

LBMA RESPONSIBLE GOLD GUIDANCE

V9 Draft for Consultation

June 2021

About LBMA: The Independent Authority for Precious Metals

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

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

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

Commitment to Responsible Sourcing

LBMA's Responsible Sourcing Programme (the Programme) protects the integrity of the global supply chain for the wholesale precious metals markets. It was set up to consolidate, strengthen and formalise the existing standards of the LBMA Good Delivery Refiners' (Refiners) due diligence practices. LBMA was actively involved in drafting the Gold Supplement section of the OECD Due Diligence Guidance¹, and continues to support the OECD's work in supply chain due diligence and related projects.

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

Responsible Sourcing Programme Overview

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

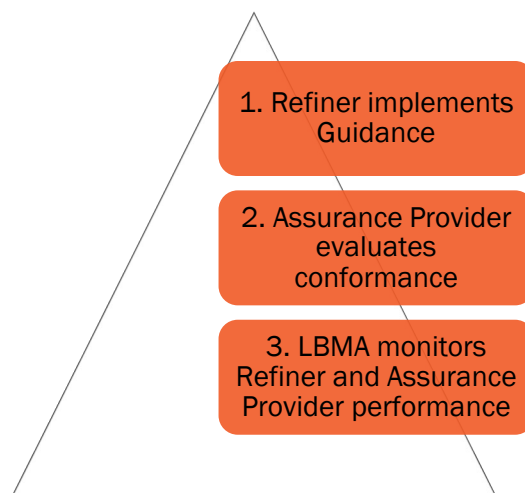


Figure 1: Three levels of control

In addition to the Guidance, LBMA regularly produces supporting toolkits and training material for both Refiners and approved Assurance Providers (Assurance Providers or Assurance Practitioners) to enhance the quality and consistency of the Programme application. Refiners should use the Refiner's Toolkit

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

(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"> Refiner's Toolkit Disclosure Guidance Document 	<ul style="list-style-type: none"> Third Party Assurance Guidance Assurance Provider's Toolkit Mandatory Assurance Training Assurance Provider's 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 LBMA Good Delivery Refiners.

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

Enquiries and Version History

Enquires may be emailed to: RGG@lbma.org.uk

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

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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.

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

Conflict-Affected and High-Risk Areas (CAHRAs): 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 OECD Due Diligence Annex II, money laundering, as well as Environment, Social and Governance responsibilities.

Environment, Social and Governance (ESG): Decision-making that takes into account and proactively manages environmental, social and governance risks, and that at a minimum results in compliance with domestic environmental, health, safety, labour and community-related regulations, as well as the implementation of the ethical business practices outlined in Step 1.1.

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

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

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

Subcategories of Mined Gold:

- **Alluvial gold:** Newly Mined Gold that has been taken from sand and gravel deposits, most often in or near streams, typically as very small but visible pieces of gold. Alluvial gold is usually in the form of 'dust', and occasionally nuggets, which is already concentrated in form, easily transported and may be easily melted and/or semi-refined into small ingots (normally of 85% – 92% purity). Alluvial gold in all of these forms requires refining before use as bullion or jewellery, but can ordinarily be directly refined, without further intermediate concentration or processing.

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

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

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

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

Recycled Gold: Gold that has been previously refined. 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, recyclable material includes end-user, post-consumer products, scrap and waste metals, and materials arising during refining and product manufacturing, and investment gold and gold-bearing products. This category may also include fully refined gold that has been fabricated into grain, Good Delivery bars, medallions and coins that have previously been sold by a refinery to a manufacturer, bank or consumer market, and that may thereafter need to be returned to a refinery to reclaim their financial value or for transformation into other products (e.g. 1 kilo bars).

Origin of Recycled Gold: The point in the gold supply chain where the gold is delivered to the Refiner.

Subcategories of Recyclable Gold:

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

Grandfathered Stocks: Gold investment products (e.g. ingots, bars, coins and grain in sealed containers) held in bullion bank vaults, central bank vaults, exchanges and refineries, with a verifiable date prior to

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

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

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

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

Human rights: For the purpose of this Guidance, human rights are those defined in the International Bill of Human Rights. The Bill includes the Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966), the International Covenant on Civil and Political Rights (1966), as well as its two Optional Protocols (on the complaints procedure and on the death penalty).² 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.³

Intermediate Refiner: Non-GDL Refiner that has performed a refining process on material prior to delivery to the GDL Refiner.

