conclusion

Evaluating Non-Conformances

The materiality of misstatements or non-conformance risk ratings should be considered individually and in aggregate. For example, a group of related, repetitive or persistent medium -risk non-conformances may indicate a company-wide systemic failure or total lack of required controls that may justify a high-risk non-conformance rating.

Non-conformance ratings may be elevated if they are related to other non-conformances due to a common root cause indicating systematic weaknesses in management systems. For example, the non-conformances are:

- Related in terms of the responsible sourcing topic or activity being controlled
- Repetitive, bringing up the same issue throughout the business (which is often symptomatic of a systemic failure or absence of controls)
- Persistent, i.e., occurring again and again because of ineffective corrective action.

Some items may also be material by their omission. The Assurance Provider should maintain a summary of uncorrected misstatements throughout the engagement. Individually or in combination, these considerations should determine whether misstatements may affect the decisions of the intended user of the Refiner's Compliance Report and the impact on the Assurance Report. Where material misstatements have been identified, the Assurance Provider should question the effectiveness of internal controls and, if deemed necessary, revisit the assurance programme to expand testing and assess whether there are any material concerns and implications for the Assurance Report.

Presentation of Non-Conformances

All non-conformances must include clear and considered details about the non-conforming practice. For all non-conformances, the Assurance Provider should:

1. Describe the nature of the non-conformance clearly and exactly
2. Cross-reference the requirement of the Guidance and/or the Refiner's supply chain policy
3. Identify the likely underlying cause of the management system deficiency
4. Support their finding with relevant and verified objective evidence
5. Provide a risk rating in accordance with the criteria provided in the Appendix.

In all cases, when documenting non-conformance findings, the Assurance Provider should address the underlying causes to identify how to prevent the problem from recurring.

Unmodified Conclusions

To form the overall conclusion on the engagement, the Assurance Provider should evaluate all non-conformances collectively. Conclusions may be unmodified as follows:

Reasonable assurance: The subject matter is prepared, in all material respects, in accordance with the applicable criteria.

"Refiner's Compliance Report / Country of Origin Annex has been prepared in all material respects in accordance with the Refiner's supply chain policy and LBMA's Responsible Gold / Silver Guidance."

Emphasis of matter: The Assurance Provider feels that a non-conformance disclosed in the Refiner's Compliance Report is of such importance that it is fundamental to the intended user's understanding of the subject matter information. A paragraph to draw the user's attention to the disclosure is included in the Assurance Report.

"Without modifying our conclusion, we draw attention to the description of the non-conformance contained in the Refiner's Compliance Report. This relates to the..."

Modified Assurance Conclusions

A modified assurance conclusion may result in the following cases:

Limitation of scope: Circumstances preventing an auditor from obtaining sufficient appropriate assurance evidence to provide an unmodified conclusion. This may include restrictions placed upon the assurance testing activities by the Refiner, data gaps or a lack of controls. In this case, the Assurance Provider includes a disclaimer in the Assurance Report.

"Because of the significance of the matter described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the Refiner's disclosures in the Compliance Report. Accordingly, we do not express a conclusion on the Refiner's Compliance Report."

A disagreement on a material issue: The Refiner has a material non-conformance, and the Assurance Provider is not satisfied with the disclosure included in the Refiner's Compliance Report. In this case, the Assurance Provider issues an 'Except for limited assurance' conclusion.

"Based on the procedures performed and the evidence obtained, except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the Refiner's Compliance Report does not present fairly, in all material respects, the entity's conformance with its supply chain policy and LBMA's Responsible Gold / Silver Guidance."

Material and pervasive misstatement: The Refiner has material non-conformances which indicate systematic failure of management systems. Depending on the extent to which a non-conformance exists, it may not be appropriate to issue an unmodified Assurance Report to provide a meaningful conclusion, regardless of the description in the Refiner's Compliance Report. In this case, the Assurance Provider issues an adverse reasonable assurance conclusion.

"Because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the Refiner's Compliance Report does not present fairly the entity's compliance with its policy and the LBMA Responsible Gold / Silver Guidance."

Engagement Completion Procedures

Prior to issuing the assurance deliverables, the Practitioner should conduct the following completion procedures:

Corrective Action Plans Review

Where medium-risk, high-risk or zero-tolerance non-conformances with one or more of the requirements of the Guidance have been identified, the Assurance Provider shall review the Refiner's Corrective Action Plan. For each non-compliance, the Corrective Action Plan must include:

- Details of the non-conformance presented in the Management Report

- Details of the corrective actions to be taken by the Refiner
- The implementation timeline for each corrective action
- The person responsible for the implementation for each corrective action.

