

World Gold Council Standard Conflict-Free Gold

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Version 5.3

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5.2	10 June 2011	Revision of Declaration on Mining and Armed Conflict
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Abbreviations Used

CSR – Corporate Social Responsibility
 EU – European Union
 ISO – International Standards Organisation
 KYC – Know Your Customer
 LBMA – London Bullion Markets Association
 OAS – Organization of American States
 SD – Sustainable Development
 UN – United Nations
 WGC – World Gold Council

References

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
 WGC Standard – Chain of Custody

Declaration on Mining and Armed Conflict

The World Gold Council and its member companies are totally opposed to activities which, directly or indirectly, finance or benefit armed conflict and the extreme levels of violence which contribute to abuses of human rights.

We believe that, responsibly undertaken, mining and related activities can play a crucial role in achieving sustainable development and alleviating poverty in developing countries. Indeed, disinvestment or withdrawal by responsible operators may make it more difficult to stabilise a conflict situation or to achieve post-conflict reconstruction.

The *WGC Standard – Conflict-Free Gold* provides the mechanism by which our members can assess the risk that their operations may contribute to armed conflict and associated severe human rights abuses, and where the risk exists that gold production may support armed conflict, World Gold Council members will:

1. Publicly commit to respect human rights, through support of the UN Global Compact, the Voluntary Principles on Security and Human Rights, and/or through independent scrutiny of their human rights performance.
2. Respect human rights at their operations and in their dealings with stakeholders. They will seek to prevent or mitigate any adverse human rights impacts that are linked to their operations or to their business relationships.
3. Take steps to ensure mine security has not been involved directly in, or associated with financing or benefiting armed groups involved in, severe human rights abuses.
4. Put in place controls to prevent their operations or mine security from bribing or providing illegal payments, or voluntarily providing equipment to third parties directly or indirectly involved in the conflict.
5. Publicly disclose payments made to governments.
6. Establish processes through which the public can raise concerns about the mines' operational activities.
7. Ensure that any third party miners that provide gold-containing materials to its operations also comply with these principles.
8. Utilise transportation services that are not involved directly in, or associated with financing or benefiting armed groups involved in, severe human rights abuses.
9. Ship gold-containing materials from its operations to refiners that either (a) accept gold only from sources that conform with these principles, (b) accept gold from sources that conform with these principles or other recognised principles for establishing conflict-free gold or (c) are able to demonstrate that non-conforming gold is processed separately and does not mix with gold produced in conformance with these principles¹.

¹ This principle represents a strong aspiration on the part of World Gold Council members whilst recognising that it can only be realised with the full co-operation of gold refiners. Final provisions may also be influenced by legislation, including the regulations promulgated by the US Securities and Exchange Commission to implement section 1502 of the Dodd-Frank Act.

Our members will submit their assessments to third party verification, and, where assessment identifies potential risk that gold production may support armed conflict, allow for independent third party audits to verify that operations are in conformance with these principles.

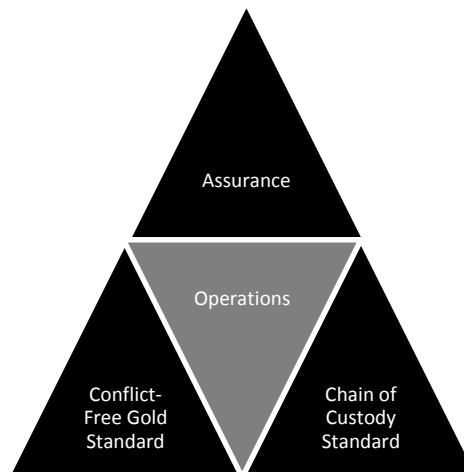
Executive Summary

The World Gold Council (WGC) has established, in association with its members, the Conflict-Free Gold scheme. The purpose of this scheme is to ensure that companies producing, transporting and refining gold which meets the standards set out are able to claim their product is conflict-free gold.

A well-run mining operation can play a positive role in the economy and society of the local community and the country. However, where conflict is particularly severe, even the best managed companies will need to take additional steps to ensure that their activities or commodity do not contribute, either directly or indirectly, to the conflict.

To address this issue this WGC Standard sets out both a process and accompanying criteria by which it is possible to determine whether gold is contributing to conflict, by which we mean severe abuses of human rights. For gold to be certified as being in conformance with the *WGC Standard – Conflict-Free Gold*, this standard comes together with the *WGC Standard – Chain of Custody* to provide the requisite level of comfort that the claims made of the gold being provided

to the customer are indeed correct. Additionally, external audit will be undertaken to provide confidence that the *WGC Standard – Conflict-Free Gold* is being followed.



The *WGC Standard – Conflict-Free Gold* takes the form of a decision-tree split into three discrete yet related Parts:

- **Part A – Conflict Assessment:** this uses external criteria to assess whether the country in which the Company is operating should be considered as being either a 'conflict' or a 'high-risk area'.
- **Part B – Company Assessment:** where the country is considered to be a 'conflict' or a 'high-risk area' this assesses whether the Company has appropriate systems in place in order to discharge its corporate obligations in this area, including how the operation of the mine itself relates to the local community.
- **Part C – Commodity Assessment:** where the country is considered to be a 'conflict' or a 'high-risk area', this assesses how and by whom the gold is handled, transported and refined and the effect these factors may have on the integrity and provenance of the gold.

Each Part sets out the key decisions which will determine whether the gold produced by the Company can be considered to be in Conformance with this WGC Standard. Criteria are set out together with publicly available reference points against which any decision may be tested and a process by which the decision can be made.

It is for the Company to undertake the assessment in line with the criteria and processes set out. When the gold leaves the mine, the Company needs to work with the refinery receiving the gold, in line with the *WGC Standard – Chain of Custody*, to ensure the assessment is undertaken in a consistent, transparent manner and to a high-level of scrutiny.

Once the assessment has been completed for any given mine, it is for the Company in conjunction with the receiving refinery to ensure the assessment is externally validated. Only when the Certification Body has confirmed that the assessment is correct can the gold be considered to be in Conformance with the *WGC Standard – Conflict-Free Gold*.

Definitions

Certification Body

An organisation approved to independently assure, and where appropriate certify, the extent of, a company's conformance with a WGC Standard.

Company

The corporate body responsible for mining the gold.

Conflict

Armed aggression between two or more parties which leads to severe abuses of human rights. The parties in the conflict may include government, militia, organised criminals or terrorist groups.

Conflict Gold

Gold which enables, fuels or maintains conflict through directly or indirectly financing or benefiting armed groups.

Conflict Zone

The area in which conflict is taking place. This may be a region, a country, an area within a country, or an area which crosses one or more international boundaries.

Conformance and Non-Conformance

Gold which meets all aspects of the WGC Standards is deemed to be in Conformance with the WGC Standards. Where the gold fails to meet one element of the WGC Standards, the gold is deemed to be in Non-Conformance with the WGC Standards.

