



**Conflict-Free Gold Standard
Exposure Draft
March 2012**

About the World Gold Council

The World Gold Council is the market development organisation for the gold industry. Working within the investment, jewellery and technology sectors, as well as engaging in government affairs, our purpose is to provide industry leadership, whilst stimulating and sustaining demand for gold.

We develop gold-backed solutions, services and markets, based on true market insight. As a result, we create structural shifts in demand for gold across key market sectors.

We provide insights into the international gold markets, helping people to better understand the wealth preservation qualities of gold and its role in meeting the social and environmental needs of society.

Based in the UK, with operations in India, the Far East, Europe and the US, the World Gold Council is an association whose members include the world's leading and most forward thinking gold mining companies. Member companies are:

African Barrick
Agnico-Eagle Mines Limited
Alamos Gold Inc.
AngloGold Ashanti
Barrick Gold Corporation
Buenaventura
Centerra Gold
Eldorado Gold Corporation
Franco-Nevada Corporation
Goldcorp Inc.
Golden Star Resources Ltd.
Gold Fields Limited
IAMGOLD Corporation
Kinross Gold Corporation
Newcrest Mining Limited
New Gold Inc.
Newmont Mining Corporation
Primerio Mining Corporation
Yamana Gold Inc.

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Foreword: Declaration on Mining and Armed Conflict

The World Gold Council and its member companies are opposed to activities which, directly or indirectly, finance or benefit armed conflict and violence that contributes to abuses of human rights and breaches of international humanitarian law.

We believe that, responsibly undertaken, mining and related activities can play an important 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 *World Gold Council Conflict Free Gold Standard* provides a mechanism by which gold producers can assess the risk that their operations may contribute to armed conflict and associated serious human rights abuses. Where the risk exists that gold production may support armed conflict, gold producers who are in adherence with the *Standard* will:

1. Publicly commit to respecting human rights, through support of the Universal Declaration on Human Rights, the UN Global Compact, the United Nations Guiding Principles on Business and Human Rights, 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. Wherever possible, they will seek to use their influence to prevent abuses being committed by others in the vicinity of their operations as envisaged by the United Nations Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Sourcing of Minerals from Conflict-Affected and High-Risk Areas.
3. Take steps to ensure mine security providers have not been involved directly in, or associated with, financing or benefiting armed groups involved in serious human rights abuses or breaches of international humanitarian law.
4. Put in place controls designed to prevent their operations, agents or mine security providers from bribing or providing illegal payments, or voluntarily providing equipment to third parties directly or indirectly involved in armed conflict.
5. Publicly disclose payments made to governments.
6. Establish processes through which the public may raise concerns about the mines' operational activities.
7. Utilise transportation services that are not involved directly in, or associated with financing or benefiting armed groups involved in, serious human rights abuses.
8. Implement due diligence procedures to ensure that any third party miners that provide gold-containing materials to their operations also comply with these principles.

Compliance with the Standard will satisfy these principles.

Overview and Governance of the Conflict-Free Gold Standard

1. Intent

The *Conflict-Free Gold Standard* is designed to apply to World Gold Council members and other companies involved in the extraction of gold. The *Standard* has been developed to establish a common approach by which gold producers can demonstrate that their gold has been extracted in a manner that does not fuel conflict or the abuse of human rights typically associated with such conflicts. Conformance with the standard will be externally assured.

The World Gold Council recognises that companies may already have in place internal or external assurance processes in relation to the management and reporting of similar information. Implementation of and compliance with the *Standard* is not intended to duplicate existing assurance arrangements nor require these to be re-done. The company and its assurance provider should consider all existing assurance processes, confirm their ability to rely on these, and complement them as needed with such new assurance work as is required to demonstrate compliance with the *Standard*. Further guidance is provided in the accompanying Assurance Framework.

2. Development of the Conflict-Free Gold Standard

The World Gold Council represents the world's leading gold mining companies. Together with its members, the World Gold Council strongly supports the responsible production of gold and believes that gold mining should be a source of economic and social development wherever it is found and that any possibility of gold mining funding conflict must be eradicated.

This *Standard* has been developed by the World Gold Council and its member companies. Consultation was undertaken to solicit input from a wide range of stakeholders in order to promote accountability and transparency in the intent and design of the *Standard*.

Participants in the consultation process included representatives from governments, supply chain participants, investors, academia and civil society organisations.

It is hoped that this *Standard* will promote responsible mining practices throughout the gold mining industry. This is an open *Standard* that is available to any party involved in the extraction of gold.

3. Oversight of the Conflict-Free Gold Standard

The World Gold Council will retain ownership of the *Standard* and will continue to work with its members to review the *Standard* and to update it as required.

4. Conformance with the Conflict-Free Gold Standard

World Gold Council members and other companies who apply the Standard will be expected to make public statements relating to their conformance or otherwise with the Standard. These statements may be published on the company web-site or in company reports (e.g. the annual financial report or the sustainability report). This should be done at least annually and will cover activities over a twelve-month period.

Conformance reviews should be undertaken on a site-by-site basis and must include all operating assets under the direct control of the Company. The disclosure should specify the names and locations of the operations that are considered to be in a “conflict-affected or high-risk area”.

Additionally, it is recommended that the Statement of Conformance includes the disclosure of activities underway to achieve conformance at any operations that do not conform to the Standard at the time of disclosure (if relevant).

5. Assurance Framework and Criteria for Assurance Providers

The World Gold Council has worked with external advisors, experienced in audit and assurance, to develop an Assurance Framework to accompany the *Standard*. The Assurance Framework may be used by third-party assurance providers to assure conformance relating to the *Standard*.

