

INTRODUCTION TO THE SUPPLEMENT ON GOLD

*Meeting of the OECD-hosted forum
on implementation of due diligence in the gold supply chain
2-3 May 2012*

**Mora Johnson, Canada, Co-Chair of Drafting Committee
Ruth Crowell, LBMA , Co-Chair of Drafting Committee
John Bullock, Metalor, Member of Drafting Committee**

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)

Implementation Timetable

- Jan 2012 Industry Groups have begun implementation
- 2-3 May 2012 Gold Working Group Meeting
- To be agreed

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

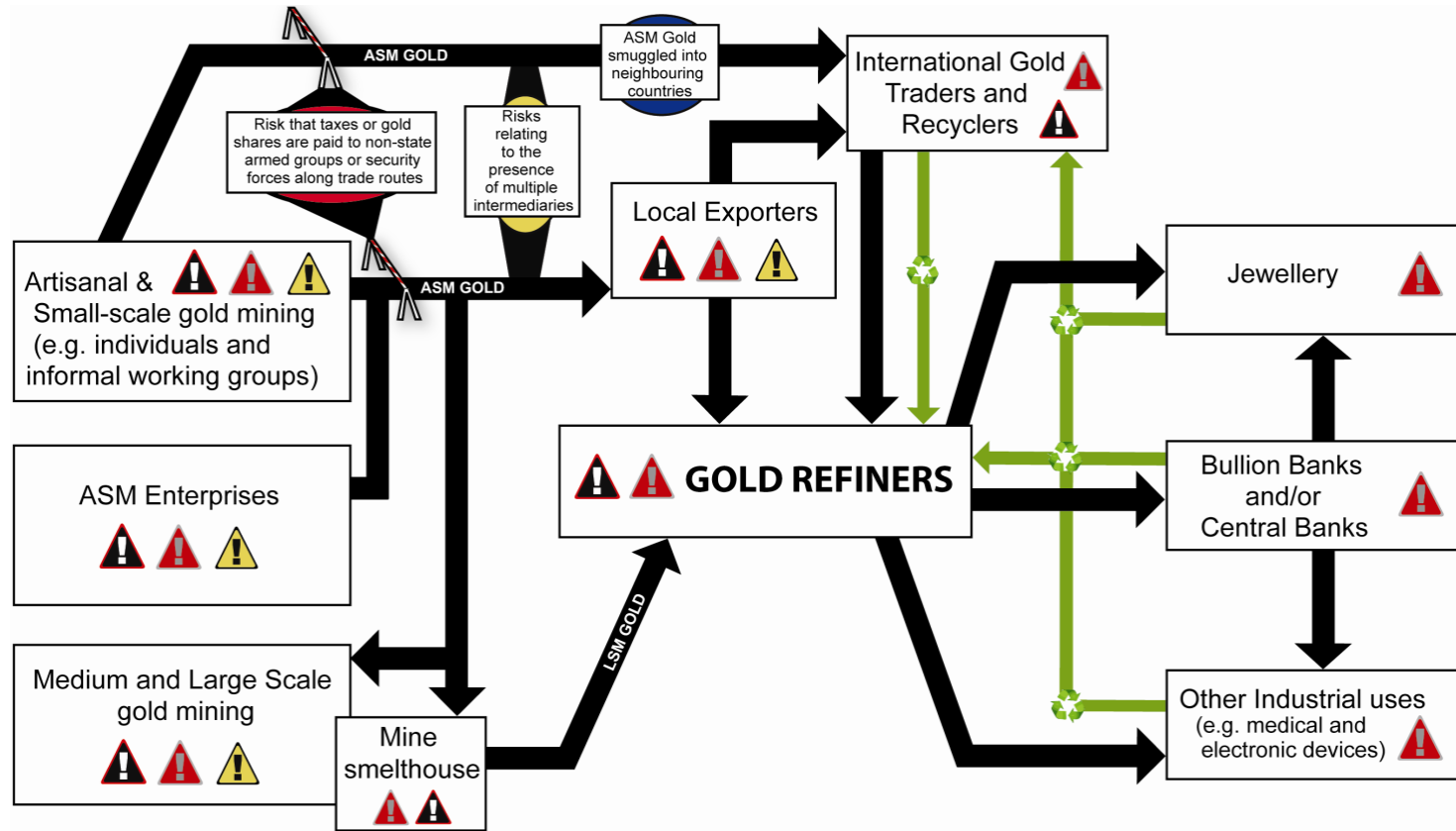
Five Step Due Diligence

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

All Roads Lead to the Refiner



LEGEND



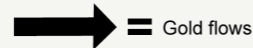
- Risk of direct or indirect support to non-state armed groups or public/private security forces through the extraction, transport, trade, handling or export of gold.
- Risk of serious abuses associated with the extraction, transport or trade of gold.
- Risk related to contracting of security forces, public or private.



- 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 flows



= Recyclable Gold flows

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

Problem: Artisan Mining

- Lack of resources, capabilities
- Need for formalization, legalization
- Need for commercial channels to markets
- Appendix 1: Suggested Measures

Q&A

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