

Draft Overview of Audit Initiatives for Responsible Mineral Sourcing

May 2014



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Overview of Audit Initiatives

Audit initiatives spreadsheet (DRAFT May 2014)

This document is mainly based on information provided by the different initiatives and from Estelle Levin Ltd, BGR and GIZ: "Mineral Supply Chain Due Diligence Audits and Risk Assessments in the Great Lakes Region", November 2013

Initiative	Upstream	Downstream	Gold	3T	Description of Audit Scheme	Auditee	Reference Standard	Auditing System	Audit Scope / Objective
ICGLR Regional Certification Mechanism (RCM)	X		X	X	Third party auditor verifies that the supply chains of a sample of shipments of Designated Mineral (conflict minerals) by an exporter that is subject to the RCM jurisdiction were in compliance with the requirements of the RCM. The object of the audit is the chain of custody of (certified) minerals shipped by an exporter (with the applicable RCM standards for each segment of the supply chain), and the operators who handled that mineral up to the point of extraction in a top-down approach. Note that the supply chain segment between exporter and smelter is (currently) not covered.	Exporter	ICGLR regional standards, based on OECD Guidance		Due diligence of supply chain from mine-site to point of export; Top-down (material and suppliers)
ITRI Tin Supply Chain Initiative iTSCi	X			X	Third party auditor delivers company pre-audits, company field audits, and governance assessments. For field audits, focused on both mine-site operators and exporters (and smelters; iTSCi members), and the supply chains between them.	iTSCi members: Mine sites, traders, processors, exporters, smelters	OECD Guidance Dodd Frank Act	ISO 19011	Extent of company's implementation of OECD Guidance; Adherence to iTSCi traceability and due diligence procedures
Certified Trading Chain (CTC)	X		X	X	Baseline and compliance audits – bottom-up from mine site to associated exporter (and optionally down to the smelter). Baseline audits give recommendations to auditee towards becoming compliant. Compliance audits, if passed, form the base for CTC certification of responsible mining practice at a given mine site (and associated trading chain). Theoretically applicable to gold and 3Ts both but in practice only realized for 3Ts so far.	Mine sites	CTC Standard		Transparency and traceability of mineral trading chains Responsible mining practices Bottom-up
Conflict-Free Gold Standard (CFGS)	X		X		Third party assurer provides "limited or reasonable assurance on the company's Conflict-Free Gold Report", ensuring that companies have reported on the right parts of the standard and in conformance with the WGC's Conflict-Free Gold Standard. Companies are required to report their conformance with the standard over a 12 month period, and assurance of the company's disclosure must be published within 4 months of the conflict-free gold report's publication date. Scope includes assessments of conflict assessment, company, commodity, and externally sourced gold, and transportation routes. In theory all scales of gold producer are eligible, but in practice only larger gold mining companies would be able to achieve the requirements.	Gold mining companies	OECD Guidance VP on Sec and HR ICMM's Sustainable Development Principles Sarbanes-Oxley Act GRI report assurance	ISO Certification	3rd party assurance of due diligence (verification of disclosure) Conflict assessment Company assessment Commodity assessment
Conflict-Free Smelter Program (CFSP)		X	X	X	The audit covers "tin/tantalum/tungsten inventory, receipts and product shipments during this audit period as well as closing inventory at the time of the audit." CFSP auditor does not audit upstream activities, but must verify that an OECD-UN Guidance audit has been done for upstream activities. Otherwise the smelter / refiner is not eligible for a CFSP audit. CFSP auditor may do site visits of upstream operators, but is checking material flows only. Only option for CoC audit of tin and tantalum smelters.	Primary and secondary refiners (gold) and smelters (3T)	Dodd-Frank Act	ISO/IEC 17021:2011	Smelter or Refiner's mineral supply chain: Material analysis (mass balance calculation of inputs, outputs, stocks) Business process review / management systems for conflict minerals OECD Conformance check.