It is expected that assurance providers will need to demonstrate the following in order to be able to certify conformance with this *Standard*¹:

- Providers should make a public statement of independence that makes the nature of their relationship with the reporting organization explicit (AA1000 Assurance Standard)
- An assurance provider should have no direct financial or material indirect financial interest in the assurance client (Code of Ethics for Professional Accountants)
- An assurance provider should have no undue dependence on total fees from the assurance client (benchmark of no more than 30% of total income from assurance client recommended as per International Cyanide Management Code)
- No member of the assurance team should be performing services for the assurance client that directly relates to the subject matter of the assurance engagement or dealing in or be a promoter of shares and securities in the assurance client (Handbook of International Auditing, Assurance, and Ethics Pronouncements)
- No member of the assurance team should be acting as an advocate on behalf of an assurance client in litigation or in resolving disputes with third parties (Handbook of International Auditing, Assurance, and Ethics Pronouncements)
- Individuals involved in any specific assurance process must be demonstrably competent in terms of skills, sustainability subject matter, industry experience,

¹ These guidelines for selecting an independent assurance provider are from the ICMM Sustainable Development Framework

assurance process experience and areas of expertise to cover the assurance topics (AA1000 Assurance Standard)

- A multidisciplinary team should provide the expertise necessary to adequately assure a company's non-financial performance (ISAE 3000)
- The organizations through which individuals provide assurance must be able to demonstrate adequate institutional competencies, including adequate assurance oversight, understanding of the legal aspects and infrastructure (AA1000 Assurance Standard).

6. Remedial Action

In the event that World Gold Council members and other participating companies are unable to demonstrate conformance with the *Standard*, it is expected that they will outline the remedial actions being taken to bring them into conformance with the *Standard* and the timeline for those actions within a Remedial Action Plan. Remedial actions need to be identified and commenced within six months otherwise this will lead to non-conformance. Appropriate remedial actions will be outlined in the accompanying Assurance Framework.

7. Complaints and Grievance Process

In instances where there are concerns raised that the Statement of Conformance is not accurate, the concerns should be discussed with the relevant company.

The World Gold Council recognises that for it to act as a certification body to validate Statements of Conformance and investigate grievances might create potential conflicts of interest or the perception of such conflicts and thus it will not take on this role.

Key Reference Documents

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- UN Guiding Principles on Business and Human Rights
- Voluntary Principles on Security and Human Rights and VPSHR Implementation Guidance Tool (IGT)

Executive Summary

The *World Gold Council Conflict Free Gold Standard* provides a mechanism by which gold producers can assess the risk that their operations may contribute to armed conflict and associated human rights abuses. As such, adherence to the *Standard* will give confidence to stakeholders that gold from operations in conformance with the *Standard* has been produced in a manner that does not cause, support or prolong armed conflict, or fund or otherwise benefit armed groups, contribute to serious human rights abuses or breaches of international humanitarian law or fuel armed conflict.

Armed conflict can lead to the suffering of individuals and communities and lead to widespread abuses of human rights. Such conflict has a large effect on the stability of a country, the socio-economic development of society and on the ability of companies to conduct their business in a sustainable manner.

In a peaceful society, the role of business in creating wealth and supporting development is well established and most companies conduct their business in ways that support sustainable development. The private sector, therefore, has a critical role to play in supporting peaceful socio-economic development.

A well-run mining operation can play a positive role in the economy and society of the community and also at a national level. However, where conflict is severe, even the best managed operations will need to take additional steps to ensure that both the gold it produces and its broader activities do not contribute, either directly or indirectly, to the conflict.

Where a company can demonstrate that it is operating a mine in a 'conflict-affected or high-risk' area in a way that does not cause or contribute to enabling, fuelling or maintaining conflict or associated human rights abuses, it should be encouraged to continue its operations. Indeed, the closure or suspension of a major source of employment or government revenue may accentuate the crisis and accelerate the descent of an area into conflict.

This *Standard* is designed to be used at mines that are producing gold. Nonetheless, the World Gold Council and its members recognise that if a mine development project is located in a 'conflict-affected or high-risk' area, adherence to the processes included in the standard represents good practice for responsible mining. Furthermore, they recognise the importance of conducting exploration and developing projects after appropriate consultation with potentially affected communities and other stakeholders, to identify and mitigate the effects of the activity and so minimise the risk of causing or contributing to armed conflict.

Structure of the Conflict-Free Gold Standard

The *Standard* takes the form of a decision-tree split into five sections:

- **Part A – Conflict Assessment:** this uses external criteria to assess whether the area or country in which the company is operating should be considered ‘conflict-affected or high-risk’.
- **Part B – Company Assessment:** where the area or country is considered ‘conflict-affected or high-risk’, this assesses whether the company has the appropriate systems in place in order to discharge its corporate obligations in this area, to avoid fuelling conflict and associated human rights abuses.
- **Part C – Commodity Assessment:** where the area or country is considered ‘conflict-affected or high-risk’, this assesses how and by whom the gold is handled and the potential for this to contribute to conflict.
- **Part D- External Sources of Gold Assessment:** when the company or individual operating site acquires gold, this assesses the process that needs to be in place to ensure that appropriate due diligence is undertaken on this gold in relation to conflict.
- **Part E – Statement of Conformance Documentation:** where the company has demonstrated conformance to Parts A-D (as relevant) an appropriate statement needs to be provided to the next party in the chain of custody.

Each section sets out the key decisions that will determine whether the gold produced by the company is in conformance with this *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 to assess conformance.

The company will undertake the assessment in line with the criteria and processes as set out in this document.

Definitions

Definitions Adopted From the OECD Due Diligence Guidance²:

Artisanal & Small Scale Mining (ASM)

Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labour intensive technology. ASM can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners. For example, it is common for work groups of 4-10 individuals, sometimes in family units, to share tasks at one single point of mineral extraction (e.g. excavating one tunnel). At the organisational level, groups of 30 – 300 miners are common, extracting jointly one mineral deposit (e.g. working in different tunnels), and sometimes sharing processing facilities.

Chain of Custody

A record of the sequence of entities which have custody of minerals as they move through a supply chain.

“Conflict-Affected or High-Risk” Area

An area identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars. *High-risk areas* are those where there is a high risk of conflict or of widespread or serious abuses as defined in paragraph 1 of Annex II of the OECD Guidance. Such areas are often characterised by political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, widespread violence and violations of national or international law.

It should be noted that the OECD Guidance does not differentiate between “conflict-affected” and “high-risk” areas and neither does this Standard.