Corrective actions identified shall be specific, measurable, achievable, timely, appropriate and effective in addressing the root cause of the non-conformance. The timeframe to begin implementation of corrective actions must be realistic and cannot exceed:

- Three months or any medium-risk non-conformance
- One month for any high-risk non-conformance
- Immediate for any zero-tolerance non-conformance.

Subsequent Events Review

Conduct and document the results of a desktop review to identify any significant matters arising post the reporting year-end, but prior to the signing of the Assurance Report, which may have an impact on the meaningfulness of the assurance conclusion for the reporting period. Any such significant matter should be discussed with the Refiner and brought to LBMA's attention.

Management Representation Letters

Prior to issuing the Assurance Report, Practitioners should request written representation from the Refiner which sets out the Refiner's responsibilities and includes explicit statements that the Refiner has:

- Established appropriate processes and controls to satisfy that it conforms to the Guidance and meets the objectives of the Programme
- Provided the Assurance Provider with all necessary and known information relevant to the engagement
- Provided a complete, accurate and balanced view of the relevant activities in the reporting period in the Compliance Report.

In addition, the Assurance Provider may request representations on specific matters that arose during the engagement, where necessary. This must be to support other evidence obtained, and the Assurance Provider should evaluate the reasonableness and consistency of such representations with other evidence obtained.

Engagement Quality Control Review

The assurance engagement documentation shall be reviewed by an Engagement Quality Control Reviewer (EQCR). The EQCR's roles is to objectively validate:

- The independence and core competencies of the team members involved in the assurance engagement
- Any areas of significant judgement exercised by the Engagement Partner and evaluate whether suitable appropriate evidence has been obtained to support the conclusion over the subject matter and the overall engagement
- That assurance engagement completion procedures have been appropriately completed
- The completeness of and consistency between the Compliance, Assurance, and Management Reports.

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 Providers 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. Assurance Provider's Report to Management (Confidential)

A Management Report issued by the Assurance Provider to the Refiner 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.

Reporting and Assurance Deliverables:

Refiner	Assurance Provider
Refiner's Compliance Report	Independent Assurance Report (Public)
Country of Origin Annex (Confidential)	Independent Assurance Report (Confidential)
Corrective Action Plan prepared by the Refiner, if required (Confidential)	Report to Management (Confidential)

In accordance with the mandatory ISAE 3000 disclosures, the assurance statement should include, but not be limited to, the following:

- Reference to the scope and subject matter of the assurance engagement: Reasonable / limited assurance of the Refiner's Compliance Report / Country of Origin Annex
- Reference to the assurance criteria: Refiner's supply chain policy, aligned to the Guidance, and how it can be accessed
- A statement that the engagement was performed in accordance with ISAE 3000 (revised)
- A declaration that the auditor satisfies competency and quality requirements, specifically with respect to the ISQC 1 standard and IESBA Code requirements
- A statement on inherent limitations associated with the measurement or evaluation of the underlying subject matter against the applicable criteria
- A statement to identify the responsible party and the measurer or evaluator if different, and to describe their responsibilities and the Practitioner's responsibilities
- A summary of the assurance procedures performed
- Assurance conclusion in accordance with the examples presented in the previous section
- All zero tolerance and high-risk non-conformances, per the guidance outlined in the Practitioner's Conclusion section above.

The Practitioner's signature and location and date of the Assurance Report.

Assurance Providers Report to Management (Confidential)

A Management Report issued by the Assurance Provider to the Refiner is the formal mechanism for communicating the detailed findings of the assurance engagement to the Refiner. This is a private document to be shared with the Refiner and LBMA. It may be shared with other stakeholders at the Refiner's discretion to meet emerging supply chain due diligence regulations and industry requirements for additional transparency.

It is recommended that the Management Report include the following information:

- Name of the Refiner and reporting period subject to assurance
- Professional qualifications and experience of the Assurance Practitioners involved in the engagement
- Confirmation of the Assurance Providers' adherence to LBMA's independence and core competency requirements
- Assurance scope, including level of assurance and subject matter
- Assurance criteria applied and confirmation that this is publicly available
- Any significant or inherent limitations or areas not covered
- An overview of the engagement process (timing, remote or on-site work, number of days on and off site)
- Summary of assurance procedures, including list of interviewees, documentation reviewed, sample sizes for controls and transactions review and a description of how samples were selected (random, risk focused)
- Positive observations on good practice or improvements from prior years
- Presentation of current year's non-conformances, risk rating and actions for improvement
- Status of non-conformance improvement actions from prior years
- Assurance conclusion (or reference to the conclusion within the independent Assurance Report).

A copy of all assurance deliverables should be provided to the LBMA Executive by the Refiner or the Assurance Provider, as delegated to by the Refiner.