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ICGLR Regional Certification Mechanism (RCM)	Conflict, CoC, due diligence, working conditions, environment, formality, transparency, community development	RCM-compliant (green in ICGLR database of exporters); Auditee who passes audit is entitled to (continue to) applying for ICGLR Certificate for Designated Minerals for individual export shipments (issued via national authorities)	Auditor accredited by ICGLR Audit Committee	Annual	ICGLR Audit Committee	Yet to be determined
ITRI Tin Supply Chain Initiative iTSCi	Company management systems, transparency, mineral supply chain, supply chain risk assessment, security and armed presence, CoC system, production capacity	Conflict-free or OECD Conformant	Synergy appointed by iTSCi (until Dec 2013 Channel Research); Support provided by iTSCi audit advisor	Dependent on level of risk (approximately 1 to 3 year cycles)	iTSCi Governance Cttee, Ombudsman, Advisory Group as defined in iTSCi Audit manual	Recognized by CFSP as sufficient for purposes of 'OECD Conformance audit'
Certified Trading Chain (CTC)	Traceability, chain of custody, production plausibility, security, transparency, labour and working conditions, security, community development, environment.	National CTC Certificate of Compliance	Auditor appointed by CTC national working group (BGR and national institutions) In DRC, planned pool of national accredited auditors	Every 3 years	National regulatory regime	Most CTC standards included as progress criteria for monitoring under the RCM. However, only CTC audits assure compliance with these standards.
Conflict-Free Gold Standard (CFGS)	Operations located in or transport through conflict-affected or high-risk areas; human rights, corporate activities, security, payments and benefits in kind, engagement, complaints and grievances, nature of gold production, control of gold at operation, transport, externally sourced gold	Assurance statement provided on Conflict-Free Gold Report: A. Conformance B. Deviation from conformance with an Remedial Action Plan implemented = Conformance C. Deviation from conformance without Remedial Action Plan implemented = Non-conformance	Companies commission their own auditors. These auditors are accredited by international or national professional bodies. The CFGS provides guidance on selecting the 'assurance provider'.		The WGC is not 'governing' the standard and its use, though it may seek to update or improve it if, following experience of application, it is subject to critical input by communities, governments, civil society, companies and other stakeholders	Supports due diligence activities required by the OECD-UN DDG and the LBMA Responsible Gold Guidance
Conflict-Free Smelter Program (CFSP)	Inventory, receipts and product shipments	Validated Smelter / Refiner List		Annual	Audit Review Committee validates audit conclusion and applies exceptions where appropriate. CFSI approve eligibility of audit firms to conduct the audits.	RJC CoC certification is accepted by the CFSP as an alternative audit. CFSP audit is equivalent to assurance of part 10 of the RJC CoC Standard and step 4 of LBMA.

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London Bullion Market Association (LBMA) Responsible Gold Guidance		X	X		Applicable to gold only. The auditor applies either ISAE 3000 approach or ISO 19011:2011 approach. Under the ISO 19011:2011 approach auditors are required to evaluate the existence of appropriate management systems at the Refiner. These assessments include information gathering and on-site visits to the Refiner. Under ISAE 3000, a risk-based approach is adopted which includes "risk assessment, planning and performing assurance procedures, gathering sufficient appropriate assurance evidence"	Member refiners	OECD Guidance Know Your Customer Anti-Money Laundering	ISAE 3000, ISO 19011:2011	Refiner's gold supply chain
Dubai Multi Commodity Center (DMCC) Responsible Sourcing Guidance and Review Protocol: Dubai Good Delivery (DGD), Market Deliverable Brand (MDB) and Responsible Market Participant (RMP) Certification	X	X	X		The audits verify compliance by DMCC-accredited Dubai Good Delivery refiners, Market Deliverable Brand refiners and Responsible Market Participants (downstream) with DMCC's Responsible Sourcing Guidance and Review protocol. The auditor reviews the auditee's management systems, supply chain risk assessment, risk mitigation plan and reporting according to the 5 steps of the standard. The auditor conducts on-site visits to the auditee and gathers information through interviews, visual observation and document review (on the auditee's supply chain management systems, due diligence measures and transactions).	DMCC-accredited Dubai Good Delivery refiners globally DMCC-accredited Market Deliverable Brand refiners globally DMCC-accredited Responsible Market Participant downstream participants globally	OECD Guidance Know Your Customer DMCC Anti-Money Laundering and Combating Financing of Terrorism Policy	ISAE 3000, ISO 19011:2011	Gold and precious metals supply chain
Responsible Jewellery Council's Code of Practice	X	X	X		Third party audit of an RJC member, which can be any company at any point of the gold commodity or gold jewellery supply chain. Broad scope in terms of issues covered, and high standards of risk management along jewelry supply chains. New version released in November 2013 after multi-stakeholder review now includes element on human rights and responsible sourcing, directed at supporting conformance with the OECD Guidance and CoC.	RJC members	RJC Code of Practices: A long list of standards (see Code of Practices for detail) including UNGPs, VPSHR, UN Global Compact, EITI, Kimberly Process etc	ISO 19011	RJC Certification, via independent audit by RJC Accredited Auditors. Audit Scope and Protocol laid out in Assessment Manual and Assessment Workbook.
Responsible Jewellery Council's Chain of Custody	X	X	X		Third party audit of RJC member's system for sourcing gold, designed to assure the material's supply chain. Can be of a subsidiary or site of RJC member only rather than full member. ASM gold can enter a CoC supply chain provided it was produced by a recognized system, e.g. Fairtrade or Fairmined. Third party auditor verifies the auditee's systems for managing chain-of-custody. The audit covers "all applicable provisions in the standard at all facilities in the certification scope", which include all facilities under the control of the auditee that the auditee "intends to use for the extraction, processing, manufacturing, storage, handling, shipping and receiving, and marketing of CoC Material" as well as all Outsourcing Contractors that the auditee "intends to use for the processing and manufacturing of CoC Material." A sampling of facilities is allowed at the auditor's discretion "where there are common management systems applied in similar contexts."	RJC members or facility along gold and jewellery supply chain	RJC Chain-of-Custody Standard, which covers: RJC CoP OECD Guidance Know Your Customers / Anti-Money Laundering Dodd Frank Act	ISO 19011	RJC CoC Certification, via independent audit by RJC Accredited Auditors. CoC Audit Scope and Protocol laid out in Assessment Manual and CoC Assessment Workbook.