Due Diligence

Due diligence is an on-going, proactive and reactive process through which companies can identify, prevent, mitigate and account for how they address their actual and potential adverse impacts as an integral part of business decision-making and risk management systems. Due diligence can help companies ensure they observe the principles of international law and comply with domestic laws, including those governing the illicit trade in minerals and United Nations sanctions.

Industry Programme

An initiative or programme created and managed by an industry organisation or similar industry initiative to support and advance some or all of the recommendations of the OECD Guidance. An Industry Programme may be a part of the organisation’s broader activities that encompass other goals.

² See the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the accompanying Supplement on Gold

Legitimate artisanal and small scale mining (ASM)

The legitimacy of artisanal and small scale mining is a difficult concept to define because it involves a number of situation-specific factors³. For the purposes of this Guidance, legitimate refers, among others, to artisanal and small scale mining that is consistent with applicable laws⁴. When the applicable legal framework is not enforced, or in the absence of such a framework, the assessment of the legitimacy of artisanal and small scale mining will take into account the good faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalisation as they become available (bearing in mind that in most cases, artisanal and small scale miners have very limited or no capacity, technical ability or sufficient financial resources to do so). In either case, artisanal and small scale mining, as with all mining, cannot be considered legitimate when it contributes to conflict and serious abuses associated with the extraction, transport or trade of minerals as defined in Annex II of the Guidance.

Management System

Management processes and documentation that collectively provide a systematic framework for ensuring that tasks are performed correctly, consistently and effectively to achieve the desired outcomes, and that provide for continual improvement in performance.

Refiner

An individual or entity that purifies gold to a commercial market quality, by removing other substances from doré, alluvial gold, recyclable/scrap or other gold-bearing feedstocks.

Supply Chain

The term supply chain refers to the system of all the activities, organisations, actors, technology, information, resources and services involved in moving gold from the source to end consumers.

Supply Chain Due Diligence

With specific regard to supply chain due diligence for responsible mineral sourcing, risk-based due diligence refers to the steps companies should take to identify, prevent and mitigate actual and potential adverse impacts and ensure that they respect human rights and do not contribute to conflict⁵ through their activities in the supply chain.

³ See Appendix 1 of the OECD Guidance

⁴ See Alliance for Responsible Mining, *Vision for Responsible Artisanal and Small-Scale Mining* (2008).

⁵ As defined in Annex II of the OECD Due Diligence Guidance.

Additional Definitions

Assurance

Assurance is an evaluation method that uses a specific set of principles and standards to assess the quality of a reporting organisation's subject matter, such as reports, and the organisation's underlying systems, processes and competencies that underpin its performance. Assurance includes the communication of the results of this evaluation to provide credibility to the subject matter for its users (AA1000 AS).

Assurance engagement

An engagement in which an assurance provider expresses a conclusion designed to enhance the degree of confidence of the intended users about the outcome of the evaluation or measurement of a subject matter against criteria (ISAE 3000).

Company

The corporate entity responsible for the mining of the gold.

Conflict Gold

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

Credibly Accused

An entity or individual has been accused of wrongdoing by a source of information that is generally believed to be reliable and which has a reputation for honesty and probity in the external or internal environment.

Credibly Implicated

An entity or individual has been implicated in wrongdoing by a source of information that is generally believed to be reliable and which has a reputation for honesty and probity in the external or internal environment.

Custody

The responsibility for the physical control of the gold.

Human Rights Violations

Actions that abuse, ignore, or deny basic human rights (including civil, political, cultural, social, and economic rights). Violations of human rights can occur when any state or non-state actor breaches the Universal Declaration of Human Rights (UDHR) or other broadly supported international human rights convention or humanitarian law.

Intermediaries

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

Mine

The location from which gold is legitimately extracted; for large scale mines, this will be in line with formally granted permits to exploit a gold mineral resource; for ASM, this will be in line with the definition for "legitimate ASM" above.

Mine Site

The physical boundaries of the operation. Where formally granted permits have been issued, this will, include surrounding land as specified by such permits.

Remedial Action Plan

A plan that defines required remedial actions and gives a time-frame within which these remedial actions will be undertaken.

Segregation

The physical separation (either in time or spatially) of gold which is in conformance with the *World Gold Council Conflict-Free Gold Standard* from gold that is not in conformance with the *World Gold Council Conflict-Free Gold Standard*.

Serious Human Rights Abuses

War crimes and crimes against humanity, ethnic cleansing or widespread instances of (a) sexual abuse of men, women or children, (b) torture, (c) enslavement, (d) trafficking of persons, or (e) multiple unlawful killings including genocide, are breaches of International humanitarian law and represent the most serious of human rights violations.

UN Guiding Principles on Business and Human Rights

Guiding Principles for the implementation of the United Nations 'Protect, Respect and Remedy' framework. The principles provide a road map to the increased accountability of business enterprises for human rights abuses and corporate related harm.