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

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

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

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

Money laundering: Money laundering is the practice of disguising the origins of illegally obtained money. Ultimately, it is the process by which the proceeds of crime are made to appear legitimate. The money involved can be generated by any number of criminal acts, including drug dealing, corruption and other

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

³ 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>

types of fraud. The methods by which money may be laundered are varied and can range in sophistication from simple to complex.

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

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

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

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

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

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

Ultimate Beneficial Owner: Refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement (through 10% or more ownership of an entity).

⁴ Brundtland Commission definition of sustainability

⁵ IUCN (2008)

Acronyms

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

ASM: Artisanal and Small-Scale Mining

CAHRA: Conflict-Affected and High-Risk Area

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

DD: Due Diligence

EDD: Enhanced Due Diligence

ESG: Environment, Social and Governance

EITI: Extractive Industry Transparency Initiative

EU: European Union

GDL: Good Delivery List

ISAE 3000: International Standard on Assurance Engagements

KYC: Know Your Customer or Counterparty

LBMA: London Bullion Market Association

LPPM: London Platinum and Palladium Market

LSM: Large-Scale Mining

NGO: Non-Governmental Organisation

OECD: Organisation for Economic Co-operation and Development

OFAC: US Office of Foreign Assets Control

PEP: Politically Exposed Person

RAGS Forum: Responsible Artisanal Gold Solutions Forum

RGG: Responsible Gold Guidance

RMI: Responsible Minerals Initiative

RPPG: Responsible Platinum and Palladium Guidance

RSG: Responsible Silver Guidance

RSP: Responsible Sourcing Programme

UBO: Ultimate Beneficial Owner

UNESCO: United Nations Educational, Scientific and Cultural Organization

UK: United Kingdom

US: United States



US SEC: United States Security and Exchange Commission

WHS: World Heritage Site

UN: United Nations

Introduction

Purpose of the Document

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

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

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

Applicable Laws

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

Long-lasting relationships

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

LBMA encourages initiatives facilitating responsible and sustainable supply chains for all forms of mining in areas considered as Conflict-Affected and High-Risk Areas of human rights abuses (CAHRA). Refiners are strongly encouraged, with reference to Appendix 1 of the OECD Due Diligence Guidance Gold Supplement,⁶ to consider measures to create economic and development opportunities for Artisanal and Small-Scale Miners and assist legitimate Artisanal and Small-Scale producers to build secure, transparent and verifiable gold supply chains from mine to market. However, Refiners must ensure that no gold from Artisanal Small-Scale Mining (ASM) or Large-Scale Mining (LSM) is sourced from an area designated as a World Heritage Site or a Protected Area.

⁶ OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

Five-Step Due Diligence Framework

The RGG is based on the OECD's Five-Step due diligence framework for sourcing minerals from conflict affected and high-risk countries and its Gold Supplement (OECD Due Diligence Guidance).



Figure 3: OECD Five-Step Due Diligence Guidance

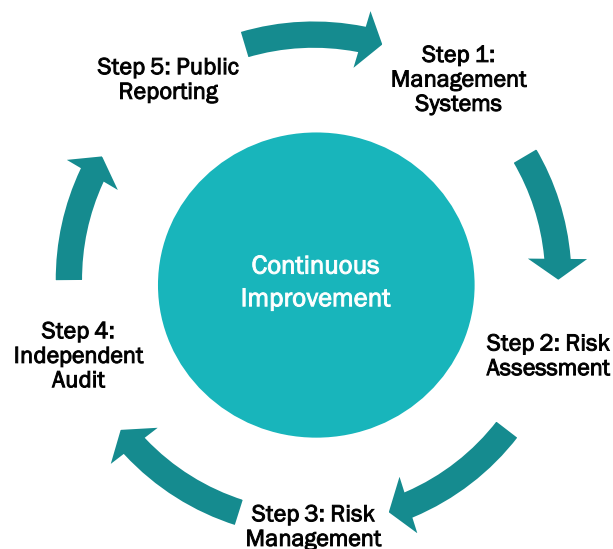


Figure 4: LBMA RGG Five-Step Due Diligence Framework

Harmonisation of Responsible Sourcing Initiatives

LBMA is committed to the 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).