Intermediaries

Individuals, groups, companies or groups of companies which take ownership or responsibility for gold leaving the mine for all or part of its journey to the refinery.

Mine

The location from which gold is extracted in line with formally granted permits to mine.

National and Local

National – where an issue has an impact across the whole country, although the scale of the impact may vary across the country in question.

Local – where an issue does not have an impact across the whole country, but is instead limited to local areas as discussed and defined by each particular mining operation in cooperation with stakeholders. This may be extended to include transport routes where appropriate.

Refinery

The location in which gold doré or scrap gold is melted, refined and processed to produce finished or semi-finished products.

Segregation

The physical separation (either in time or spatially) of gold which is in conformance with the WGC Standards from gold that is non-conformant.

Severe Human Rights Abuses

Genocide, ethnic cleansing or widespread instances of (a) sexual abuse of men, women and children, (b) torture, (c) enslavement, (d) trafficking of persons, or (e) multiple unlawful killings.

Introduction

Armed conflict can lead to the suffering of individuals and communities around the world. The conflict can lead to abuses of human rights which range from mass killings to torture and enslavement to large-scale sexual abuse.

As Amnesty International states,

"Where wars erupt, suffering and hardship invariably follow. Conflict is the breeding ground for mass violations of human rights including unlawful killings, torture, forced displacement and starvation."

Such conflict has a significant bearing on the stability of a country, the socio-economic development of society as well as the ability of companies to conduct their business in a sustainable manner. Just as there can be no meaningful development without peace, society needs development in order to sustain peace. The private sector therefore has a critical role in supporting socio-economic development and in ensuring that by its action or inaction it does not contribute to conflict.

In a peaceful society, the role of companies in creating wealth and supporting development is well established and the vast majority of companies conduct their business in a way which supports the sustainable development of the countries in which they operate.

In Tanzania for example, gold mining provides US\$750million of foreign exchange earnings and this is expected to reach US\$1.4billion by 2012-2016. The gold industry provides 3.6% of the total tax revenues of the country with some individual companies among the highest single taxpayers in the country. It is also estimated that a further US\$2.67billion in capital outlays is expected if planned production levels are met.

Conflicts however can be triggered by competition for resources, particularly oil and mineral wealth as well as issues of identity, ethnicity, and religion. The aesthetic and intrinsic value of gold is such that the commodity can be associated with bribery and corruption as well as leading to more direct abuses of human rights where illegal groups seek to control sources and production of the commodity. Where the production of gold is used to support conflict, it also has the potential to affect the reputation of the entire gold industry, creating issues even for the most responsible corporate gold miners.

That said, gold produced from mines located in conflict zones does not necessarily contribute to enabling, fuelling or maintaining conflict. However, when operating in a conflict zone there is a significant onus placed on the mining company to demonstrate that it is operating in a responsible and transparent manner. Where the Company can demonstrate that it is indeed operating in a responsible and transparent manner then it should be able to legitimately operate in a conflict zone and secure access to market for its product.

The World Gold Council represents the world's leading gold miners. Together with its members, the World Gold Council strongly supports the responsible production of gold and is very concerned about any gold production activity that may lead to the abuse of human rights.

To date, there has been no objective way in which gold produced in a responsible manner from conflict areas or areas of high-risk can be differentiated from gold which contributes to conflict. With this in mind, the World Gold Council has developed a common member-wide approach to remove from the supply chain gold which, by directly or indirectly financing or benefiting armed groups, enables, fuels or maintains conflict.

Overview

- **Part A:** Where there is conflict in an area, the presence of conflict in and of itself should not bar a company from operating there.
- **Part B:** The key in such circumstances is the Company's ability to clearly demonstrate:
 - it is not responsible for directly causing the conflict;
 - the operations are not indirectly or directly financing or benefiting armed groups which are involved in the conflict; and
 - the presence of the Company is not resulting in an escalation of the conflict.
- **Part C:** Where the Company can demonstrate it is able to operate in a conflict or high-risk area, it needs to work with its refiner to the transport of doré does not contribute to the conflict.

Part A – Conflict Assessment

1. Overview

Part A relates to the context in which a company's operations are set. A gold mine can often be in development, production, and closure phases across 40 years or more, and the political, social and economic environment within which that mine operates can change significantly over that time. When operating in conflict zones, even the best managed companies will need to take additional steps to ensure that its activities or commodity do not contribute, either directly or indirectly, to the conflict.

Part A – Conflict Assessment uses external criteria to assess whether the country in which the Company is operating should be considered as being either a 'conflict' or a 'high-risk area'.

Conflicts may occur across international boundaries. In such cases the primary concern must be the country in which the mine is located. However, armed incursions from adjacent countries and the breakdown of law and order in parts of an otherwise stable country make this a more complex problem. To address this, the *WGC Standard – Conflict-Free Gold* should be applied to all countries in which the conflict zone is located.

2. International Sanctions

2.1 Introduction

The first step in the process is intended to ensure that the mining, transport and refining of gold does not take place in breach of International Sanctions.

Sanctions can be set on an international, national, or company basis. This scheme makes reference only to International Sanctions, i.e. those sanctions set by the United Nations, the European Union, African Union, Organization of American States and similar supra-national bodies.

Such sanctions can be economic and trade based and/or more targeted measures such as arms embargoes, travel bans, financial or diplomatic restrictions. They can be applied to other States, to geographical areas (which may be within one State, or cross State boundaries), or through so-called SMART sanctions to companies, groups of individuals, or individuals.

This section is intended to identify where gold is mined, handled or exported in breach of any International Sanctions.

For the purposes of the WGC Scheme, International Sanctions are defined as:

Definition

Sanctions set by supra-national bodies which restrict economic, financial and/or arms trading activity.

This element of the Conflict Assessment is not therefore related to unilateral sanctions imposed by one State, where such sanctions are not reflected at the supra-national level. It is recognised that companies could be bound by unilateral sanctions imposed by their host government on States in which the Company has operations. In such cases, the gold may be considered as part of this process.

2.2 Reference Sources

Within the context of the definition of International Sanctions above, the principal reference points in determining whether gold is mined, transported or refined in line with or in breach of sanctions are:

- United Nations Security Council
- European Union (and specifically the European Commission Common Foreign and Security Policy)
- The African Union Department of Peace and Security
- Organization of American States

Where unilateral sanctions have been imposed by the host government, companies should refer to the relevant government guidance as to whether this precludes their operations in the country upon which sanctions have been imposed.

2.3 Criteria

The criteria in relation to International Sanctions are defined as:

Criteria

- Gold should be mined, transported, or refined in an area or a country free from International Sanctions, or in line with any such sanctions.
- Gold should be mined, transported, or refined by a company owned by an individual or group free from International Sanctions, or in line with such sanctions.

2.4 Process

The process for Conflict Assessment is set out in Annex A.