Part A – Conflict Assessment

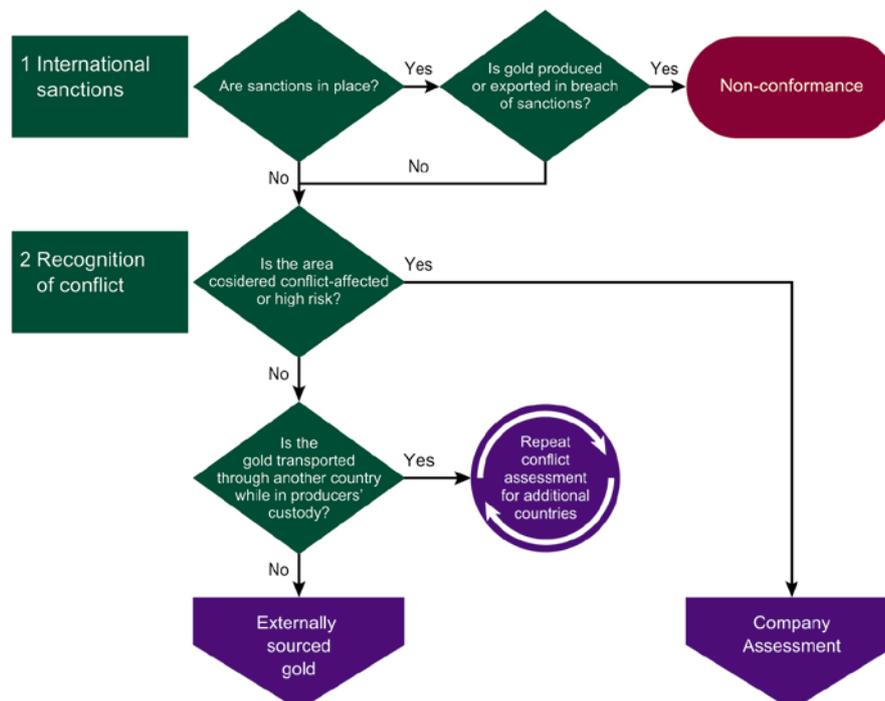
Overview

Part A relates to the context in which a company’s operations are set. The phases of a gold mine (exploration, development, production, and closure) may span 40 years or more, and the political, social and economic environment within which that mine operates is likely to change over that time. Companies should be able to operate in ‘conflict-affected or high-risk’ areas if they have the right systems in place to ensure that they are not enabling, fuelling or maintaining conflict or contributing to associated abuses of human rights or funding or otherwise benefiting armed groups.

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

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, the smuggling of gold from adjacent countries and the breakdown of law and order in parts of an otherwise stable country make operating in such an area more complex. This should be considered in assessing the areas impacted by conflict.

Conflict Assessment – Overview



1. International Sanctions

1.1 Introduction

The first step in the *Standard* is intended to ensure that the mining and on-ward transport of gold does not take place in breach of International Sanctions.

This *Standard* makes reference only to International Sanctions, i.e. those sanctions imposed by the United Nations, the European Union, African Union, Organization of American States or similar supra-national bodies.

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

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

For the purposes of this *Standard*, **International Sanctions** is defined as:

Definition

Sanctions set by one or more authoritative 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, however, that companies may additionally be bound by unilateral sanctions imposed by their host government on one or more States in which the Company has operations.

1.2 Reference Sources

Within the context of the definition of **International Sanctions** above, the principal authoritative supra-national bodies are:

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

Where unilateral sanctions have been imposed by the home 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.

1.3 Criteria

The criteria in relation to **International Sanctions** are defined as:

Criterion

- Gold will be mined or transported for refining in an area or a country free from International Sanctions, or in accordance with any such sanctions.

1.4 Process

Where the Country (in which gold is being mined or through which gold is being transported while in the custody of the producer) being assessed is free from International Sanctions the next consideration is set out in **Recognition of Conflict** (Section 2).

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

Where the assessment concludes that gold **can** be exported, the next consideration is set out in **Recognition of Conflict** (Section 2).

Where the assessment concludes that gold **cannot** be mined or transported, the gold is considered as in **Non-Conformance** and the assessment is **Terminated**.

1.5 Assessment

The assessment should be undertaken using the process set out in Section 1.4 and against the criteria defined in Section 1.3.

The assessment should be undertaken annually, or when the supra-national bodies identified in Section 1.2 review existing International Sanctions or impose new International Sanctions.

2. Recognition of Conflict

2.1 Introduction

Whilst gold mining companies may have extensive experience of operating in difficult operating environments, they are not, in isolation, best qualified, to determine whether a country or area should be considered as 'conflict-affected or high-risk'.

Companies should look to legislation (beyond the **International Sanctions** referenced in Section 1) that defines an area as being 'conflict-affected or high-risk' or binding resolutions that determine an area or country or situation in that country fuels armed conflict and associated human rights abuses. This applies to all legislation, regardless of whether it specifies the need to apply special procedures related to minerals originating from these countries.

Companies should take due account of relevant decisions by the United Nations Security Council, in making these determinations⁶.

Companies should also look for guidance from multi-national organisations for the identification of 'conflict-affected and high-risk' areas⁷.

As a further source of guidance, companies should use the Conflict Barometer produced by the Heidelberg Institute⁸ considering areas that are ranked as 5 (war) or 4 (severe crisis) as being 'conflict-affected or high-risk'. Areas should be considered 'conflict-affected or high-risk' if they are currently ranked as 5 or 4 or have been at any stage during the previous two calendar years.

Where the geographic boundaries of the 'conflict-affected or high-risk' area are not specified, the company will need to provide the rationale as to why their activity should be considered inside or outside the conflict zone.

Situations may deteriorate rapidly and companies are expected to monitor potential conflict situations around their operations with a view to determining through their own due diligence whether a specific country or region has become 'conflict-affected or high risk' and, if so, to take appropriate measures in response.

For the purposes of this *Standard*, **Recognition of Conflict** is defined as:

Definition

Guidance from an appropriate body – be it national government, multi-national organisation (including the United Nations), or the Heidelberg Institute – that defines certain areas or countries as being 'conflict-affected or high-risk'.

⁶ This is in line with the statement made by Brazil at the time of the adoption of the OECD Guidance.

⁷ The OECD has stated that it is not intending to develop specific lists of areas or countries which fall within these definitions. It has however stated that it intends to develop guidance on criteria and indicators that non-governmental organisations (NGOs) can use to identify 'conflict-affected and high-risk' areas.

⁸ The Heidelberg Institute for International Conflict Research (HIK) in the Department of Political Science at the University of Heidelberg is a private organisation dedicated to research, document and the analysis of national and international political conflicts. The HIK's annual publication of the Conflict Barometer describes the recent trends in global conflict developments, escalations, de-escalations and settlements, coup d'états, attempted coup d'états, terrorist attacks as well as implement measures of conflict resolution.

The application of these criteria does not mean that the World Gold Council or its members necessarily endorse such resolutions, legislation or the conflict assessment level provided by the Heidelberg Institute.