Compliance with international regulations

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

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

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 Refiner Assurance Reports.
- Proactive monitoring of gold activity in Conflict-Affected and High-Risk Areas (CAHRAs).

RGG effective date

Refiners shall apply RGG Version 9 for annual reporting periods beginning on or after 1 January 2022. All requirements are applicable to new supply chains onboarded on or after 1 January 2022. 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.

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). The Refiner may be requested to provide additional information or detail on specific issues or aspects identified by LBMA. The Refiner’s GDL certificate is only granted once all LBMA reviews and related queries have been resolved.

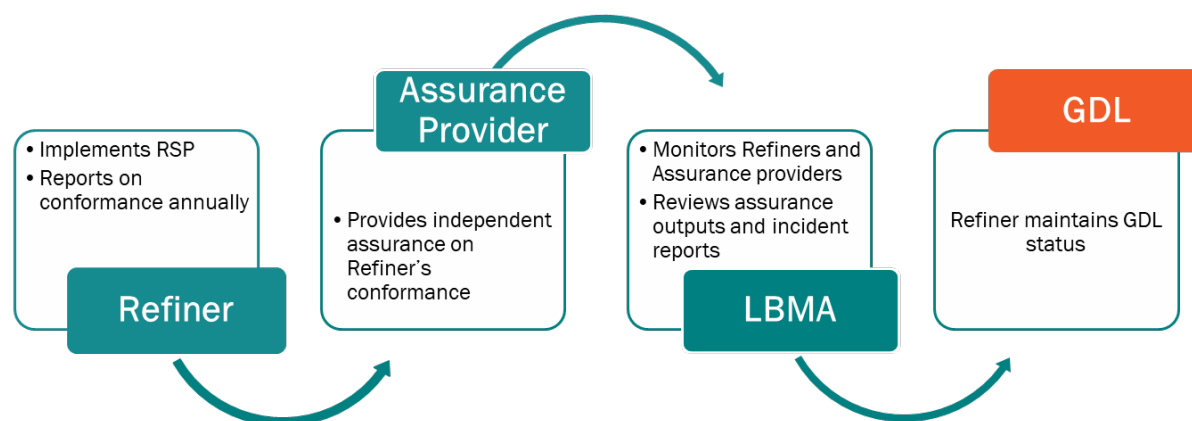


Figure 5: LBMA GDL Certification Process

Request for further information

LBMA reserves the right to request information and supporting documentation from Refiners. LBMA is committed to protecting the confidentiality of Refiners’ commercially sensitive information. Access to specific information is only requested in relation to a GDL application, an assurance engagement, a

reported grievance or a Special Audit commissioned by LBMA. The information is kept strictly confidential in accordance with LBMA's data protection policy.

Special Audits

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

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

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

Training and Resources

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

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

These are available at www.lbma.org.uk.

Step 1. Establish Strong Company Management Systems

The objective of Step 1 is to establish appropriate gold supply chain due diligence policies and governance structures to oversee the prevention and mitigation of risks of conflict minerals and/or adverse Environmental, Social and Governance (ESG) impacts in the Refiner's gold supply chain.

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

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

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

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

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

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

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

Bribery and fraudulent misrepresentation of the origin of gold.

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

Money laundering or terrorism financing.

Contribution to conflict.

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

Refiners must commit to the identification and assessment of potential or actual adverse impacts in their primary gold supply chains, by means of a risk-based monitoring methodology based on severity and likelihood, pertaining to the following ESG risks.