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London Bullion Market Association (LBMA) Responsible Gold Guidance	Management systems	Good Delivery Accreditation		Every 1 to 3 years; higher risk requires higher frequency	Auditor qualification and competences specified in the Third Party Audit Guidance. Refiners should use auditors recommended by LBMA or get review and approval from LBMA for their preferred auditors.	Audit Recognition: RJC CoC certification removes need for LBMA audit. CFS audits = Responsible Gold Requirement (step 4) of LBMA LBMA audit is equivalent to assurance of part 10 of the RJC
Dubai Multi Commodity Center (DMCC) Responsible Sourcing Guidance and Review Protocol: Dubai Good Delivery (DGD), Market Deliverable Brand (MDB) and Responsible Market Participant (RMP) Certification	Management systems, supply chain risk assessment, risk mitigation plan, independent audit and reporting according to the 5 step	Fully compliant, Compliant with low-risk deviations, Non compliance: medium risk, Non compliance: high risk. Outcome is Dubai Good Delivery accreditation	Big 4 Audit Firms - KPMG, E&Y, PWC and Deloitte For RMP: Horwath Mak and Verico Auditing (to be expanded in due course to include internationally based competent audit firms from non big 4)	Full reasonable assurance review every three years. Limited assurance review every 12 months. If result was non-compliant: High-risk, a follow up review is to be conducted within 90 days.	Auditor competences specified in review protocol but assessment of auditors not defined. Audit companies are approved by DMCC and listed on the DMCC website or get review and approval from DMCC for their preferred auditors.	RJC and DMCC have cross recognized their audits. Signet Jewelers have accepted DGD standard as meeting their SRSP's responsible sourcing requirements and GJEP, India have supported the import of DGD bars into India, so that jewelry produced from DGD bars is automatically responsibly sourced, therefore India can export its jewelry to USA (and in compliance with US Dodd Franck Act).
Responsible Jewellery Councils Code of Practice	Business Ethics, Human Rights and Social Performance, Environmental Performance, Management Practices	1 or 3 year Certification depending on conformance level. Critical breaches result in loss of Certification/Membership.	Independent third-party auditor accredited by the RJC	Certification audit every three years. Surveillance audit within 12-18 months after Certification	Auditors have to be RJC accredited - meeting quality and experience criteria: see http://www.responsiblejewellery.com/auditors/become-an-auditor/	Recognise relevant certifications such as SA8000, ISO14001, OHSAS where applicable against RJC Code of Practices requirements. For more information see the RJC Assessment Manual.
Responsible Jewellery Council's Chain of Custody	Systems for managing CoC and conflict-sensitive sourcing.	3 year CoC Certification depending on conformance level. Critical breaches result in loss of CoC Certification/Membership.	Independent third-party auditor accredited by the RJC	Certification audit every three years (or after 1 year for 1 year Certification Period. Surveillance audit within 12-18 months after Certification		Recognise LBMA, CFSP, DMCC as meeting section 10 of the CoC Standard (conflict-sensitive sourcing for gold refiners) as all are aligned with OECD DDG. Recognise WGC as support for requirements for conflict due diligence by mining companies. RJC CoC certification is recognised as meeting audit requirements for CFSP, LBMA, DMCC. Also designed to support Dodd-Frank 1502 with chain-of-custody information re covered countries.