Where the Country (in which gold is being mined, through which gold is being transported, or where gold is refined) being assessed is free from International Sanctions the next consideration is set out in Recognition of Conflict (Section 3).

Where International Sanctions have been imposed on the Country (in which gold is being mined, through which gold is being transported, or where gold is refined) being assessed, the Company needs to determine whether the sanctions themselves will prevent gold from being mined, or exported.

Where the assessment concludes that the gold is being mined, transported or refined by a company covered by economic sanctions set by a supra-national body (e.g. UN, EU), or an individual/company which has been convicted under any Anti-Money Laundering or Corrupt Practice legislation, the gold is considered as in **Non-Conformance** with this WGC Standard and the assessment is **Terminated**.

Where the assessment concludes that gold **can** be exported, the next consideration is set out in Recognition of Conflict (Section 3).

Where the assessment concludes that gold **cannot** be exported, the gold is considered as in **Non-Conformance** with this WGC Standard and the assessment is **Terminated**.

2.5 Assessment

The assessment should be undertaken using the process set out in Section 2.4 and against the criteria defined in Section 2.3.

The assessment should be undertaken on an annual basis, or when the supra-national bodies identified in Section 2.2 review existing International Sanctions or impose new International Sanctions.

The assessment applies at all stages of the Chain of Custody as set out in the *WGC Standard – Chain of Custody* and should be certified by an external assessment.

3. Recognition of Conflict

3.1 Introduction

There is no universally accepted definition of conflict, or indeed determination of which areas are suffering conflict at any given time. Whilst the gold mining industry has significant experience of operating in areas of high-risk, it is not in isolation able to determine whether a country or area is currently suffering from conflict or at high-risk of suffering from conflict.

Companies should therefore look to legislation (beyond the International Sanctions referenced in Section 2) which defines an area as being in conflict. This applies to all legislation, regardless of whether it specifies the need to apply special procedures related to minerals originating from these countries.

Additionally, the World Gold Council and its members will look to create a bespoke, multi-stakeholder process, including representatives from both government and civil society that will establish a conflict assessment tool and use this to create and maintain a list of countries regarded as being in conflict or at high-risk of entering into conflict.

In the interim companies should use external references published by highly regarded non-government organisations that the Company has validated as being a satisfactory authority on issues related to conflict. The validation process will be at the determination of the individual company.

For the purposes of the WGC Scheme, Recognition of Conflict is defined as:

Definition

Legislation which is:

- set by a supra-national body which identifies a country or collection of countries as being a conflict zone or a high-risk area
- set by a national body which has wide-spread international acceptance and recognition, which identifies a country or collection of countries as being a conflict zone or a high-risk area

Guidance from a bespoke multi-stakeholder body which is:

- composed of the World Gold Council and its members as well as participants from government and civil society which establishes a conflict assessment tool and uses this to identify conflict and high-risk areas

External references set by independent non-government organisations where these are:

- widely recognised as credible and independent in their assessment of conflict and high-risk areas
- validated by an internal company process that demonstrates that the non-governmental organisation is an appropriate authority on conflict

3.2 Reference Sources

Within the context of the definition of Conflict above, the principal reference points in determining whether gold is mined, transported or refined in an environment which is currently in conflict or where conflict has recently occurred are:

Supra-national bodies:

- The United Nations Security Council (or subsidiary bodies such as the United Nations Group of Experts), to the extent that it identifies specific countries or collection of countries as being in conflict or at high-risk of becoming conflict
- The OECD through their 'Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas', to the extent that it identifies specific countries or collection of countries as being in conflict or at high-risk of becoming a conflict zone
- The European Union
- The African Union
- Organization of American States

National bodies which have wide-spread international acceptance or recognition:

- US legislation, specifically section 1502 of Dodd-Frank as it relates to conflict in the Democratic Republic of Congo and the adjoining states
- Legislation from other countries that has wide-spread international acceptance or recognition

Independent Non-Government Organisations:

- Heidelberg Institute for International Conflict Research
- Fund for Peace Failed States Index
- International Alert country reports
- International Crisis Group – CrisisWatch database
- Uppsala Conflict data programme
- The Danish Institute for Human Rights

3.3 Criterion

The criterion in relation to the Recognition of Conflict is defined as:

Criterion

Gold which is mined, transported or refined in a country or area which is free from conflict or where mine, transport or refinery does not finance or benefit the conflict.

3.4 Process

The process for Conflict Assessment is set out in Annex A.

Where the area (in which gold is being mined, through which gold is being transported, or where gold is refined) being assessed is currently experiencing conflict or is considered a high-risk area, the process follows Route 1 below. Where there is no recognition of conflict or the country being a high-risk area, the process follows Route 2.

Determining whether a country is experiencing conflict

Where legislation exists that determines that the country is in conflict, the process follows Route 1.

Additionally it is intended that a bespoke multi-stakeholder group is created to develop a conflict assessment tool and use this to identify conflict and high-risk areas. This group will be composed of the World Gold Council and its members as well as participants from government and civil society. Criteria that the bespoke multi-stakeholder group may choose to consider include an assessment of the extent of conflict, an assessment of the political stability and an assessment of judicial independence. Where this process determines that a country is in conflict or at high-risk of developing conflict, the process follows Route 1.

In the interim, pending the creation of the bespoke multi-stakeholder group, individual companies may choose to use external references set by independent non-government organisations where these are:

- Widely recognised as credible and independent in their assessment of conflict and high-risk areas; and
- Validated by an internal company process that demonstrates that the non-governmental organisation is an appropriate authority on conflict.

Where these external references determine that a country is in conflict or has a high-risk of conflict, the process follows Route 1.

In all other instances, Route 2 is followed.

Route 1 – Countries experiencing severe armed conflict

Where a mining operation, the transport route for the gold or the refinery is located in the conflict or high-risk zone, the Company needs to demonstrate it has the appropriate mechanisms in place to ensure it is not funding or benefiting (directly or indirectly) armed groups, or by its presence enabling, fuelling or maintaining conflict. The next consideration is the Company Assessment set out in Part B.

Route 2 – Countries at peace or with limited conflict

Where a mining operation, the transport route of the gold or the refinery is located in an area not considered to be in conflict or high-risk of developing conflict, the next consideration is whether the commodity is likely to pass through another country by surface transport on its way to the refinery. Where the commodity does indeed go through another country, the Conflict Assessment should be repeated for the new country(ies) before continuing. Where the gold being mined is not transported by surface transport through another country to the refiner, the gold which is mined is considered as in **Conformance** and the next consideration is the Commodity Assessment set out in Part C.

3.5 Assessment

The assessment should be undertaken using the process set out in Section 3.4 and against the criterion defined in Section 3.3.

The assessment should be undertaken on an annual basis, or as and when legislation specifying countries regarded as being in conflict or at high-risk of becoming conflict zones is changed.

The assessment applies at all stages of the Chain of Custody as set out in the *WGC Standard – Chain of Custody* and should be externally certified.