ESG risks ⁸
Non-compliance with environmental, health, safety, labour and community related regulations in country of operation and/or company policy, whichever may be the more stringent.
<p>Ineffective environmental management, including:</p> <ul style="list-style-type: none"> • Air, water, land pollution and lack of incident management plans • Water stewardship, especially in water scarce and stressed areas • Sourcing from World Heritage Sites and Protected Areas • Land rehabilitation and biodiversity management.
Ineffective mitigation of, and adaptation to, the impacts of climate change.
<p>Inappropriate storage, handling and disposal of hazardous chemicals, including mercury and cyanide.</p> <p><i>Note: LBMA recognises that mercury is used mainly in Artisanal and Small-Scale Mining (ASM) sources and therefore does not ban such supply chains. Instead, LBMA requires Refiners working with such artisanal supply chains to assist them in establishing processes to use mercury in a safe manner and to limit negative impacts on the environment and health and safety, and to find alternative solutions to mercury.</i></p>
Ineffective management of tailings facilities.
Ineffective management of labour issues, including remuneration, working hours, collective bargaining, discrimination, diversity, disputes and safeguarding of workers.
Ineffective community engagement and management programmes with respect to socio-economic development, land acquisition and community resettlement, cultural heritage sites and indigenous people, closure planning and safeguarding of vulnerable populations.
Ineffective management of business integrity impacts and ethical conduct as regarding fair competition, responsibly lobbying, tax compliance and supporting the implementation of relevant initiatives such as the Extractive Industry Transparency Initiative (EITI).

⁸ Assessment criteria included in the Refiner's Toolkit.

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

Minimum criteria for internal (or external) supply chain due diligence document:

- Scope
- Organisation and responsibilities
- Identification and assessment of risks, including all those defined above
- Detailed and meaningful Know Your Counterparty (KYC) and supply chain due diligence processes that, at a minimum, meet Responsible Gold Guidance (RGG) Step 2.1 requirements
- Transaction monitoring processes that, at a minimum, meet RGG Step 2.1 requirements
- Criteria for high-risk supply chains that, at a minimum, meet RGG Step 2.2 requirements
- KYC and supply chain due diligence record maintenance requirements
- Employee training programme.

1.2. Establish management structures to support supply chain due diligence

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

Board level oversight

As a minimum, the Refiner must assign authority and accountability to the Board or a Board committee (herewith referred to as the “Board”).

Board accountability should include, but is not limited to:

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

Compliance Officer

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

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

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

Training

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

Payment through official banking channels

Refiners must make and receive payments for gold through official banking channels and should not undertake any cash-based transactions. Purchases of ASM gold may be permissible exceptions to this requirement as long as all transactions involving ASM gold are made through formal channels from the point of export in the country of production to any onward counterparty. This practice should be supported by verifiable information and approved by the Compliance Officer.

Cooperation with government authorities

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

Maintaining records

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

1.3 Establish a gold traceability system

The Refiner must establish a system of controls for increased visibility and transparency over the supply chain. This includes a chain of custody or traceability system that identifies the origin of the gold and the upstream partners involved in the supply chain, and a mechanism to trace the input and output of each lot refined.

Supply chain traceability system

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

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

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

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

1.4 Strengthen company engagement with gold-supplying counterparties

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

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

Policy

Refiners should encourage gold-supplying counterparties to commit to their own gold supply chain policy, consistent with OECD Annex II and incorporating the ESG risks outlined in Step 1.1. Suppliers should acknowledge commitment and compliance with their policy in writing.

Contracts

The Refiner's gold supply chain due diligence policy or its requirements must be incorporated into contracts and/or agreements with the Refiner's suppliers.

Capacity building

Where appropriate, Refiners should assist in establishing processes to promote responsible mining and sourcing practices throughout the supply chain and assist gold-supplying counterparties or prospective suppliers in improving their supply chain practices. For example, Refiners should communicate their expectation and provide guidance or share good practices during on-site visits. Refiners may also consult and work together with national and industry authorities to support counterparties.

1.5 Establish a confidential grievance mechanism

Refiners must develop a mechanism allowing any employee or external stakeholder to voice concerns over the gold supply chain or any newly identified risk.

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

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

Step 2. Identify and Assess Supply Chain Risks

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

2.1 Conduct supply chain due diligence to identify potential risks

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

Supply chain due diligence

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

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

- Determination of the origin of the gold source:
 - Mined Gold: the location of the mine (Large-Scale Mining (LSM) and Artisanal Small-Scale Mining (ASM)).
 - Recycled Gold: the point in the gold supply chain where the gold is delivered to the Refiner.
 - Mining By-product: point of separation of gold from mineral base, as provided under the World Customs Organisations Revised Kyoto Convention Annex K⁹.
 - Grandfathered Stock: determination of origin is not required for stocks with a verifiable date prior to 1 January 2012, otherwise origin is the location of the gold-supplying counterparty.
- Determination of the general transportation routing of the gold source from origin to refinery.
- Verification that the country of origin is not in breach of any international sanctions.
- Verification that the mine site is not located in a World Heritage Site or Protected Area.