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Fairmined (Alliance for Responsible Mining)	X	X	X		High performance standards for artisanal and small-scale gold mining. Includes chain of custody for 100% gold produced by the artisanal/small-scale mining operator (ASMO). Incorporating revisions into the new draft of the Fairmined Standard to support conformance with the OECD Guidance (due end 2013). Includes third party audit of the ASMO. The ASMO must accept audits of their premises and subcontracted premises. ⁸¹ Third party processing plants sub-contracted by the ASMO are subject to special traceability rules. However, "where full compliance with physical traceability requirements imposes disproportional costs, ASMOs are exempt from physical traceability requirements." <u>Difference to Fairtrade:</u> Traders are audited against the market annex and the traceability criteria. There are two routes to the market, either fully traceable or the B2B model which goes up to the export point. Refiners are subject to audits only if they are located in the export country; in cases where the trader exports to a refinery elsewhere, the refiner does not undergo audits for B2B. All actors making a product claim on Fairmined have to undergo a documental audit. If this audit raises any alarms of mismatch of sourcing and sales, a physical audit is conducted	ASM Organisations, Traders, Refiners (only if located in export country)	ARM's Vision and Principles for Responsible ASM Adaptation of Generic Fairtrade Standard to Gold ILO Core Labour Standard OECD Guidance		Miners' organisational and production practices Trading relationships between the ASM Organisation and its buyers, including traceability from mine to refiner supply chain (either physically traceable for Fairmined consumer products or documental traceability downstream for incorporating Fairmined supply)
Fairtrade	X	X	X		Same intro as Fairmined. <u>Difference to Fairmined:</u> All actors in the supply chain who take legal ownership of the product must be certified. The traders and licensees certified by FLO-CERT or National Fairtrade Organisations are audited. Every trader up to the Licensee (any entity that has been granted the right to use the Fairtrade Label by Fairtrade International (FLO) or a FLO National Member / Labeling initiative) needs to keep evidence of constant compliance with each criterion of the certification requirements. Refiners are checked against the public compliance criteria for traders.	ASM Organisations, Traders and licensees (certified by FLO-CERT or National Fairtrade Organisation) and refiners	Adaptation of Generic Fairtrade Standard to Gold ILO Core Labour Standard OECD Guidance UN Declaration on HR		Miners' production practices Trading relationships

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Fairmined (Alliance for Responsible Mining)	Traceability, transparency and accountability in ASMO's, non discrimination, environmental practices, labour standards; premium use and governance; Other issues: forest management, amalgam burning practices in habitat areas and water management	FAIRMINED certification of a mining entity or trader FAIRMINED certification of gold Other downstream users are licensed The gold and associated metals are FAIRMINED certified and may be labelled as such with the 'FAIRMINED consumer Products' Market Approach.	Third party under non-exclusive contracts with certification bodies, e.g. like SGS, IMO Control, FLO-CERT (could also be accredited)	Annual	Auditor makes recommendation; certification body decides to grant certification or not. ARM and certification bodies have a joint committee to address issues with certification. The CB has to have a complaint and an allegation procedure.	Cross-recognition by RJC, CoP, COC, and LBMA RGG for responsible sourcing from ASM Cross-recognition with Fairtrade could eventually be taken in consideration FLO-CERT would not recognize FAIRMINED certification for policy reasons of FLO e.V
Fairtrade	Production standards, social development, premium governance, environmental protection, labour conditions trading/processing standards. Product description, buying from certified producers, pricing and premium, trading relationships and contracts, pre-finance, traceability, product composition.	FAIRTRADE certification of a supply chain entity (all actors taking legal ownership of the product) by FLO-CERT. FAIRTRADE labeling of gold (optional) The ASMO/trader/gold is FAIRTRADE certified and may be labeled as such	Third party assured auditor. Auditors are trained by FLO-CERT directly. FLO-CERT's certification system is accredited against ISO65 standards, which covers the process of hiring and training auditors.	Annual	Standard setting and certification are independent from each other. FLO-Cert as an independent limited company acts as the certification body. Fairtrade International is the standard setting body.	Cross-recognition by RJC, CoP & COC, and LBMA RGG for responsible sourcing from ASM Cross-recognition with FAIRMINED TBD