

# Introduction to the draft OECD Supplement on Gold

OECD Secretariat

# Outline

- Introductory points on the OECD-hosted working group on gold and the OECD Due Diligence Guidance
- Structure of the gold supply chain and risks associated with gold from conflict-affected and high-risk areas
- Overview of the draft Supplement on Gold

# OECD-hosted working group on gold

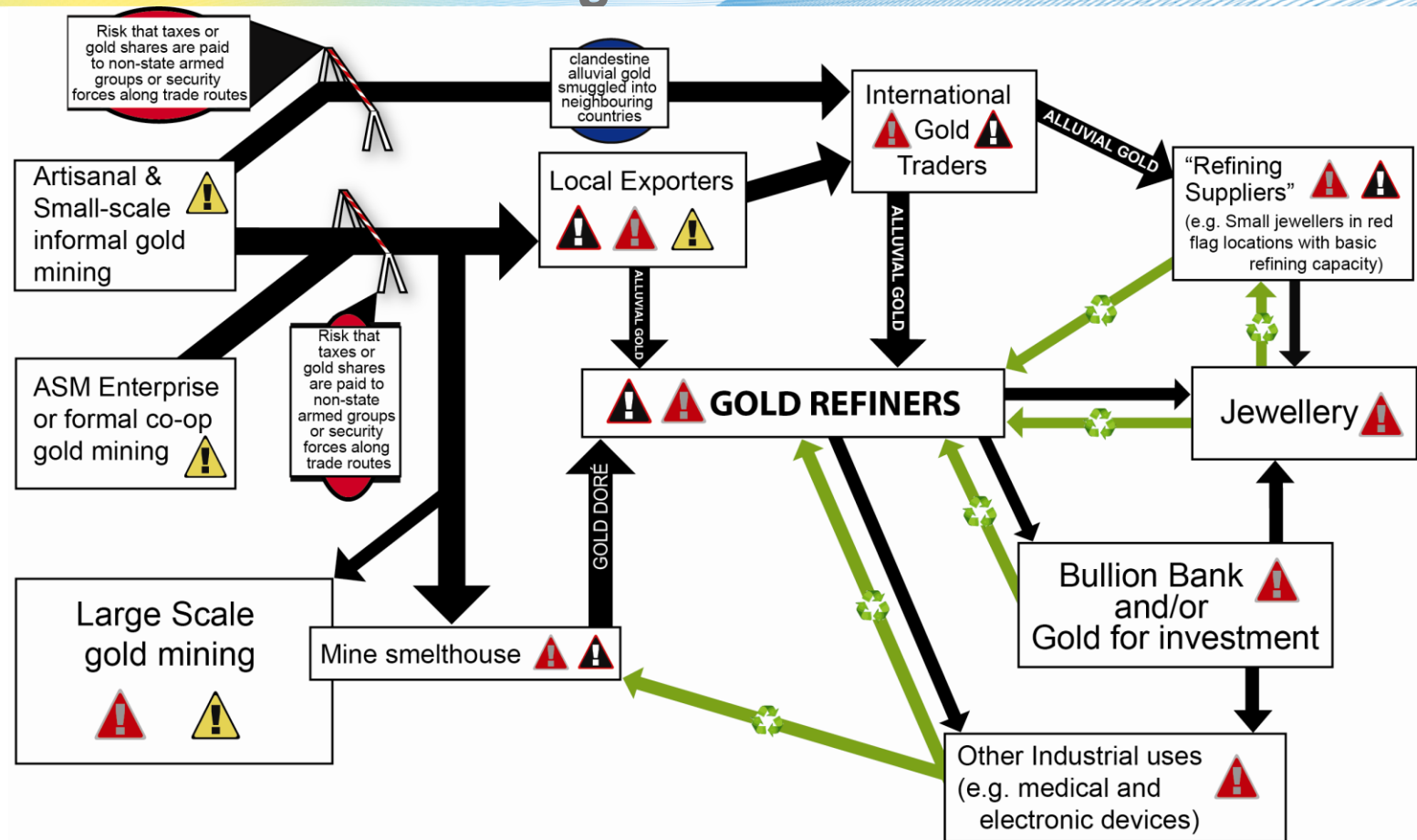
- Multi-stakeholder working group, diverse interests and expertise
- Objective: to develop a supplement on gold from conflict-affected and high-risk areas
- There will be a online web portal (available end of May) where all drafts of the Supplement will be posted along with all submissions from working group members



