



# RESPONSIBLE SOURCING OVERVIEW

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26 May 2017



## LBMA GOOD DELIVERY LIST

Includes the world's pre-eminent refiners of gold and silver located in 31 countries.

Annual production of 71 LBMA Gold Refiners  
~85-90% of annual world gold production.

The List is widely recognized as the de facto standard for the quality of gold and silver market bars and is used by precious metal exchanges around the world to define in whole or in part the refiners whose gold and silver bars are accepted in their own markets.





# LBMA RESPONSIBLE GOLD GUIDANCE

Ensuring long term integrity of the wholesale gold market

- ▶ Global Risk Assessment
- ▶ Encourages engagement
- ▶ Tailored due diligence for all feedstock (mined gold, ASM gold & recycled gold)
- ▶ Continuously monitored by independent team
- ▶ Emphasis on Public Reporting



# OECD GUIDANCE

Internationally recognised global framework



- ▶ Recognised by the **SEC Rules**.
- ▶ **Encourages** responsible engagement in worldwide conflict areas, including DRC.
- ▶ Provides internationally recognised framework for all actors to engage in conflict areas responsibly on a **global** level.
- ▶ The LBMA is currently Co-Chair for the OECD Interim Governance Group.

# EU CONFLICT MINERALS UPDATE

Text Finalised – Applies from 2021

Regulation on Responsible Sourcing from conflict-affected and high-risk areas



- ▶ European Commission will produce a list of recognised refiners and assessing industry schemes
- ▶ The Regulation introduces mandatory reporting for bullion banks
- ▶ European Commission due to publish guidelines to help firms identify CAHR areas by Q4 2017
- ▶ European Commission will also release a list of CAHR areas (to be continually updated) and practical information for companies looking to conduct due diligence expected 2019)

# INDUSTRY INITIATIVES

## Harmonisation and Recognition

### Current



### Future



**中国五矿化工进出口商会**  
China Chamber of Commerce of Metals,  
Minerals & Chemicals Importers & Exporters





# RESPONSIBLE GOLD GUIDANCE

## Recent Changes

Onsite visits for high-risk sources

- ▶ Reduction of time-frame from 12 to 6 months
- ▶ RGG introduced in 2012 – should have performed EDD/site visits by now
- ▶ New accounts/Changes in circumstances will prompt this requirement

Country of Origin Reporting

- ▶ Disclosure
- ▶ ISO v ISAE (annex)
- ▶ Global regulatory requirement (CSFI/Dodd-Frank)
- ▶ Further enhance Mutual Recognition

Corrections, alignments and issues of clarity.



# AUDITOR REVIEW PROCESS

## Review and Maintenance

- ▶ The LBMA Executive reviews the application form and supporting documentation to determine that an individual or group of auditors possess the necessary skills and competencies.
- ▶ Once satisfied, the Auditor is added to the LBMA Approved Service Provider (ASP) List.
- ▶ The ASP List is reviewed annually and auditors are expected to notify the LBMA of any change of staff conducting the audits, providing supporting documentation to demonstrate their competence.
- ▶ In 2016 we removed an auditor for poor performance.





# AUDIT GUIDANCE

## Available Tools for ISO 19011 & ISEA3000 Auditors



- ▶ Audit guidance provides information for professional auditors to review refiner compliance with LBMA Responsible Gold Guidance
- ▶ Specific guidance on how to interpret guidance in conjunction with international auditing standards
- ▶ Includes appendices detailing definition of non-compliances, grievance mechanism, best practice examples of audit deliverables (reports etc.)



# REFINERS TOOLKIT

Developed by Argor-Hereaus, Metalor & Pamp

## Recycled Gold

## Mined Gold

(Large, medium & small scale)

Due Diligence Checklist

Due Diligence Checklist

KYC Questionnaire

KYC Questionnaire

Assessment Forms

Assessment Forms

- ▶ Best Practice suite of tools to support LBMA refiners implementation of the LBMA RGG Guidance and simplify the due diligence process.
- ▶ Also assists auditors in their enforcement of the LBMA Responsible Gold Guidance and ensures consistency.



# DUE DILIGENCE APPROACH

## Continuously Review and Monitor

### Auditors

- Review, approval and training of auditors.
- From initial application, to annual review the 'fitness to practice' of auditors is always in focus.