2.2 Reference Sources

Within the context of the definition of **Recognition of Conflict** above, the principal reference bodies 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 ‘conflict-affected or high-risk’ or as constituting a threat to international peace and security.
- The European Union
- The African Union
- The Organization of American States

National bodies that have wide-spread international acceptance or recognition

Conflict assessments produced by authoritative independent Non-Government Organisations:

- Heidelberg Institute for International Conflict Research

For all reference sources, where the geographic boundaries of the conflict are not specified, the company should provide rationale as to whether their activity is within a “conflict-affected or high-risk” area.

2.3 Criterion

The criterion in relation to **Recognition of Conflict** is defined as⁹:

Criterion

‘Conflict-affected and high-risk’ areas are identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars. *High-risk areas* are those where there is a high risk of conflict or of widespread or serious abuses as defined in paragraph 1 of Annex II of the OECD Guidance. Such areas are often characterised by political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, widespread violence and violations of national or international law.

⁹ Taken from the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

2.4 Process

Where the area (in which gold is being mined, through which gold is being transported, or where gold is delivered for refining) being assessed is currently:

- Covered by legislation, as defined above, that determines the area or country is 'conflict-affected or high-risk'
- Covered by guidance, as defined above, that determines the area or country is 'conflict-affected or high-risk'
- Rated by the Heidelberg Conflict Barometer as 5 (war) or 4 (severe crisis) or has done so for any point in the previous two calendar years

then the assessment process follows Route 1 below. Where the area is not recognised as being 'conflict-affected or high-risk', the assessment process follows Route 2.

Route 1 – Areas or Countries considered as 'conflict-affected or high-risk'

In these circumstances, 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 causing, enabling, fuelling or maintaining conflict or human rights abuses associated with such conflict. The next consideration is the **Company Assessment** set out in Part B.

Route 2 – Areas or Countries not considered as 'conflict-affected or high-risk'

In these circumstances, the next consideration is whether the gold is likely to pass through an area or country considered as 'conflict-affected or high-risk' while under the custody of the company on its way to the refinery. Where this does occur, the next consideration is the **Company Assessment** set out in Part B. Where this does not occur, the next consideration is whether the company has any **Externally Sourced Gold** in Part D.

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.

Monitoring of whether the country or area is 'conflict-affected or high-risk'; should be on-going, in line with the provisions of the UN Guiding Principles on Business and Human Rights. The formal assessment should be in writing and undertaken at least annually, or as and when legislation or guidance specifying countries regarded as being in conflict or at high-risk of becoming conflict zones is changed.

Decision-Making

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

It is for the Company to review the assessment in line with the guidance provided in Sections 1.5, and 2.5. To address the uncertainties that may arise in arriving at any decision, this *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 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 affects the decision, the Company can:
 - use the information that leads to the more conservative decision; or
 - use the information that leads to the less conservative decision, on condition it publishes the reasons behind the selection of this information.

Where the Company believes information in the public domain will be revised within the next six months and where the new information might materially affect the decision, the Company can use the existing information and revise the assessment when the new information is published.

Part B – Company Assessment

Overview

Part B relates to the company's willingness and ability to operate in areas recognised as 'conflict-affected or high-risk'. A well-run company operating in a transparent manner can play a positive role even in such areas and that a withdrawal of investment or termination of operations and employment may be destabilising to an already fragile environment. In such cases, it is important that companies are encouraged to continue operating and are able to demonstrate that the gold they produce is conflict-free.

Equally, there are companies that do not meet internationally accepted norms of business practices and by their activities and behaviour could complicate, or exploit, already difficult situations in countries or regions with weak governance. These companies will not comply with the *World Gold Council Conflict-Free Gold Standard*.

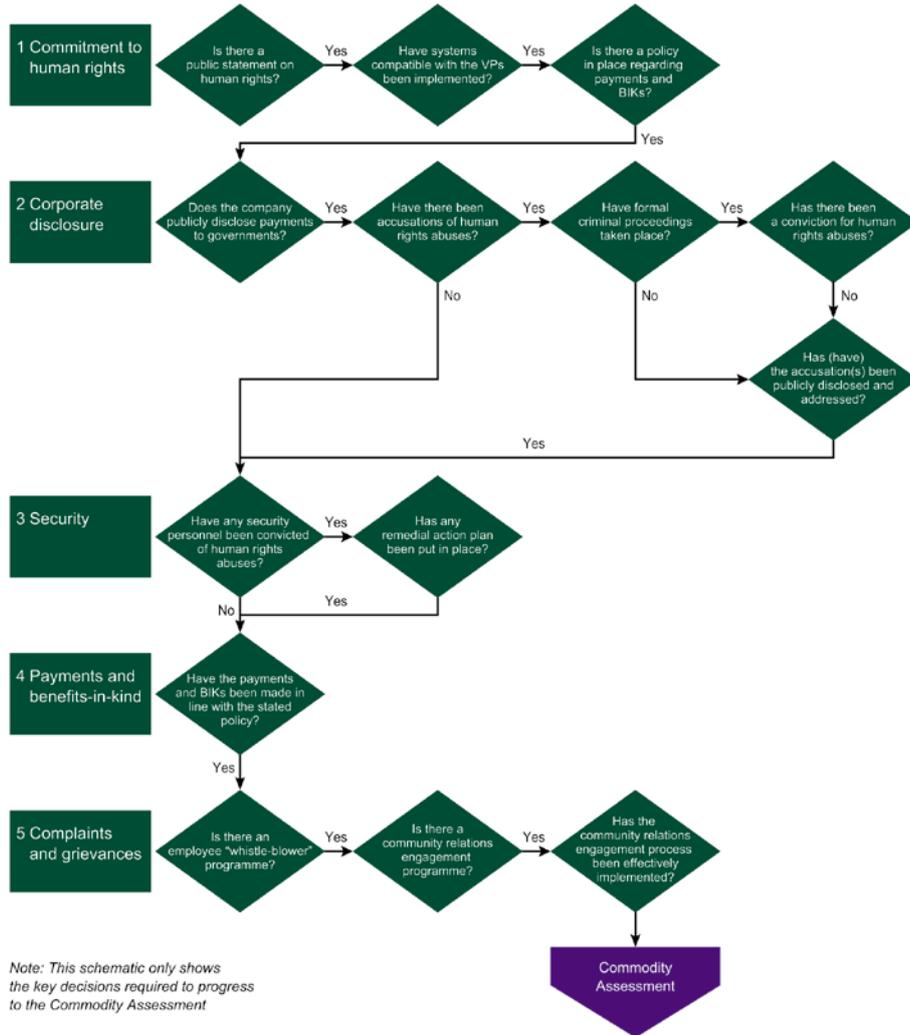
Part B – Company Assessment uses criteria to assess whether the company has the appropriate mechanisms in place to demonstrate an ability to operate in 'conflict-affected or high-risk' areas.

