INTRODUCTION TO THE SUPPLEMENT ON GOLD

Meeting of the OECD-hosted forum
on implementation of due diligence in the gold supply chain
3 May 2012

John Bullock, Metalor, Moderator
Ruth Crowell, LBMA
Fiona Solomon, RJC
Terry Heymann, WGC
Mumtaz Ahmed, EICC
Development Timetable

• Start: May 2011 Gold Working Group Meeting
  – Multi-Stakeholder Drafting Committee:
  – Weekly conference calls
  – Nov 2011 Gold Working Group Meeting
  – Public consultation

• Approvals:
  – Feb 2012 – Gold Working Group
  – Mar 2012 – Advisory Group on Investment
  – April 2012 – Development Assistance and Investment Committees
  – June/July 2012 – OECD General Council (pending)
Challenges of Conflict Gold

• Very small part of world gold supply
• Very large part of conflict area economy
• Very difficult to control
  – Many uses: finance, jewelry, industry
  – Easily refined to useable quality
  – Easily hidden, easily smuggled
• Conflict mining is artisan, small, informal
  – Highly vulnerable to armed groups
  – No resources for due diligence
Challenges of Conflict Gold

• Lack of resources, capabilities
• Need for formalization, legalization
• Need for commercial channels to markets

• Photo: Sasha Lezhnev, Enough Project
Five Step Due Diligence

1. Strong company management systems;
2. Identification and assessment of risks;
3. Response to risks;
4. Independent third-party audits of refiners;
5. Annual report.
Step 1: Supply Chain DD

• Strong management systems required for all
  – Sourcing conflict and/or non-conflict gold
• Build on existing industry mechanisms:
  – WGC, ICMM, EITI for responsible mining
  – RJC – Member CSR certifications
  – LBMA – Accreditation system for refiners
  – AML – Refiner due diligence systems
Due Diligence Roles

• Downstream – Trace gold to refiners
• Refiners – Assess and address upstream risks
• Upstream – On-the-ground due diligence
• All – Collaborate to assure conflict-free gold
• Appendix 1 – Artisanal and Small Mining
World Gold Council

• WGC Members: 23 Large Mining Companies
  – 60% of World Mine Production
  – Mining, Investment, Jewellery, Technology

• Conflict-Free Gold Standard
  – Applicable to Mining, Open Standard

• Implementation: Summer 2012 +
WGC Standard

• Part A: Conflict Assessment
• Part B: Company Assessment
  – Human Rights
  – Security
  – Payments
• Part C: Commodity Assessment
London Bullion Market Association

• 63 ‘Good Delivery’ Gold Refiners Worldwide
• LBMA Responsible Gold Guidance:
  – Require GD Refiners Conflict Free
  – Provide Guidance to Achieve
  – Require Third Party Audit
  – Be Credible and Feasible
  – Implementation: January 2012 +
LBMA Responsible Gold Guidance

• Framework: OECD Guidance +
  – Step 1 – Strong Management System
  – Step 2 – Assess Risk of Sources
  – Step 3 – Respond and Mitigate Risk
  – Step 4 – Audit Due Diligence
  – Step 5 – Report to Public
Responsible Jewellery Council

• RJC Members: >370, International Scope
  – Mines, Refiners, Manufacturers, Retailers
• Code of Practices: Full CSR
  – Business Ethics, Human Rights, Social and Environmental Performance
• Verification by RJC-Accredited Auditors
  – Audit Across All Operations/Activities
RJC CoC Certification

• New: Chain of Custody Certification
• Alignment of Supply Chains
  – Responsible
  – Conflict Free
• Implementation: March 2012 +
EICC-GeSI Gold Refiner Audit

• Electronics / Downstream Initiative
• Gold Industry a Full Participant
• Dodd-Frank Focus: DRC Conflict Free
• Audit: Gold Refiner Management System
• Implementation: April 2012 +
EICC-GeSI Gold Refiner Audit

• Four Zones of Risk - Proximity to DRC
• Four Levels of Refiner Due Diligence
  – Normal Commercial Practices
  – Added Concern: Supplier Visit
  – Higher Concern: Supplier Audit
  – DRC: On-Ground Assessment
Fairtrade-Fairmined / ARM

• Works with artisanal mining producers
• Social / Environmental responsibility community focus
• Objectives:
  – Formalization
  – Legalization
  – Improved / Fair Compensation
  – Access to Formal Markets and Consumers
Fairtrade-Fairmined / ARM

- Implementation Focus: Appendix 1
- Established Standard
- Experience: Certified ASM in Latin America
- Expansion into Africa, Asia
Q&A

• Ruth Crowell, LBMA
• Fiona Solomon, RJC
• Terry Heymann, WGC
• Mumtaz Ahmed, EICC-GeSI