⁹ World Customs Organisation Revised Kyoto Convention Annex K. E3. / F1.

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

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

This location-based risk identification process must include an integrated assessment of all risks outlined in Step 1.1. Example sources of such an integrated assessment may include, but are not limited to:

- Sanctions lists (US, UK, EU, UN sanctions lists)
- Dodd Frank s. 1502
- EU CAHRA list
- Heidelberg Barometer
- Fragile States Index
- UN Human Rights Office of the High Commissioner
- Reports (including relevant country reports) by the Financial Action Task Force (FATF)
- Credible market intelligence on high-risk gold centres/transit hubs and on countries where there is a high risk of money laundering
- Market intelligence on countries with weaker governance and monitoring of ESG
- Market intelligence on gold production according to industry reports, as well as available customs export data
- Market intelligence on countries with weak enforcement of customs control, i.e. known smuggling issues and/or lack of export data.

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

Using the KYC Questionnaire in the Refiner's Toolkit:

- Identification and verification of the gold-supplying counterparty's name, physical address, corporate registration and licence information using reliable, independent source documents, data or information.
- Identification and verification of Ultimate Beneficial Owners (UBO) (with 10% or more ownership) and authorised signatories¹⁰ of the gold-supplying counterparty using reliable and current government-issued photo identity documents.
- Confirmation that the gold-supplying counterparty and its UBOs are not named on any government lists as wanted money launderers, or as known fraudsters, or terrorists (e.g. UN sanctions lists, OFAC Specially Designated Nationals Lists).
- Obtaining the gold-supplying counterparty's business and financial details, and information on the purpose and intended nature of the business relationship.

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

Type of material risk identification

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

Refiners may use independent audit, assurance or certification reports of conformance with recognised responsible sourcing standards (other initiatives) as supporting evidence for all or part of the requirements outlined below. The onus is on the Refiner to determine which aspects of the Responsible Gold Guidance (RGG) are being addressed through other initiatives and to ensure residual RGG requirements are appropriately met. Annex 1 outlines other initiatives recognised by LBMA.

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

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

- Import/export gold licence for gold supplying counterparty, if applicable
- Mining practice, including processing and transportation method
- Production data and processing capacity, if available
- Sources of and controls to appropriately manage and risk-assess any third-party stock, including that from ASM, on the mine site
- Anti-money laundering and terrorist financing policies and practices, where relevant
- Bribery and corruption policies and practices
- Human rights policies and practices
- Environmental policies and practices
- Health and safety policies and practices
- Labour policies and practices
- Community engagement and development policies and practices
- Data management policies and practices to the extent available
- Ethics and business integrity policies and practices
- Government policies and practices.

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

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

- Suppliers of ASM gold sources, including:
 - local artisanal mining team, association or cooperatives (it is not necessary to identify individual diggers)
 - aggregators and traders
 - local gold exporter
- Whether mining project can be considered legitimate ASM¹¹ (i.e. legally registered, cooperative-based and/or government-recognised initiative)
- Mining practice, including extraction, processing and transportation method
- Use, storage and recovery of mercury, and if applicable, impact on the environment and the health of those involved in the production, handling and processing of gold
- Human rights practices and policies, to the extent available
- Environmental practices and policies, to the extent available
- Health and safety practices and policies, to the extent available
- Labour practices and policies, to the extent available
- Community engagement and development practices and policies, to the extent available
- Payments to government practices and policies, to the extent available.

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

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

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

- Main markets, products and customer segments of the counterparty
- Profiles of the counterparty's gold and precious metals suppliers
- Types and forms of precious metals sourced by the counterparty
- Country of origin of gold and precious metals processed by the facility
- Country of destination of refined material
- Trade and production data, to extent available
- Type and locations of facilities operated by the counterparty (smelting, refining, manufacturing, jewellery production, pawn shops, etc.)
- Import/export licences, if applicable
- Anti-money laundering and terrorist financing policies and practices
- Anti-bribery and corruption policies and practices
- Responsible sourcing policies and processes
- Data privacy policies and practices, to extent available.