Part B – Company Assessment

1. Overview

Part B of the assessment relates to the Company's willingness and ability to operate in areas recognised as conflict or high-risk. It is generally accepted that a well-run company operating in a transparent manner can play a positive role in the economy and society of countries where the governance is below what would be expected from international standards. In such cases, it is important that companies are able to continue operating and are able to claim, subject to other parts of this WGC Standard, the gold they produce is conflict-free.

- **Part A:** Where there is conflict in an area, the presence of conflict in and of itself should not bar a company from operating there.
- **Part B:** The key in such circumstances is the company's ability to clearly demonstrate:
 - it is not responsible for directly causing the conflict;
 - the operations are not indirectly or directly financing or benefiting armed groups which are involved in the conflict; and
 - the presence of the company is not resulting in an escalation of the conflict.
- **Part C:** where the Company can demonstrate it is able to operate in a conflict or high-risk area, it needs to work with its refiner to the transport of doré does not contribute to the conflict.

Equally, there are companies which do not meet the norms of business practices and by their activities and behaviour could reinforce, or indeed exploit, already difficult situations in countries with weak governance. The *WGC Standard – Conflict-Free Gold* is intended to ensure that where this occurs, the gold produced from such operations cannot be claimed to be truly conflict-free.

The OECD has developed 'Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.' This guidance makes it clear that where supply chains may be contributing to conflict, companies need to institute remedial action plans to address the risks identified. This Part of the *WGC Standard – Conflict-Free Gold* is structured in a way which provides the Company with the opportunity to pause the assessment and implement such a Remedial Action Plan and thereby avoid gold being categorised as being in **Non-Conformance**.

2. Transparency

2.1 Introduction

A company's willingness to operate in a transparent manner is often one of the key factors in determining how activities are undertaken and decisions made. It also helps engender public confidence in the standards to which a company intends to adhere.

There are occasions where transparency is taken to mean the way in which payments are made, contracts awarded, and interactions with government and regulators handled. Whilst these are all critical parts of business behaviour, these will be dealt with through other WGC Standards.

For the purposes of the WGC Scheme, the elements of Transparency as they relate to the control of conflict gold are defined as:

Definition

The public commitment made by a company to protecting human rights, the appropriate use of security, and independent scrutiny of its performance in these areas.

2.2 Reference

The area of transparency has been central to the adoption of corporate responsibility practices by companies. In particular, the role of the UN Global Compact in ensuring companies make public commitments to operating in a responsible manner is a good reference point. There are a number of references relevant here:

- UN Global Compact – Company Report Submissions
- Signatories to the Voluntary Principles on Security and Human Rights

2.3 Criterion

The principle aim of this section is to recognise that companies who commit to operating in a transparent manner are more likely to operate in a responsible way and, thereby be held to account for their actions, than those companies who operate in secrecy.

The criterion in relation to Company Transparency is defined as:

Criterion

Gold produced by companies which publicly commit to respecting human rights, which support the Voluntary Principles on Security and Human Rights, and/or which allow independent scrutiny of their performance.

2.4 Process

The process for Company Assessment is set out in Annex B.

Where a company has a publicly available statement on protecting human rights the next consideration is in Corporate Performance (Section 3).

Where a company does not have a publicly available statement on human rights, the next consideration is whether they publicly support (but are not necessarily a signatory to) the Voluntary Principles on Security and Human Rights. Where the Company does publicly support Voluntary Principles, the next consideration is in Corporate Performance (Section 3).

Where the Company does not support the Voluntary Principles the next consideration is whether it has a public grievance process which allows members of the public or interest groups to register complaints about the Company's performance in the knowledge these will be dealt with in an open and transparent manner. Where there is a public grievance process in place, the next consideration is in Corporate Performance (Section 3).

Where there is no public grievance process in place, the next consideration is whether the Company has an independent assurance that confirms the Company meets accepted human rights standards. Where such independent assurance is in place and the results are made publicly available, the next consideration is in Corporate Performance (Section 3).

Where an independent assurance process is not in place, taken together with the absence of the other attributes identified in this section, it will be difficult for the Company to address some of the standards outlined below in any credible manner. The assessment is therefore **Terminated** until such time as the company implements a Remedial Action Plan to improve transparency in this area.

2.5 Assessment

The assessment should be undertaken using the process set out in Section 2.4 and against the criterion defined in Section 2.3.

The assessment should be undertaken on an annual basis, where the Company makes new public commitments on human rights or security matters, or where the Company is required by legislation to disclose any matter which may be relevant in this context.

The assessment applies at all stages of the Chain of Custody as set out in the *WGC Standard – Chain of Custody* and should be externally audited.

3. Performance

3.1 Introduction

Making public statements about the way in which a company will undertake its business, is often the first step in improving performance. This section is intended to ensure that where companies support their public statements with good performance they are recognised appropriately in this WGC Standard. By equal measure, this WGC Standard also seeks to ensure those companies who make public commitments, but fail to deliver these on the ground, are subject to further assessment. Well managed companies can use their influence either in public or through effective lobbying to seek to change behaviours within a country where human rights abuses are occurring. Where companies chose to remain silent in such circumstances they run the risk of being seen to be complicit in the abuses perpetrated by others.

For the purposes of the WGC Scheme, the aspects of Company Performance as it relates to the control of conflict gold are defined as:

Definition

Respect for human rights and the avoidance of overt or tacit support for human rights abuses committed by others.

3.2 Reference

Company performance is generally reflected in the relevant Annual Reports, or Sustainable Development/Corporate Social Responsibility Reports. Companies who publicly report on their performance enable public scrutiny and are thereby more likely to aim for continual improvement. Outside of self-reporting however, there are also a number of reference points of relevance:

- Company Annual/Sustainable Development/Corporate Social Responsibility Reports
- Business and Human Rights Centre
- Voluntary Principles on Security and Human Rights – Company’s Risk Assessment

3.3 Criterion

The principle aim of this section is to recognise companies who operate in a manner which respects human rights, even in countries where the penalty for not respecting human rights is absent.

The criterion in relation to Company Performance is defined as:

Criterion

Gold produced by a company which respects human rights, and which uses its influence to prevent abuses being committed by others in the vicinity of its operations or in the Country at large.

3.4 Process

The process for Company Assessment is set out in Annex B.

It should be stated that most jurisdictions around the world are built on the premise of being innocent until proven guilty. However, the World Gold Council recognises that most cases of alleged human rights abuses take significant time to come to a resolution. With this in mind, where a formal charge relating to a severe abuse of human rights has been laid against a company, the Company should self-declare this matter within the assessment (or make reference to any related public statement the Company may have made in respect of this matter), but complete the assessment on the basis of being innocent until the appropriate judiciary arrives at a final judgement.

Where a company has not been convicted of severe human rights abuses and where it has either publicly distanced itself from severe abuses of human rights committed by third parties or used its influence to ensure such activities are not repeated, the next consideration is in Security (Section 4).

