

INTRODUCTION TO THE SUPPLEMENT ON GOLD

*Meeting of the OECD-hosted forum
on implementation of due diligence in the gold supply chain
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Development Timetable

- Start: May 2011 Gold Working Group Meeting
 - Multi-Stakeholder Drafting Committee:
 - Weekly conference calls
 - Nov 2011 Gold Working Group Meeting
 - Public consultation
- Approvals:
 - Feb 2012 – Gold Working Group
 - Mar 2012 – Advisory Group on Investment
 - April 2012 – Development Assistance and Investment Committees
 - June/July 2012 – OECD General Council (pending)

Challenges of Conflict Gold

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

Challenges of Conflict Gold

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



- Photo: Sasha Lezhnev, Enough Project

Five Step Due Diligence

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

Step 1: Supply Chain DD

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

Due Diligence Roles

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

World Gold Council

- WGC Members: 23 Large Mining Companies
 - 60% of World Mine Production
 - Mining, Investment, Jewellery, Technology
- Conflict-Free Gold Standard
 - Applicable to Mining, Open Standard
- Implementation: Summer 2012 +

WGC Standard

- Part A: Conflict Assessment
- Part B: Company Assessment
 - Human Rights
 - Security
 - Payments
- Part C: Commodity Assessment

London Bullion Market Association

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

LBMA Responsible Gold Guidance

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

Responsible Jewellery Council

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

RJC CoC Certification

- New: Chain of Custody Certification
- Alignment of Supply Chains
 - Responsible
 - Conflict Free
- Implementation: March 2012 +

EICC-GeSI Gold Refiner Audit

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

EICC-GeSI Gold Refiner Audit

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

Fairtrade-Fairmined / ARM

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

Fairtrade-Fairmined / ARM

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

Q&A

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