¹¹ Refer to definition of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Gold Supplement

Note: Where the Refiner's source gold is a Mining By-product, a risk identification assessment should be undertaken up to the smelter where the gold is separated from the base metal. The Refiner may adapt the KYC Questionnaire for Recycled Material to assess the smelter supplying the by-product, or use audits, assurance or certification reports for other initiatives, as applicable, as supporting evidence.

Monitoring of transactions

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

Transactions monitoring should include, but is not limited to:

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

Where inconsistencies or suspicions are identified:

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

2.2 Classify supply chains based on risk profiles

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

Zero-tolerance supply chains

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

Zero-tolerance issues include but are not limited to:

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

High-risk supply chains

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

Mined Gold risk classification

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

For location-based high risks, the Mined Gold:

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

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

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

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

- Sourced from ASM
- Produced with the use of mercury
- Contributes to, or has a high likelihood to contribute to, catastrophic or highly adverse ESG impacts that are irreversible, sensitive, diverse or unprecedented in the absence of adequate mitigation measures, further defined by the Refiner.

Recycled Gold risk classification

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

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

For location-based high risks, the Recycled Gold:

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

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

- Operate in a money laundering high-risk country
- Have shareholders, or UBOs, or other gold-supplying interests in one of the location-based high-risk criteria
- Have UBOs that are Politically Exposed Persons (PEPs)
- Have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, sects and their leaders
- Have been known to have sourced gold from a high-risk country in the last 12 months
- Have significant unexplained geographic distance from their supplier or counterparty in the supply chain
- Have a supply chain due diligence process materially misaligned with the recommended practice in the OECD Due Diligence Guidance, proportionate to their business circumstances.

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

- Melted recycled gold from a non-LBMA refinery and/or Intermediate Refiner or trading counterparty that is sourcing from an Intermediate Refiner.
- High concentration jewellery.

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

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

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

- Aimed at substantiating the documented KYC information
- Focused on investigating the specific supply chain due diligence findings
- Conducted before any transactions occur or at the least within six months of the business relationship commencing
- Conducted by competent employees or independent third-party consultants, who are free of any conflict of interest with the supplier. Where company employees conduct an on-site visit, they must commit to reporting truthfully and accurately

- Consult relevant internal and external stakeholders (for example, local or central authorities, upstream companies, international or civil society organisations, or affected third parties), where applicable
- Fully and accurately documented in the Site Visit Report templates included in the Refiner's Toolkit. Refiners choosing to not use the template will be required to justify their positions
- Followed up, depending on the number and severity of issues identified and documented in the improvement plans.

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

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

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

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

- Proportionate KYC on each company involved in the location-based high-risk supply chain from the gold aggregator to the Refiner (including cooperatives, gold traders and exporters, and transporters).
- Collecting information on the government, political or military affiliations of ASM suppliers, including any reported instances of affiliation with non-state armed group and/or public or private security forces.
- Collecting evidence of any serious human rights abuses committed by any party at mine sites, transportation routes and points where gold is traded and/or exported.
- Assessing the militarisation of mine sites and transportation routes, and the risk of direct or indirect support to illegitimate non-state armed group or public or private security forces.
- Assessing any conflict or tensions in the relationship between LSM and ASM.
- Assessing the risk, suspicions or reports that gold from other sources is being unknowingly introduced into the gold supply chain and/or fraudulently represented.
- Assessing the storage, handling and usage of mercury, and the impacts on the environment and workers' health.
- Evaluating the appropriateness of other ESG risk management practices pertaining to issues identified in the initial due diligence.

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

- An independent Assurance Report on the suppliers' responsible sourcing practices on a comply or explain basis. The assurance should:
 - include conformance with an OECD aligned responsible sourcing scheme
 - be commissioned by the Intermediate Refiner
 - be completed before the start of a new business relationship or within a reasonable timeframe¹² of the Refiner implementing this Guidance
- Confirm and name the identity or UBOs of supplier(s)
- In addition, Refiners may delegate any additional on-site visit activities to the independent Assurance Provider.