Key Insights

Assurance Reports

- Assurance Reports should clearly reference the corresponding subject matter reports. As the Compliance Report is publicly available, it is usually satisfactory for the Assurance Report to refer to the Compliance Report for the relevant reporting period. Where the Country of Origin Annex is a private report, it is usually included as an appendix to the Assurance Report to ensure that the intended user associates the conclusion to the correct subject matter.

Management Report and Corrective Action Plans

- Non-conformances should not be presented as observations for improvement and should be correctly presented as low-risk, medium-risk or high-risk non-conformances in accordance with the criteria provided in the Third-Party Assurance Guidance.
- Low-risk non-conformances included in the Management Report do not need to be presented in the Corrective Action Plan (nor in the Refiner's Compliance Report). The Refiner should address any low-risk non-conformances as part of normal business practice and continuous improvement commitments
- Preparing, implementing and submitting the Corrective Action Plan to LBMA is the responsibility of the Refiner. The Assurance Provider's responsibility extends to identifying and reporting the non-conformances in the current reporting period and reviewing progress of the Corrective Action Plan in the following assurance engagement. In practice, the Corrective Action Plan may be incorporated (either as an appendix to or within) in the Management Report.

Consistency in reporting

- The Assurance Provider should ensure appropriate alignment in the non-conformances presented in the assurance deliverables. Typically:
 - All non-conformances, including low-risk non-conformances should be included in the Management Report

- The Refiner should include medium-risk and high-risk non-conformances in the Compliance Report and conclude with a ‘non-compliance’ statement for the relevant step of the Guidance in the Compliance Report
- The Assurance Report may include details on the medium-risk and high-risk non-conformances in line with the modified / unmodified conclusions presented above.

Deliverables to Refiner

- Assurance Report on Compliance Report
- Assurance Report on Country of Origin Annex
- Management Report

Deliverables to LBMA (if authority delegated to the Assurance Provider by the Refiner)

- Deliverables to the Refiner
- Compliance Report
- Country of Origin Annex
- Corrective Action Plan

Follow-up Audits

The LBMA Executive may at its discretion request of the Refiner that a reasonable assurance engagement is performed more regularly than the usual frequency.

Follow-up Audits

Where the Refiner has any high-risk non-compliances, LBMA recommends that a ‘follow-up’ engagement is completed within ninety (90) days after the release of the Refiner’s Compliance Report with the following scope:

- Assurance subject matter: Refiner’s status update on implementation progress for corrective actions
- Assurance criteria: Refiner’s corrective actions to address the high-risk non-conformance
- Assurance level: reasonable assurance
- Assurance deliverables: The Refiner’s Corrective Action Plan and a separate independent Assurance Report must be made available to the LBMA Executive.

Special Assessments

LBMA may request the Refiner to undertake a Special Assessment on specific aspects of the Refiner’s management system or precious metals supply chain. Special Assessments will be conducted as an “agreed upon procedure”¹¹ engagement, which involves reporting factual findings based upon procedures agreed with the Refining party and LBMA, rather than issuing an independent conclusion. Specific scope and timing for Special Assessments will be discussed with Assurance Providers when necessary.

Failure to adequately address high-risk non-compliances and/or failure to complete corrective actions for high-risk non-compliances by the second follow-up assessment must be communicated by the Assurance Provider to the LBMA Chief Executive within 24 hours. Any instances of zero-tolerance non-compliance should be reported by the Assurance Provider to those charged with governance at the Refiner within 24 hours and communicated to the LBMA Chief Executive. The LBMA Executive will review each case in a timely and objective manner, and may suspend or delist the Refiner concerned from the List of accredited Good Delivery Precious Metals Refiners.

¹¹ ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information, and ISRS 4410, Compilation Engagement

Appendix: Non-Conformance Risk Levels

Non-conformances may relate to the Refiner's precious metals supply chain management systems, supplying counterparty due diligence, transactions documentation or any other aspect covered by the Guidance, including but not limited to the definitions below:

Conformant:

- Appropriate implementation of Step 1 to 5 of the Guidance. This includes:
 - Having effective precious metals supply chain policies, procedures, processes, management systems and practices which perform in a manner that addresses the Programme objectives
 - Coverage of all minimum responsible sourcing risks identified in Step 1.1 of the Guidance
- Preparation of the Refiner's Compliance Report, including:
 - The minimum information set forth in the Disclosure Guidance document
 - Fair representation of the activities over the full reporting year
 - Adherence to the principles of good reporting (i.e., complete, balanced, accurate, relevant and timely)
- Preparation of the Refiner's Country of Origin Annex, including:
 - Completeness and accuracy of jurisdictions and volumes for sources of mined (large scale, and artisanal and small scale) and recycled material
 - Appropriate classification and presentation of mined and recycled material
- Publishing a policy on the precious metals supply chain and relevant criteria to demonstrate how the Refiner complies with the Guidance
- Providing access to all evidence required by the Assurance Provider.