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

- Supplement on Gold intended to complement the pre-existing *OECD Due Diligence Guidance*, which already includes sections applicable to gold:
  - **Annex I** – General 5-Step due diligence framework;
  - **Annex II** – Model Supply Chain Policy – vital for assessing and managing risks in the supply chain;
  - **Annex III** – Suggested risk mitigation measures

# Risks in the supply chain of gold from conflict-affected and high-risk areas



## LEGEND



- Risk of direct or indirect support to non-state armed groups or public/private security forces through the extraction, transport, trade, handling or export of gold.
- Risk that public security forces are present for purposes other than providing security.
- Risk related to contracting of security forces, public or private.



- Leakage risks.
- Risk of non-existent or inadequate due diligence for a responsible supply chain of minerals from conflict-affected and high-risk areas (as recommended in this guidance).



- Risk of bribery to conceal or disguise the illicit origin of gold, to misrepresent taxes, fees and royalties paid to governments for the purposes of gold extraction, trade, handling, transport and export.
- Risk of fraudulently misrepresented information on gold, transportation routes, chain of custody and the circumstances of gold extraction, trade, handling, transport and export.

→ = gold flowing downstream

→ = recycled gold flow

# Challenges





- Given the fungible nature of gold and its non-linear supply chain, there are major difficulties to trace or establish a chain of custody because gold is constantly recycled and traded as currency
- Gold from conflict-areas may be introduced into the supply chain as “recycled/scrap”: How to deal with recycled/scrap gold?

# Overview of draft Supplement on Gold

- Distinguishes between “upstream” and “downstream” companies:
  - “Upstream companies” include miners (artisanal and small-scale or large-scale producers), local gold traders or exporters from the country of gold origin, transporters, international gold doré traders and refiners.
  - “Downstream companies” include refined gold traders and gold markets, bullion banks, jewellery manufacturers and retailers, and other companies using gold in the fabrication of products (e.g. manufacturers and retailers of electronics or medical devices).





# Red flag locations of gold origin and transit

-  The gold originates from or has been transported via a conflict-affected or high-risk area.
-  The gold is claimed to originate from a country that has limited known reserves, likely resources or expected production levels of gold (i.e. the declared volumes of gold from that country are out of keeping with its known reserves or expected production levels).
-  The gold is claimed to originate from a country in which gold from conflict-affected and high-risk areas are known, or reasonably suspected to transit.
-  *The gold is claimed to originate from scrap or mixed sources and has been refined in a country where gold from conflict-affected and high-risk areas are known, or reasonably suspected to transit.*



# *Supplier red flags*

-  The company's suppliers or other known upstream companies have shareholder or other interests in companies that supply gold from or operate in one of the above-mentioned red flag locations of gold origin and transit.
-  The company's suppliers' or other known upstream companies are known to have sourced gold from a red flag location of gold origin and transit in the last 12 months.

# Mined gold

- **Gold doré** - Bar of newly mined gold, originating from large-scale mines, produced at a smelter, and then transported to the refinery for further processing (normally of of 85% - 90% purity).
- **Alluvial gold** - Newly mined gold, originating from artisanal and small-scale mines, concentrated and semi-refined into gold dust, nuggets or “slipper bars” (normally of 85% - 92 % purity).

# Recycled/Scrap Gold

- **Accredited bullion** – gold bullion produced by refiners with a London Good Delivery accreditation and marked with an accredited refiners mark
- **Original recycled/scrap gold** – recycled/scrap gold in its *original recycled/scrap form* (e.g. non-accredited bullion, jewellery, ornaments, coins, etc.)
- **Consolidated original recycled/scrap gold** – Original recycled/scrap gold pieces which have been consolidated into boxes or bags and delivered to a refiner still *in its original form*.
- **Melted recycled/scrap gold** - Recycled/scrap gold which has been *melted into rudimentary bars, nuggets or some other form with undefined dimensions*.



**Thank you!**