Note: Refiners must ensure that any trading counterparties sourcing from Intermediate Refiners have carried out requisite EDD procedures, including obtaining the Intermediate Refiner's OECD-aligned independent audit report.

¹² Within six months of implementing this Guidance, Refiners are expected to engage existing suppliers to commission and prepare for independent assurance. Existing suppliers will be afforded a year of implementation from their financial year end before the assurance is expected to be commissioned.

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

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

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

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

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

3.1 Devise a risk management strategy for the identified risk

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

Terminate relationship

The Refiner should immediately stop refining gold where the Enhanced Due Diligence (EDD) concludes that there are known instances or a very high possibility of:

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

The Refiner should report such instances to the appropriate authorities and to LBMA, where applicable.

Suspend relationship

The refiner should suspend refining gold where the EDD concludes that:

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

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

Continue relationship with improvement plan

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

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

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

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

3.2 Monitor the improvement plan

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

Improvement plan monitoring

The risk monitoring strategy should at a minimum:

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

To facilitate monitoring activities, Refiners should, as appropriate:

- Consult relevant stakeholders such as local or central authorities, upstream companies, international or civil society organisations, and affected third parties.
- Create or solicit the support of community-based monitoring networks.

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

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

The Compliance Officer should revisit the decision to continue with business relationships frequently (i.e. annually, at a minimum).

3.3 Report findings to the Board

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

The Board should at a minimum receive information on the following:	
<ul style="list-style-type: none">• Relevant statistics on high-risk supply chains• Proposed risk mitigation strategies• Reports on the progress and effectiveness of improvement plans.	

3.4 Continuously monitor adequacy of risk management strategies

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

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

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

4.1 Assurance requirements

Assurance Provider independence and competency

The Board is responsible for the approval of a third-party Assurance Provider and must ensure that they are independent of the organisation and have the requisite competencies, experience, and capacity to carry out the engagement. LBMA has aligned assurance independence requirements to the EU mandatory audit firm rotation¹³ and Refiners must rotate Assurance Providers every ten years on a comply or explain basis. Where audit firm rotation is not a viable option, the Refiner should at a minimum rotate the assurance partner responsible for signing off on the engagement.

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

Assurance objective

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

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

Assurance standards

LBMA will only accept an assurance engagement performed in accordance with ISAE 3000 revised assurance standard as a reasonable level of assurance. LBMA has prepared detailed Third-Party Assurance Guidance for the application of ISAE 3000 to this type of engagement (which is available on the www.lbma.org.uk). Refiners should consult this document to support their preparation for the assurance engagements.

Assurance period

Assurance of the Refiner's conformance to the Responsible Gold Guidance (RGG) is required on an annual basis, covering the supply chain due diligence activities over a 12-month reporting period. It is expected that the Refiner's annual 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 deliverables

The assurance deliverables should include three key reports, as described below. Further detail on these is provided in the Third-Party Assurance Guidance:

¹³ EU Statutory Audit Reform Directive 2014/56/EU3 and Regulation 537/2014

1. Independent Assurance Report on the Refiner's Compliance Report (Public)
<p>This report is addressed to the Refiner's Board of Directors and states the Assurance Provider's conclusion on the Refiner's Compliance Report. This Assurance Report must be publicly disclosed alongside the Refiner's Compliance Report, or it should be made clear how it can be accessed by intended users.</p>
2. Independent Assurance Report on the Refiner's Country of Origin Annex (Confidential)
<p>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.</p>
3. Report to Refinery Management (Confidential)
<p>A report issued by the Assurance Provider to the Refiner's management is the formal mechanism for communicating the detailed findings of the assurance engagement to the Refiner. This is a private document for the Refiner and LBMA. It may be shared with other stakeholders at the Refiner's discretion.</p>

Submission of Assurance Deliverables to LBMA

Copies of all three deliverables should be submitted by the Refiner, or the Assurance Provider as designated by the Refiner, to the LBMA Chief Executive via email on an annual basis and within three months of the financial year end.