### Incident Management

- Procedure in place for any incidents (media reports etc.) which occur outside of the regular RGG review cycle.
- This may involve the requirement for further conversation or assurance from auditors (11 Steps)

### Report reviews & Corrective Actions

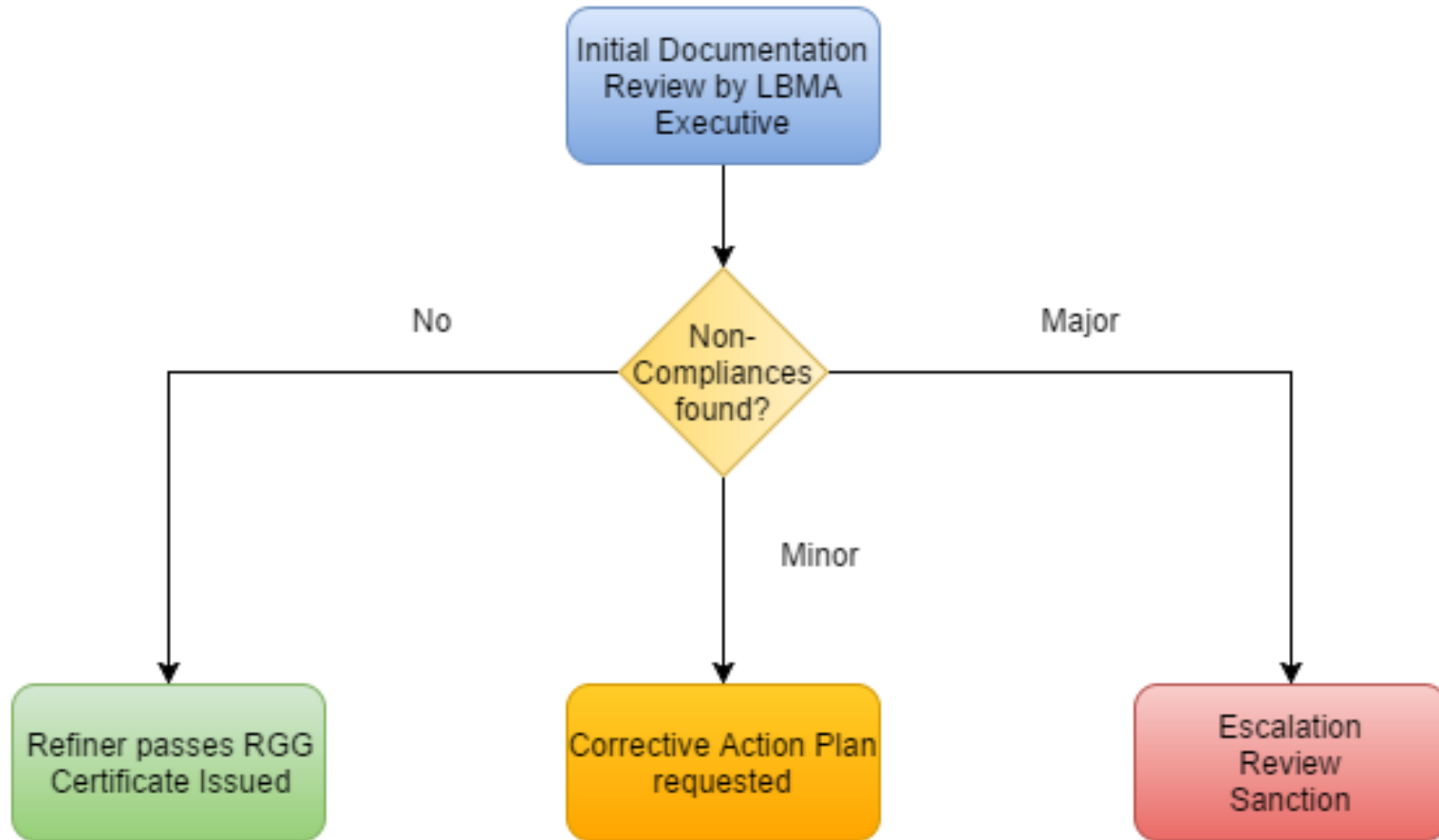
- Reports which may require complex decision making are referred to the Audit Review Panel





# AUDIT REPORT REVIEW PROCESS

## Initial Review



# LBMA AUDIT REVIEW

## ARP Review of Deliverables & Possible Outcomes

- ▶ Decide whether the refiner needs to have an audit review (in 12 full audit (in 12 mths) or a follow up audit (in 90 days) based on the presence & level of non-compliances.
  - ▶ **Zero to Low-risk** = limited assurance (ISAE3000)/ Assessment Review in 12 mths (ISO19011)
  - ▶ **Medium risk** = reasonable assurance (ISAE3000)/ Full Re-assessment (ISO19011) in 3 mths
  - ▶ **High risk** = follow up audit (ISAE3000)/ Assessment (ISO19011) (in 90 days)
  - ▶ **Zero-tolerance** = immediate removal from GDL.
- ▶ Audit Guidance – contains Definitions of Non-Compliance
- ▶ Two refiners removed due to failure to comply.