Where a company has been convicted of human rights abuses in the past three years and:

- Where it has put in place sufficient remedial measures to prevent a recurrence, the next consideration is whether the Company has publicly distanced itself from severe abuses of human rights committed by third parties.
- Where the Company has publicly distanced itself from severe abuses of human rights committed by third parties or used its influence to ensure such activities are not repeated the next consideration is in Security (Section 4).
- Where the Company has not publicly distanced itself from severe abuses of human rights committed by third parties or used its influence to ensure such activities are not repeated, it is likely to be considered as giving tacit support to the abuse. The assessment is therefore **Terminated** until such time as the Company implements a Remedial Action Plan in this area.

3.5 Assessment

The assessment should be undertaken using the process set out in Section 3.4 and against the criterion defined in Section 3.3.

The assessment should be undertaken on an annual basis, or where the company becomes aware of a significant issue with respect to its performance on human rights.

The assessment applies at all stages of the Chain of Custody as set out in the *WGC Standard – Chain of Custody* and should be externally audited.

4. Security

4.1 Introduction

This section looks at ensuring mine security does not contribute to promoting or maintaining conflict in the locality of the mine itself. Gold is a valuable commodity and its inherent value may be a catalyst for conflict in poor and disadvantaged communities. Where the presence and value of gold at the mine site becomes the spur or contributor to conflict, the way in which a company, and in particular the mine security, responds is important.

For the purposes of the WGC Scheme the definition of Mine Security is:

Definition

Company employees or third parties (including government) contracted and/or paid to ensure the security of the mine and its employees.

4.2 Reference

There are limited reference points for this element of the WGC Standard beyond what the company puts in to the public domain. Companies can include reference to mine site security in the risk sections of Annual Reports where the management of such issues is essential to the continuing operation of the mine. That said, there are a number of organisations which highlight adverse practices in this area. Reports from such organisations can be used to support decision-making in relation to this standard. Key reference points include:

- Voluntary Principles on Security and Human Rights – Company’s Security Arrangements
- Transparency International – Bribe Payers Index

4.3 Criterion

The principal aim of this section is to ensure that those employed to provide security to the mine and its employees do not take part in or support severe abuses of human rights. In addition, it is important that mine security forces do not fund other parties which may be more directly involved in conflict.

The criteria in relation to Mine Security are defined as:

Criterion

Gold should be produced from a mine where the mine security has not been involved directly in, or associated with financing or benefiting armed groups involved in, severe human rights abuses.

4.4 Process

The process for Company Assessment is set out in Annex B.

Where there is no security force at the mine, the next consideration is in Operations and Community (Section 5).

Where a company has security at the mine, the next consideration is whether the security force (or an individual currently employed by the security force) has been convicted in the past three years of committing or aiding severe human rights abuses.

Where a conviction has been reached the next consideration is whether the Company has put in place a Remedial Action Plan to address the issue. Where such a Remedial Action Plan has not been put in place, the mine is deemed to be in **Non-Conformance** and the assessment is **Terminated**.

Where there have been no such convictions (or where a Remedial Action Plan is in place), the next consideration is whether the Company (or an individual currently employed by the Company) has been convicted of bribing or providing illegal payments to third parties directly or indirectly involved in the conflict.

Where such security has been convicted in the past three years the next consideration is whether the Company has put in place a Remedial Action Plan to address the issue. Where such a Remedial Action Plan has not been put in place, the mine is deemed to be in **Non-Conformance** and the assessment is **Terminated**.

Where security has not been convicted in the past three years (or where a Remedial Action Plan is in place), the next consideration is in Operations and Community (Section 5).

4.5 Assessment

The assessment should be undertaken using the process set out in Section 4.4 and against the criteria defined in Section 4.3.

The assessment should be undertaken on an annual basis, or where there are public reports providing evidence about the role of the security force in severe human rights abuses.

The assessment applies at all stages of the Chain of Custody as set out in the *WGC Standard – Chain of Custody* and should be externally audited.

5. Operations and Community

5.1 Introduction

This section looks at the extent to which the mine's operations supports armed conflict through provision of equipment, or undisclosed payments. It also assesses the interaction between the mine and the community through the ability of the community to raise concerns or worries about the operational activities.

For the purposes of the WGC Scheme the definition of Operations and Community is:

Definition

A mine which does not voluntarily support armed conflict and which allows the public to raise legitimate concerns about the mine's operations.

5.2 Reference

This section generally focuses upon locally-driven activities. As such the key references will include public statements made at the mine level, for example where equipment has been taken from the mine illegally or to outline the process by which communities can raise issues of concern. Community engagement plans, socio-economic assessment plans or community liaison programmes may also provide useful reference points.

Where the mine makes payments (including taxes) to the Government or other parties, these will normally be detailed in the Company's Annual Report and Accounts. Other key references will include:

- Transparency International – Bribe Payers Index
- Extractive Industry Transparency Initiative

5.3 Criteria

The principal aim of this section is to ensure that where companies play an inclusive role in the local community, the contribution this makes to alleviating or preventing conflict from arising is determined.

The criteria in relation to Operations and Community are defined as:

Criteria

- Gold produced from a mine where equipment has not been voluntarily provided to the Government or militia and subsequently used in armed conflict or severe human rights abuses.
- Gold produced from a mine where all payments to the Government and/or militia are disclosed.
- Gold produced from a mine which operates a process through which the public can raise legitimate concerns.

5.4 Process

The process for Company Assessment is set out in Annex B.

Where the mine does not, and has not, provided equipment voluntarily to the Government or militia outside of its normal contractual obligations, the next consideration is whether the company has disclosed, for the country in which the mine is located and on an annual basis, all payments to the Government or other relevant parties.

Where such payments are not disclosed, the mine is considered as being in **Non-Conformance** with the standard and the assessment is **Terminated**.

Where such payments are disclosed, the next consideration is whether the mine has provided a process through which the public can raise concerns about the mines operational activities.

Where such a process has been implemented, the next consideration is the **Commodity Assessment**.

Where such a process has not been implemented, the assessment is **Terminated** until such time as the company implements a Remedial Action Plan in this area.

Where the mine has provided equipment voluntarily to the Government or militia outside of its normal contractual obligations, the next consideration is whether the equipment has been used for armed conflict.

- Where the equipment has been used for armed conflict, the mine is considered as being in **Non-Conformance** with the standard and the assessment is **Terminated**.
- Where the equipment has not be used for armed conflict the assessment is **Terminated** until such time as the company implements a Remedial Action Plan in this area.

5.5 Assessment

The assessment should be undertaken using the process set out in Section 5.4 and against the criteria defined in Section 5.3.

The assessment should be undertaken on an annual basis to coincide with the routine data collection process as part of the Company's Annual Report and Accounts or Sustainable Development/Corporate Social Responsibility Report.

The assessment should be externally audited.