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. The Company Assessment is structured in a way that provides the company with the opportunity to implement such a Remedial Action Plan, and thereby avoid gold being categorised as being in **Non-Conformance**.

The Company Assessment addresses the following areas:

1. Commitment to Human Rights
2. Corporate Activities and Disclosure
3. Security
4. Payments & Benefits-in-Kind
5. Community Relations, Grievances and Complaints

Company Assessment – Overview



1. Commitment to Human Rights

1.1 Introduction

A company's commitment to human rights is often one of the key factors in determining how activities are undertaken and decisions made within the organisation. The aim of this section is to recognise that companies that are transparent about their commitments to human rights are more likely to operate in a responsible way.

Risk-based due diligence for responsible mining refers to the steps companies should take to identify, prevent and address actual or potential adverse impacts and ensure that they respect human rights and do not contribute to conflict or the funding of armed groups.

For the purposes of this *Standard*, **Commitment to Human Rights** is defined as

Definition

Public commitments and other supporting documentation made by a company to protect human rights

1.2 Reference Sources

Within the context of the definition of **Commitment to Human Rights** above, the principal reference points are:

- UN Global Compact – Company Report Submissions
- UN Guiding Principles on Business and Human Rights
- Voluntary Principles on Security and Human Rights
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- International Alert Conflict Sensitive Business Practices
- International Committee of the Red Cross – Business and Humanitarian Law

1.3 Criterion

The criterion in relation to **Commitment to Human Rights** is defined as:

Criterion

- Gold produced by companies that publicly commit to respecting human rights and implement the Voluntary Principles on Security and Human Rights (even if they are not participants in the International Voluntary Principles process) or implement systems consistent with the Voluntary Principles.
- Gold produced by companies that have a policy or public commitment in place regarding payments and benefits-in-kind to suppliers and other parties, including local communities, with respect to human rights considerations (including procedures put in place designed to prevent bribery and extortion, and policies to be followed in case of potential human rights abuses associated with non-contracted payments). This policy should also specify actions to be taken to ensure that payments to individuals or business partners are in conformance with any International Sanctions.

1.4 Process

Where the Company

- has a suitably evidenced publicly available statement on respecting human rights
- implements the Voluntary Principles on Security and Human Rights or systems consistent with the Voluntary Principles and
- has a policy or public commitment in place regarding payments and benefits-in-kind to suppliers and other parties, including local communities, with respect to human rights considerations, which specifies actions to be taken to ensure that payments to individuals or business partners are in conformance with any International Sanctions that they are subject to

the next consideration is in **Corporate Activities and Disclosure** (Section 2).

Where this is not the case, the assessment is **Terminated** until such time as the company implements a Remedial Action Plan to redress this area.

1.5 Assessment

The assessment should be undertaken using the process set out in Section 1.4 and against the criterion defined in Section 1.3.

The assessment should be undertaken at least annually, or when the Company makes new public commitments on human rights or security matters, or when the Company is required by legislation to disclose any matter that may be relevant in this context.

2. Corporate Activities and Disclosure

2.1 Introduction

The aim of this section is to ensure that where companies contribute to the development of the local economy, the contribution this makes to alleviating or preventing conflict from arising is recognised. This relates to transparency of payments to government and the appropriate disclosure related to credible allegations of serious human rights abuses. Companies that publicly report on their performance enable public scrutiny.

Well managed companies can use their influence either in public, through effective advocacy, through seeking the support of their home national government or through working together with other enterprises, business associations or civil society organisations, to seek to change behaviours within a host country where serious human rights abuses or breaches of international humanitarian law are occurring.

If a company identifies a risk of causing a serious human rights abuse, then it should take the necessary steps to cease or prevent this from occurring. Companies should seek to prevent serious human rights abuses where they have not contributed to that abuse but where it is nevertheless directly linked to their operations, products or services by a business relationship.

Most legal jurisdictions around the world are based on the premise of a party being innocent until proven guilty. However, this *Standard* recognises that many cases of alleged serious human rights abuses may take an extended time to reach a resolution. With this in mind, where a formal charge relating to a serious abuse of human rights or breach of international humanitarian law has been laid against a company, the Company should publicly disclose this matter but complete the assessment on the basis of being innocent until the appropriate court or tribunal arrives at a final judgement.

Given the weakness of judicial systems in some countries with weak governance, it is recognised that formal criminal proceedings may not be taken against a company. Whilst still preserving the presumption of innocence, where a company is credibly accused of involvement in serious human rights abuses or breaches of international humanitarian law or subject to a civil suit based on such allegations, then it shall undertake a review and initiate any remedial measures which may be required.

For the purposes of this *Standard*, **Corporate Activities and Disclosure** is defined as

Definition

Corporate activities are undertaken with due regard to human rights considerations and appropriate disclosures are made regarding financial payments to governments

2.2 Reference Sources

Within the context of the definition of **Corporate Activities and Disclosure** above, the principal reference points are:

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

2.3 Criterion

The criterion in relation to **Corporate Activities and Disclosure** is defined as:

Criterion

- Disclosure of payments to the government unless prohibited by law
- Gold produced by a company that respects human rights, and which uses its influence to prevent abuses being committed by others in the vicinity of its operations

2.4 Process

Where a company has not publicly disclosed payments to governments, the assessment is **Terminated** until such time as the Company implements a Remedial Action Plan in this area.

Where a company has publicly disclosed payments to governments and has not been credibly accused of serious human rights abuses, the next consideration is **Security** (Section 3).