# INCIDENT MANAGEMENT PROCESS

## 11 Steps

This is as an **iterative** process, particularly in situations where new information is produced or the situation escalates or deteriorates.

Any public disclosure by the LBMA must be approved appropriately and disseminated through correct channels.

This procedure is invoked in response to a particular stimulus of a reputational nature; this includes any incident that affects the credibility of the GDL

If at any point in the procedure it is established that the issue could relate to Anti-Money Laundering (AML), step **6) Refiner Contact** may be omitted and the relevant specific action taken.

1. Receipt /Logging of Complaint /Issue

2. Media and Market Review

3. RGG Audit (or equivalent) Review

4. Auditor Review and Interaction

5. Legal Review

6. Refiner Contact

7. Physical Committee Reporting and Escalation and/or Legal Consultation

8. Action/Sanction

9. Public Disclosure

10. Lessons Learnt

11. LBMA Communication



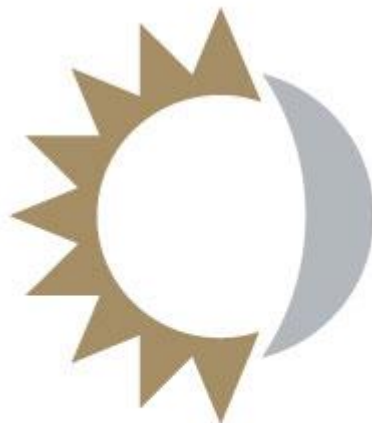


# RESPONSIBLE SOURCING

Silver Policy under development - mandatory in 2018



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**LBMA**

[www.lbma.org.uk](http://www.lbma.org.uk)

# AUDIT DELIVERABLES

## ISAE 3000

### ▶ Refiner's Compliance Report

- ▶ Submitted to LBMA & should be published

### ▶ Independent Assurance Report

- ▶ Submitted to LBMA & should be published

### ▶ Corrective Action Plan

- ▶ Only submitted to LBMA if contains medium-risk, high-risk or zero-tolerance non-compliances identified
- ▶ LBMA particularly interested in knowing as much as possible regarding any non-compliances. What type & origin of the material involved, what corrective actions were taken, are planned to be taken.

### ▶ Submission Process to LBMA

- ▶ Deliverables above ideally to be submitted by the auditor, however it is acceptable for it to be submitted by the refiner directly.





# AUDIT DELIVERABLES

## ISO 19011

- ▶ **LBMA Refiner Assessment Report**
  - ▶ Submitted to refiner & LBMA, should NOT be published
- ▶ **LBMA Summary Report**
  - ▶ Submitted to LBMA & should be published by refiner
- ▶ **Corrective Action Plan (CAP)**
  - ▶ Only submitted to LBMA if contains medium-risk, high-risk or zero-tolerance non-compliances identified. NOT published.
  - ▶ LBMA particularly interested in knowing as much as possible regarding any non-compliances. What type & origin of the material involved, what corrective actions were taken, are planned to be taken.
- ▶ **Submission Process to LBMA**
  - ▶ Summary Report & CAP (if applicable) should be submitted by the auditor.



# AUDITOR REVIEW PROCESS

## Auditor Requirements

Auditors wishing to become approved service providers and conduct LBMA RGG Audits must demonstrate they are able to fulfil the following requirements:

- ▶ **Independence:** The service provider must have complete financial and other independence from the Refiner. In particular, the auditing body shall not provide services for the Refiner related to the design, establishment or implementation of the Refiner's gold supply chain practice for a period of at least 24 months prior to the engagement.
- ▶ **Institutional capacity:** The service provider must have adequate organisational capacities including:
  - ▶ A robust system of quality control, including minimum requirements for independence, conflicts of interest, ethics and audit quality control reviews to be followed;
  - ▶ The capacity to process appeals and/or handle complaints.
- ▶ **Auditor competency:** Service providers must ensure that any individual or group of auditors carrying out a third-party audit of a Refiner collectively possess the skills, knowledge and experience required to competently perform the assurance engagement.



# AUDIT REPORT REVIEW PROCESS

## Follow-Up Review