6. Decision-Making

This WGC Standard is based on a decision-making process, where the decision is arrived at with reference to a number of criteria and information made available to the public by highly reputable independent bodies or placed in the public domain by the Company itself.

To address the uncertainties which may arise in arriving at any decision, the *WGC Standard – Conflict-Free Gold* provides for the following to be taken into consideration:

- Where information in the public domain does not relate to the year in which the assessment is being undertaken, or the prior year, the Company can:
 - use the most recent publicly available information; or
 - use more up-to-date information in its possession, on condition it publishes the information with the assessment.
- Where information from different sources in the public domain materially affect the decision, the Company can:
 - use the information which leads to the more conservative decision; or
 - use the information which leads to the more favourable decision, on condition it publishes the reasons behind the selection of this information over other available.
- Where the Company believes information in the public domain is about to be revised within the next six months and where the new information might materially affect the decision, the Company can:
 - choose to delay the assessment and publish the reasons why a delay is justifiable; or
 - use the existing information and revise the assessment when the new information is published; or
 - use what the Company considers to be the revised information, on condition it publishes this revised information and the reasons for its use.
- Where a company has information in its possession which would lead to a materially different decision than had information in the public domain been used, the Company can use the information in its possession, on condition it publishes this information with the assessment.

It is for the Company to review the assessment in line with the guidance provided in Sections 2.5, 3.5, 4.5, and 5.5. However, should the Company become aware of any information which may materially affect any of the decisions taken in the most recent assessment, the Company is responsible for instigating a review of the assessment.

Further Information

Each of the above sections includes reference points against which the relevant criteria may be objectively evaluated. However, in undertaking the assessment, companies are encouraged to use additional sources of information (as outlined in Section 6) where the use of such information may result in a more robust decision. In this context, the following additional sources of information may be helpful:

- Business and Human Rights Centre
- Extractive Industries Transparency Initiative
- Amnesty International – Country reports
- International Crisis Group – Country reports
- Oxfam International – Reports on emergencies
- Oxfam International – Country reports
- UN Development Programme – Private sector case studies

Part C – Commodity Assessment

1. Overview

Whereas **Part A** looks at the recognition of any conflict and **Part B** looks at the conditions in which the gold is mined, this Part is in essence an assessment of the residual risks within the supply chain up to the point at which the gold is refined into gold bars, wire or other semi-finished products. This Part also determines whether there is sufficient confidence that the provenance of the gold is known if the commodity is bought from a third party, and has been maintained during the handling and transportation process.

- **Part A:** Where there is conflict in an area, the presence of conflict in and of itself should not bar a company from operating there.
- **Part B:** The key in such circumstances is the Company's ability to clearly demonstrate:
 - it is not responsible for directly causing the conflict;
 - the operations are not indirectly or directly financing or benefiting armed groups which are involved in the conflict; and
 - the presence of the Company is not resulting in an escalation of the conflict.
- **Part C:** Where the Company can demonstrate it is able to operate in a conflict or high-risk area, it needs to work with its refiner to ensure that the transport of doré does not contribute to the conflict.

Part C relates to the handling of the gold on site, the movement of the gold once it leaves the mine, and how the gold is handled once it enters the refinery. Once the gold is refined into a finished or semi-finished product the majority of the risk of contamination by gold being produced outside of the *WGC Standard – Conflict-Free Gold* has been removed until the gold returns to a refinery as scrap in the future.

Where gold concentrate is sold by the Company to an intermediary for smelting, the responsibility for undertaking the assessment transfers at that point to the Refining Company in the context of the KYC process described in the *WGC Standard – Chain of Custody*.

2. Mine Handling

2.1 Introduction

This section looks at how the gold is handled whilst still within the confines of the mine, and the steps taken to ensure gold of various provenances, or produced to differing standards are segregated. This is the first step in ensuring a secure Chain of Custody which will be essential in allowing credible marketing claims to be made.

For the purposes of the WGC Scheme, the definition of Mine Handling is:

Definition

The rigour with which gold from differing sources and of differing standards are handled, documented and kept separate on a mine.

2.2 Reference

For this section, there will be few external reference points of any relevance. The Company through its due diligence process on suppliers will need to be reassured that subject to the *WGC Standard – Chain of Custody*, the provenance of all gold coming on to the site is known **before** it arrives. This due diligence process must be sufficiently robust for the company to register and track the movement of each consignment of gold through the mine and to stand up to independent assurance.

2.3 Criterion

The principal aim of this section is to ensure the provenance of the commodity on a mine is well documented and the degree of conformance with other stages of the *WGC Standard – Conflict-Free Gold* known, before the gold leaves the site. Issues with provenance and conformance will affect the claims that can be made about the gold further along the Chain of Custody.

The criterion in relation to Mine Handling is defined as:

Criterion

A commodity from various sources should either be fully segregated or where this is not possible, only gold which has a known provenance and is known to conform with the preceding standards should be mixed together.

2.4 Process

The process for Commodity Assessment is set out in Annex C.

Where commodity from other mines is not permitted on to the mine, then the next consideration is in Transport (Section 3).

Where commodity from another source is allowed on to the mine, the next consideration is whether the external commodity came from another country. If this is the case then the external gold needs to be assessed commencing at **Part A** of this WGC Standard **before** proceeding in the assessment against this WGC Standard.

Where commodity from another source originates from the same country or area, the next consideration is whether the external commodity came from another company. If this is the case then the external commodity needs to be assessed commencing at **Part B** of this WGC Standard **before** the proceeding in the assessment against this WGC Standard.

Where there is any commodity which is deemed to be in non-conformance with this WGC Standard on the mine, the next consideration is whether the commodity in conformance with this WGC Standard is kept separate from that deemed to be in non-conformance.

Where the commodity on the mine is segregated by degree of conformance with this WGC Standard only, then the commodity conforming to this WGC Standard is deemed to be **Segregated** at this stage of the process and the next consideration is in Transport (Section 3).

Where commodity is not segregated from commodity failing to meet this WGC Standard or where it fails to meet this WGC Standard itself, then the commodity is considered to be in **Non-Conformance** with the standard and the assessment is **Terminated**.

2.5 Assessment

The assessment should be undertaken using the process set out in Section 2.4 and against the criterion defined in Section 2.3.

The assessment should be undertaken on an on-going basis in line with the requirements of the *WGC Standard – Chain of Custody*.

The assessment should be externally audited.

3. Transport

3.1 Introduction

This section looks at how the commodity moves from the mine to the refinery. In many cases this will be a relatively straightforward process, with a well-established process of commodity tracking, based on high levels of security. However, the process is intended to be transparent to ensure performance against this WGC Standard can be certified at all stages of the Chain of Custody. Nowhere is this more important than when the gold is in transit.

For the purposes of the WGC Scheme, the definition of Transport is:

Definition

The physical movement of gold from the mine to the refinery including any changes of ownership of, or responsibility for, the gold.