Multi-site assurance and standards equivalence

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

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

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

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

Step 5. Report Annually on Supply Chain Due Diligence

The objective of Step 5 is for Refiners to publicly report on their gold supply chain due diligence policies, practices and performance for the reporting year, with appropriate regard for security, proprietary information and the legal rights of the other supply chain actors. This public disclosure is to raise awareness of and generate confidence in the Refiners' measures to combat threat finance and manage Environmental, Social and Governance (ESG) impacts in the gold supply chain.

5.1 Reporting Requirements

Reporting Objective

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

Reporting period

Reporting on the Refiner's conformance to the RGG is required on an annual basis, covering the supply chain due diligence activities over a 12-month reporting period. It is expected that the supply chain due diligence reporting will follow the Refiner's financial reporting cycle and the supply chain due diligence reporting must therefore be completed within three months of the Refiner's financial year end.

Reporting deliverables

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

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

2. Refiner's Compliance Report (Public)

The Compliance Report should, as a minimum, meet the requirements outlined in the Disclosure Guidance Document in the Refiner's Toolkit. Minimum information includes:

- Name of the Refiner and refinery
- Reporting period
- Summary of activities undertaken to conform to the RGG and meet the objectives of the Responsible Sourcing Programme (the Programme)
- Refiner's level of conformance with each of Steps 1 to 5 of the RGG
- Management's overall conclusion on conformance with the RGG and objectives of the Programme
- The identity of the refiner and the local exporter located in high-risk locations should always be disclosed except in cases of disengagement¹⁴
- Details of suppliers with risk mitigation strategies, including name, Enhanced Due Diligence (EDD) risks, and status and progress of risk management strategy
- The Refiner's high-risk and medium-risk non-conformances with the RGG and the proposed resolution thereof.

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

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

The Country of Origin Annex should, as a minimum, meet the requirements outlined in the Disclosure Guidance Document in the Refiner's Toolkit. Minimum information includes:

- List of gold sources by country and by type of material sourced
- Total gold sourced by type of material (LSM, ASM, Recycled Gold, Grandfathered Stock) in the reporting period.

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

4. Corrective Action Plan (Confidential)

Refiners should submit a Corrective Action Plan if a high-risk non-conformance has been identified during the assurance and/or if the Refiner fails to satisfy one or more of the requirements as set out in Steps 1 to 5 of this Guidance. For each high-risk non-conformance identified, the Corrective Action Plan should include:

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

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

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



In addition, Refiners must immediately report any of the following to LBMA:

- Zero-tolerance suppliers or supply chains identified during the Refiners' due diligence processes
- Zero-tolerance non-conformances identified during the Refiners' assurance process
- Suppliers with whom Refiners have decided to cease trading due to an unacceptably high risk
- Assurance Providers with whom Refiners have decided to cease engagement.

The incidents should be reported to the Responsible Sourcing Manager.

[Submission of reporting deliverables to LBMA](#)

Copies of all four deliverables should be submitted by the Refiner, or the Assurance Provider as designated by the Refiner, to the LBMA Chief Executive via email on an annual basis and within three months of the financial year end.

Annex 1: Recognised Responsible Sourcing Standards

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

Other initiatives	ASM	LSM	Recycled	By-products
Code of Risk-Mitigation for Artisanal and Small-Scale Mining Engaging in Formal Trade (CRAFT)	X			
Fairtrade and Fairmined Standard for Gold from Artisanal and Small-Scale Mining including associated precious metals	X			
Associated Precious Metals Responsible Artisanal Gold Solutions (RAGS) Forum	X			
Initiative for Responsible Mining Assurance (IRMA) Certification	X	X		
International Council on Mining and Metals (ICMM) Performance Expectations	X	X		
World Gold Council (WGC) Conflict-Free Precious Metal Standard and Responsible Gold Mining Principles	X	X		
Responsible Minerals Initiative (RMI) and the Precious Metal Supply Chain Transparency – Refinery Audit Protocol			X	X
Responsible Jewellery Council Code of Practices and Chain of Custody Standards	X	X	X	X
Regulatory anti-money laundering audits			X	X
London Platinum and Palladium Market Association's Responsible Platinum and Palladium Guidance				X
The Copper Mark and the Joint Due Diligence Standard				X

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