Low-risk non-conformance: An issue that presents a low-risk to the Refiner and the integrity of the Programme

- An occasional or isolated lapse in performance or discipline of the Refiner's policies, procedures, systems, processes and practices which is sufficiently mitigated through other procedures
- Occasional failure to request and obtain required due diligence documentation as set forth in the Refiner's policies and procedures in the sample of counterparty files reviewed
- Occasional failure to request and obtain appropriate transactional documentation for sample of counterparties assessed as low risk
- Known non-compliance with a relevant legislative or regulatory requirement which the Refiner has adequately tried to rectify.

A Refiner can still be in conformance with the Responsible Gold Guidance if only low-risk deviations from conformance are identified. Low-risk non-conformances are not required to be publicly disclosed in the Refiner's Compliance Report but should be included in the Management Report.

Medium-Risk non-conformance: does not result in an imminent significant risk to employees, the community, the environment, or the business

- Multiple aspects of the Refiner's policies, procedures, systems, processes, and practices are not conformant with one requirement of the Guidance. This includes:
 - o Failure to identify and implement new responsible sourcing risks included in updates to Guidance
 - o Failure to identify a relevant legislative or regulatory requirement which however has not resulted in a significant impact
- Multiple problems with the performance of the Refiner's policies, procedures, systems, processes, and practices related to the same root cause. This includes:

- o Recurrent failure to request and obtain required due diligence documentation as set forth in the Refiner's policies and procedures in the sample of counter-party files reviewed
- o Recurrent failure to request and obtain appropriate transactional documentation for the sample reviewed
- o A problem related to the Refiner's internal material control mechanism
- o Recurrent failure to adequately address low-risk non-conformances resulting in an escalation of the risk rating
- Process or control issues which does not have a significant impact in the current reporting period but could potentially cause a future high-risk or zero tolerance non-conformance.

Medium-risk deviations must be reported in the Refiner's Compliance Report and attention drawn to these in the assurance provider's report.

High-risk deviations from conformance: pose an imminent significant risk to employees, the community, the environment or the business

- Multiple aspects of the Refiner's policies, procedures, systems, processes and practices are not conformant with one requirement of the Guidance. This includes:
 - Failure to identify and implement new responsible sourcing risks included in updates to the Guidance
 - Failure to identify a relevant material legislative or regulatory requirement
- Multiple problems with or total absence of the performance of the Refiner's policies, procedures, systems, processes and practices related to the same root cause. This includes:
 - Recurrent failure to request and obtain required due diligence documentation as set forth in the Refiner's policies and procedures in the sample of counterparty files reviewed
 - Recurrent failure to request and obtain appropriate transactional documentation for the sample reviewed
 - A problem related to the Refiner's internal material control mechanism
 - Recurrent failure to adequately address medium-risk non-conformances resulting in an escalation of the risk rating
- Lack of control over the Refiner's policies, procedures, systems, processes and practices. This includes:
 - Failure to regularly review the risk assessment or report the results to the Board
 - Failure to implement an effective risk mitigation strategy or monitor risk mitigation strategies outlined for counterparties under risk mitigation strategies and known issues
 - Insufficient key documentation that affects any transaction from high-risk supply chains (e.g., no transaction records, fraudulent transaction records not in official counterparty name, etc.)

High-risk deviations must be disclosed in the Refiner's Compliance Report and may lead to a modified assurance conclusion.

Zero-tolerance deviations from conformance: non-compliances that put the credibility and integrity of the LBMA system at risk

- Precious metals-bearing material is identified as associated with armed conflict, serious human rights abuses, financing of terrorism or money laundering
- Precious metals-bearing material is known to originate from areas designated as World Heritage Sites
- Precious metals-bearing material is known to be sourced in breach of international sanctions (including but not limited to those of the UN, EU, UK and US)

- The precious metals supplying counterparty, other known upstream companies or their ultimate beneficial owners 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
- Records are identified as being falsified by the Refiner, or with the knowledge and acceptance of the Refiner, by any actor in the Refiner's supply chain
- The Refiner partially or fully denies access to relevant evidence to the Assurance Provider
- The Refiner attempts to influence the outcome of the assessment through unethical means
- The Refiner deliberately misrepresents facts through deception, coercion or interference

Any instances of known or suspected zero-tolerance non-conformances results in:

- Immediately stopping the assurance engagement
- Reporting known or suspected deviations to those charged with governance at the Refiner and to LBMA General Counsel within 24 hours by the Assurance Provider, with due consideration of local and international legal requirements
- A review of each case in a timely and objective manner by the LBMA Executive.

The investigation may result in the Refiner being delisted from the LBMA GDL.