3.2 Reference

In line with the requirements of the *WGC Standard – Chain of Custody*, the receiving refinery is responsible for undertaking due diligence on their suppliers and ensuring the integrity of the Chain of Custody between the mine and the refinery.

The Refiners are bound by both national and international legislation regarding money laundering and the financing of terrorism. As a result of this, there are a number of reference points which are included within the KYC process employed by the refiners. This level of due diligence is reflected in the process set out in Section 3.4. Outside of this the principal reference points are:

- Financial Action Task Force – Recommendations
- World Bank – Worldwide Governance Indicators
- US Foreign Corrupt Practices Act
- EU Money Laundering Directive
- OECD Convention Against Transnational and Organized Crime (Palermo Convention)
- World Bank Governance and Anti Corruption – Country Diagnostic Surveys

3.3 Criteria

The principal aim of this section is to ensure that as gold moves between the mine and the refinery its integrity is preserved, it does not become subject to illegal handling charges or taxes which might be used to fund conflict, and those handling the gold are not party, (or under the control of parties) to any conflict.

The criteria in relation to Transport are defined as:

Criteria

- Gold meeting the *WGC Standard – Conflict-Free Gold* should be segregated from gold which does not meet the standard throughout its transport between the mine and the refinery.
- Gold should only be transported by organisations which are not party to, supporting, financing, or under the influence of parties to the conflict.

3.4 Process

The process for Commodity Assessment is set out in Annex C.

Where the transport of gold to the refinery avoids any conflict zone, the next consideration is whether the gold is segregated from gold which fails to meet this WGC Standard. Where the gold is segregated, the next consideration is in Refinery (Section 4). Where the gold is not segregated from gold which fails to meet this WGC Standard, all gold being transported is considered to be in **Non-Conformance** with the standard and the assessment is **Terminated**.

Where the gold is transported through a conflict zone, and where gold is always handled by the Company, the next consideration is whether the gold is segregated from gold which fails to meet this WGC Standard. Where the gold is segregated, the next consideration is in Refinery (Section 4). Where the gold is not segregated from gold which fails to meet this WGC Standard, all gold being transported is considered to be in **Non-Conformance** with the standard and the assessment is **Terminated**.

Where the gold is transported through a conflict zone and the Company uses intermediaries for some or all of its transport, the next consideration is whether any of these intermediaries are party to, support, or under the influence of, those involved in the conflict. Where **all** intermediaries are deemed **not** to be party to, support, or under the influence of, those involved in the conflict, there are two outcomes:

- Where the gold is segregated, the next consideration is in Refinery (Section 4).
- Where the gold is not segregated from gold which fails to meet the WGC Standard, all gold being transported is considered to be in **Non-Conformance** with the standard and the assessment is **Terminated**.
- Where any of the intermediaries are deemed to be party to, support, or under the influence of, those involved in the conflict, all gold being transported is considered to be in **Non-Conformance** with the standard and the assessment is **Terminated**.

3.5 Assessment

The assessment should be undertaken using the process set out in Section 3.4 and against the standard defined in Section 3.3.

The assessment should be undertaken when there is a new intermediary, when the transport of the gold is by a different route, or where the handling regime for the gold changes.

The assessment should be undertaken in line with the requirements of the *WGC Standard – Chain of Custody*.

The assessment should be externally audited.

4. Refinery

4.1 Introduction

This section looks at how the gold is handled once it enters the refinery. Maintaining the integrity and provenance of the gold up to the point at which the gold enters the refinery is sufficient for the gold to come under the mass balance claim. Ensuring this integrity and provenance throughout the refining process up to the point at which it becomes the finished (e.g. London Good Delivery Bar) or semi-finished (e.g. gold wire) product is central to the segregation or traceability claim.

For the purposes of the WGC Scheme, the definition of Refining is:

Definition

The process by which gold doré is converted into a finished or semi-finished product.

4.2 Reference

Within the context of the definition of refinery above, the principal reference points in determining the robustness of the process for segregating and tracking gold through the refining process are:

- LBMA Good Delivery Rules
- ISO9001
- Refiner's commodity tracking process

4.3 Criterion

The principal aim of this section is to ensure that gold which meets all aspects of this WGC Standard set out in the sections above is kept separate from gold which fails to meet this WGC Standard. In essence this is around segregation, whether it be in time through an existing refining process, or through a separate refining process dedicated to gold which is in Conformance with this WGC Standard.

The criterion in relation to Refining is defined as:

Criterion

Gold which is in conformance with the standard should always be segregated at all stages of the refining process from gold which is in Non-Conformance or where the provenance of the gold is uncertain.

4.4 Process

The process for Commodity Assessment is set out in Annex C.

Where the refinery only accepts gold (whether it be recycled gold or doré) which meets the *WGC Standard – Conflict-Free Gold*, the gold is deemed to be in **Conformance** and the assessment is **Terminated**.

Where the refinery also accepts gold (whether it be recycled gold or doré) which is in either in Non-Conformance with the *WGC Standard – Conflict-Free Gold* or where the extent of conformance is unknown, the next consideration is whether the gold that is in conformance with the standard is segregated throughout the process from gold which is in non-conformance/unknown. Where segregation is in place, the gold which meets this WGC Standard is deemed to be in **Conformance** with the standard and the assessment is **Terminated**. The remaining gold is considered to be in **Non-Conformance** with the standard and the assessment is **Terminated**.

4.5 Assessment

The assessment should be undertaken using the process set out in Section 4.4 and against the criterion defined in Section 4.3.

The assessment should be undertaken on each batch of gold received and processed by the refinery, alongside the LBMA Good Delivery Rules.

The assessment should be externally audited.