Where a company has publicly disclosed payments to governments and has been credibly accused of serious human rights abuses and:

1. Formal proceedings or investigations have **not** taken place (e.g. before a court or tribunal) and the company has publicly disclosed and addressed the concerns raised, the next consideration is **Security** (Section 3).

or

2. Formal proceedings or investigations have taken place (e.g. before a court or tribunal) and the company has **not** been found culpable or received a conviction for serious human rights abuses and has publicly disclosed and addressed the concerns raised, the next consideration is **Security** (Section 3).

or

3. Formal proceedings or investigations have taken place (e.g. before a court or tribunal) and the company **has** received a conviction or equivalent for involvement in serious human rights abuses in the past two years and:

- Where it has put in place sufficient remedial measures to prevent a recurrence and publicly responded to allegations of serious abuses of human rights committed by third parties and used its influence to ensure

such activities are not repeated, the next consideration is **Security** (Section 3).

- Where the Company has **not** put in place sufficient remedial actions to prevent a recurrence, or **not** publicly responded to credible allegations of serious abuses of human rights committed by third parties or **not** 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.

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 at least annually, or where the company becomes aware of a significant issue with respect to its performance on human rights or abuses of human rights within the area of its operations.

3. Security

3.1 Introduction

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

The principal aim of this section is to ensure that those engaged to provide security services to the mine and its employees – or any other agents of the company - do not take part in; or support; serious abuses of human rights. In addition, it is important that the mine, its agents or its security providers do not fund or otherwise benefit other parties that may be more directly involved in conflict.

For the purposes of this *Standard*, **Security** is defined as

Definition

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

3.2 Reference Sources

Within the context of the definition of **Security** above, the principal references are:

- Voluntary Principles on Security and Human Rights – Company’s Security Arrangements
- International Code of Conduct for Private Security Providers
- Transparency International – Bribe Payers Index
- International Alert Conflict Sensitive Business Practices
- Global Reporting Initiative Mining Supplement
- Company Annual / Sustainable Development / Corporate Social Responsibility Reports

3.3 Criterion

The criterion in relation to **Security** is defined as:

Criterion

Gold should be produced from a mine where the mine security provider or personnel have not been involved directly or indirectly in financing or benefiting armed groups involved in human rights abuses and the individuals themselves have not been credibly accused of involvement in such actions.

3.4 Process

Where

- the corporate security provider has not been convicted or credibly implicated, in the previous two years of committing or aiding serious human rights abuses in the country in which the mine is located and
- the security personnel have not been convicted or credibly implicated, in the previous two years of committing or aiding serious human rights abuses in any country

the next consideration is in **Payments and Benefits-in-Kind** (Section 4).

Where the security provider or contracted personnel have been convicted or credibly implicated previous two years of committing or aiding serious human rights abuses, but a Remedial Action Plan has been implemented and evidence can be provided that this is effective, the next consideration is in **Payments and Benefits-in-Kind** (Section 4).

Where the security provider or contracted personnel have been convicted or credibly accused in the past two years of committing or aiding serious human rights abuses, but a Remedial Action Plan has been not been put in place or there is no evidence that such a plan is effective, the mine is deemed to be in **Non-Conformance** 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 criteria defined in Section 3.3.

The assessment should be undertaken at least annually or when there are public reports providing evidence about the role of the security force in serious human rights abuses.

4. Payments and Benefits-in-Kind

4.1 Introduction

This section looks at the extent to which payments and benefits-in-kind made by the mine's operations or its agents are in line with the stated policy in consideration of human rights. The aim of this section is to ensure that the payments the Company makes to the local and national economy do not contribute to fuelling conflict and associated serious human rights abuses. The mine operation should have a reporting system to accurately record and authorise payments and disbursements.

For the purposes of this *Standard*, **Payments and Benefits-in-Kind** is defined as

Definition

A mine which makes payments and provides benefits-in-kind are in line with the Company policy or public commitment on such payments and are made with respect to human rights

4.2 Reference Sources

Within the context of the definition of **Payments and Benefits-in-Kind** above, the principal references are:

- Extractive Industries Transparency Initiative
- Company Annual / Sustainable Development / Corporate Social Responsibility Reports (for information about payments made to the Government and other official bodies, including taxes)

4.3 Criterion

The criterion in relation to **Payments and Benefits-in-Kind** is defined as:

Criterion

- Payments and benefits-in-kind are recorded accurately in the books and records in conjunction with adequate supporting records and Company policies for such disbursements are followed

4.4 Process

Where the Company can demonstrate that payments and benefits-in-kind have been recorded accurately in the books and records in conjunction with adequate supporting records and disbursed in line with the stated policy or public commitment in consideration of human rights, the next consideration is in **Complaints and Grievances** (Section 5).

Where the company cannot demonstrate that payments and benefits-in-kind have been disbursed in line with the stated policy or public commitment in consideration of human rights, the assessment is **Terminated** until such time as the company implements a Remedial Action Plan in this area.

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 at least an annual basis.

5. Complaints and Grievances

5.1 Introduction

This section assesses the interaction between the mine, its employees and the local community through the mine's processes for the identification of and engagement with stakeholders and the ability of individuals or the community to raise concerns or worries about the operation's impacts.

A grievance mechanism may be a source of information for the identification of any adverse human rights impacts associated with an operation and should form part of its ongoing human rights due diligence and, once identified, should enable a grievance to be addressed and remedied in a timely and equitable fashion¹⁰.

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

For the purposes of this *Standard*, **Complaints and Grievances** is defined as

Definition

A mine that regularly engages with its employees and local stakeholders with a view to understanding their concerns, the security context for its operations and its effects, and allows the public to raise concerns about the mine's operations and provides a means of resolving such grievances.

¹⁰ As a point of reference, the UN Guiding Principles envisage that any such local grievance mechanism should be legitimate, accessible, predictable, equitable in its operation, transparent, rights-compatible and based on the potential for dialogue and engagement. See Principles 29, 30 and 31.