5. Decision-Making

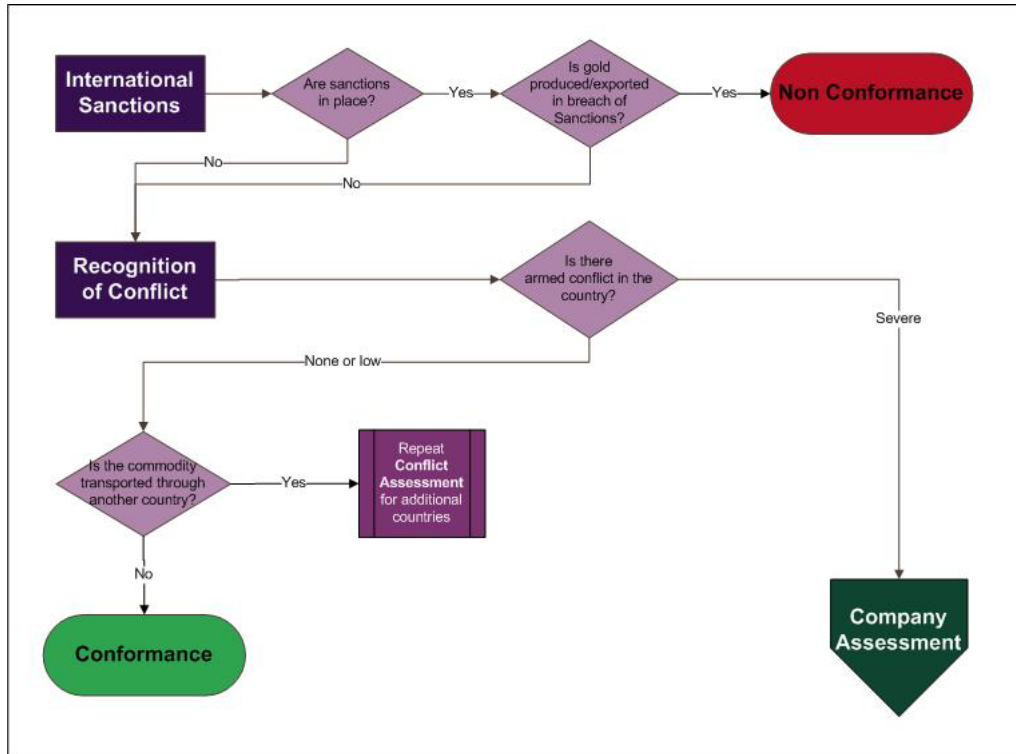
This WGC Standard is based on a decision-making process, where the decision is arrived at with reference to a number of criteria and information made available to the public by highly reputable independent bodies or placed in the public domain by the Company or the Refiner itself.

To address the uncertainties which may arise in arriving at any decision, this WGC Standard provides for the following to be taken into consideration:

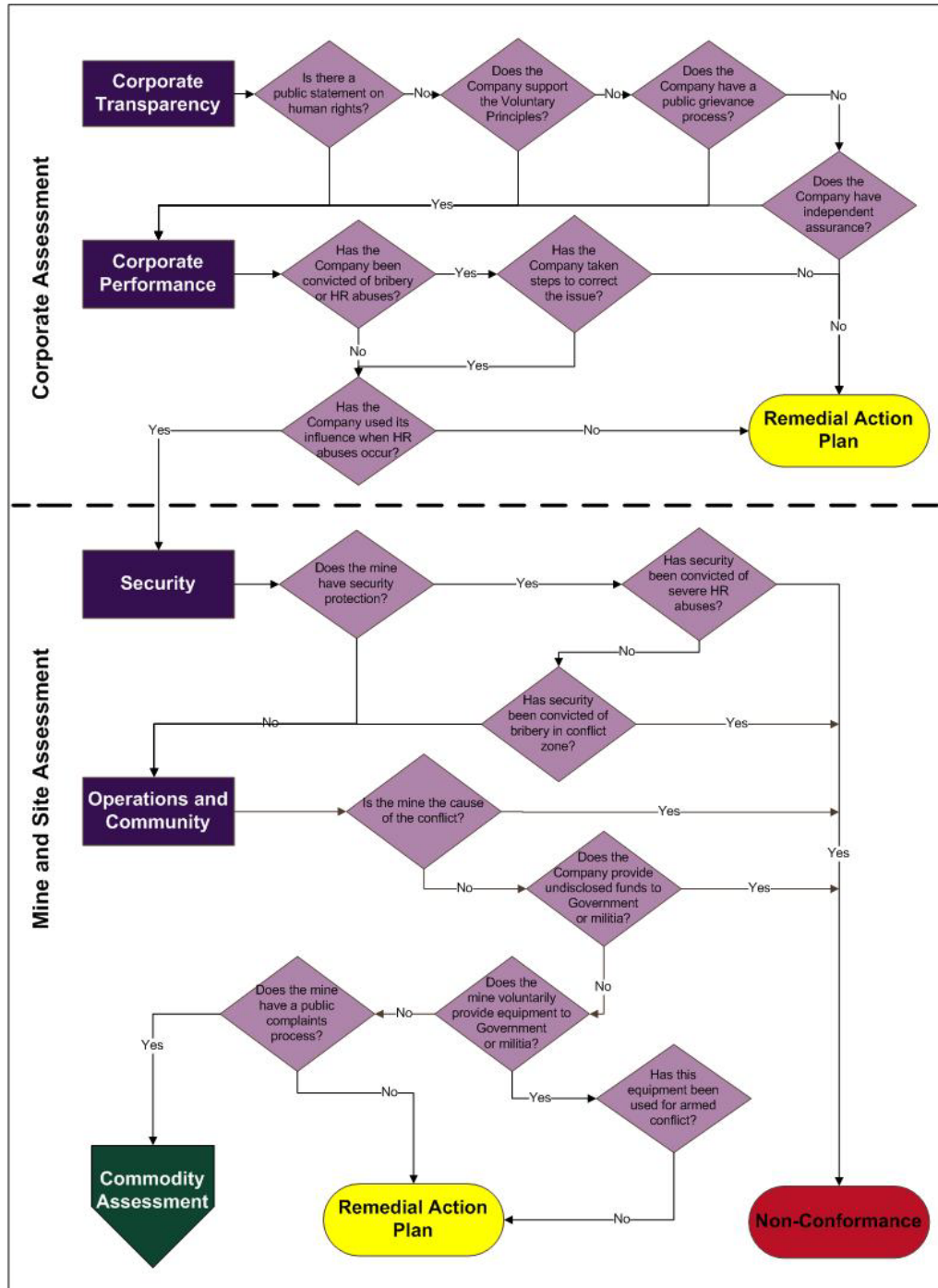
- Where information in the public domain does not relate to the year in which the assessment is being undertaken, or the prior year, the Company or Refiner can:
 - use the most recent publicly available information; or
 - use more up-to-date information in its possession, on condition it publishes the information with the assessment.
- Where information from different sources in the public domain materially affect the decision, the Company or the Refiner can:
 - use the information which leads to the more conservative decision; or
 - use the information which leads to the more favourable decision, on condition it publishes the reasons behind the selection of this information over other available.
- Where the Company or the Refiner believes information in the public domain is about to be revised within the next six months and where the new information might materially affect the decision, the Company or the Refiner can:
 - choose to delay the assessment; or
 - use the existing information and revise the assessment when the new information is published; or
 - use what the Company or the Refiner considers to be the revised information, on condition it publishes this revised information and the reasons for its use.
- Where a Company or the Refiner has information in its possession which would lead to a materially different decision than had information in the public domain been used, the company or refiner can use the information in its possession, on condition it publishes this information with the assessment.

It is for the Company to review the assessment in line with the guidance provided in Section 2.5. It is for the Refiner to review the assessment in line with the guidance provided in Sections 3.5 and 4.5. However should the Company or the Refiner become aware of any information which may materially affect any of the decisions taken in the most recent assessment, the Company or the Refiner is responsible for instigating a review of the assessment.

Annex A – Conflict Assessment



Annex B – Company Assessment



Annex C – Commodity Assessment