5.2 Reference Sources

Within the context of the definition of **Complaints and Grievances** above, the principal references are:

- UN Guiding Principles on Business and Human Rights
- Public statements made at the mine level, including the process by which communities can raise issues of concern and have access to remedies
- Community engagement plans, socio-economic assessment plans or community liaison programmes
- Policy and procedures for stakeholder identification and engagement

5.3 Criteria

The criterion in relation to **Complaints and Grievances** is defined as:

Criterion

- Gold produced from a mine that has a “whistle-blower” programme in place to allow concerns from employees to be raised in a manner that does not stigmatise them
- Gold produced from a mine that engages regularly with local stakeholders with a view to understanding their concerns and maintains a process through which the public can raise concerns and seek a remedy for such concerns.

5.4 Process

Where a mine does not have a whistle-blower programme in place or does not have a process for the identification of and engagement with local stakeholders or has not provided a process through which the public can raise concerns about the mines activities, the assessment is **Terminated** until such time as the Company implements a Remedial Action Plan in this area.

Where a mine does have a whistle-blower programme in place, has provided a process through which the public can raise concerns about the mines activities, and there is evidence that the process is followed, the next assessment is the **Commodity Assessment**. Where such a process has not been effectively implemented, 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 annually and may coincide with the routine data collection process as part of the Company’s Annual Report and Accounts or Sustainable Development/Corporate Social Responsibility Report.

Decision-Making

This *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 reputable independent bodies, or placed in the public domain by the Company itself.

It is for the Company to review the assessment in line with the guidance provided in Sections 1.5, 2.5, 3.5, 4.5 and 5.5. To address the uncertainties that may arise in arriving at any decision, this *Standard* provides guidance on decision making on page 15.

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 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:

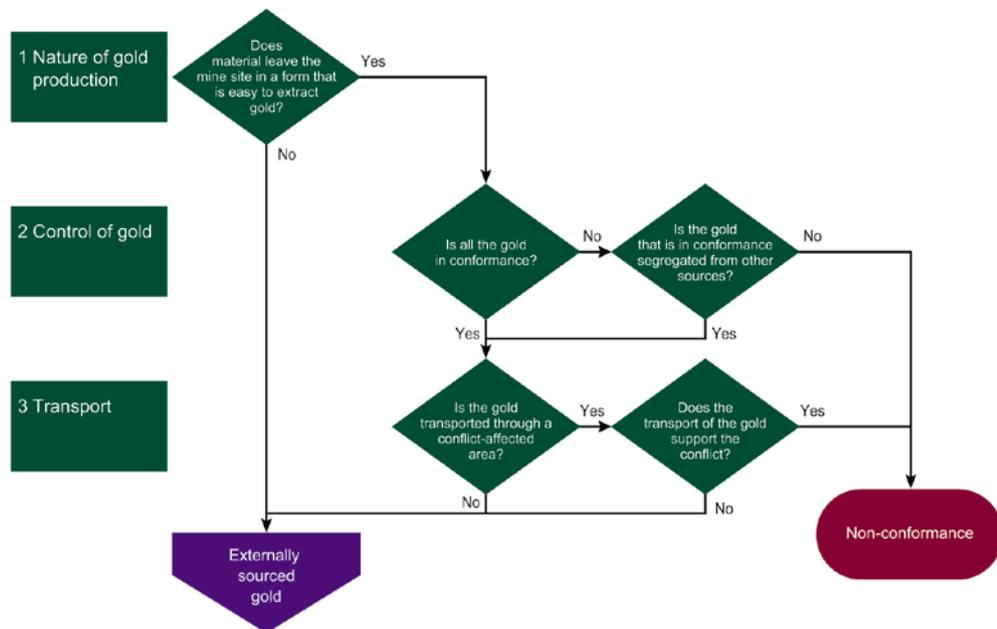
- Business and Human Rights Resource Centre
- Extractive Industries Transparency Initiative
- Amnesty International – Country reports
- International Crisis Group – Country reports
- UN Development Programme – Private sector case studies
- International Committee of the Red Cross
- International Alert Conflict Sensitive Business Practices
- Partnering Against Corruption Index

Part C – Commodity Assessment

Overview

Part C relates to the handling of the gold on site and the movement of the gold once it leaves the mine. This *Standard* is designed to apply to all gold that is under the custody of the Company. Gold not in the custody of the Company is outside the scope of this *Standard* and could fall under other relevant approaches, for example, the LBMA’s Responsible Gold Guidance.

Commodity Assessment – Overview



Note: This schematic only shows the key decisions required to progress to externally sourced gold

1. Nature of Gold Production

1.1 Introduction

The Commodity Assessment is intended to assess the risk that the gold may directly fund conflict and associated human rights abuses.

At many mines, significant processing takes place to extract and purify the gold from the surrounding material. This purification processes enhances the value of the gold by removing impurities. Most gold mines purify the gold to doré, a gold/silver amalgam, normally containing greater than 50% gold. This doré is then sent to refiners for further processing.

Some mines however do not undertake any significant processing and purification of the gold. This is particularly the case where gold is not the main metal being extracted. In these cases, the bulk material may be transferred to an external company, normally a smelter, for further processing. In these circumstances, the gold-bearing material leaving the mine is of extremely low grade, is not visible and requires significant, capital-intensive processing to extract the material. As such, this gold does not constitute a potential source of financing for armed groups or others without dedicated, specialised equipment. There is general agreement that gold-bearing material in this form cannot fund armed conflict. For example, the OECD Supplement on Gold recognises that “the point of origin” for such gold (effectively the point at which it has sufficient value to be able to provide funding to armed groups) will be at the point at which this gold is separated from its surrounding material.

The first stage of the Commodity Assessment is therefore determining if gold-bearing material leaves the mine site in a form that it is easy to extract gold.

For the purposes of this *Standard*, **Nature of Gold Production** is defined as

Definition

The nature of gold-bearing material which leaves the mine site and the consequent further processing that is required to extract gold

1.2 Reference Sources

Within the context of the definition of **Nature of Gold Production** above, the principal reference is:

- Mine management documentation, including mine plans and records of the grade of material leaving the mine

1.3 Criterion

The criterion in relation to **Nature of Gold Production** is defined as:

Criterion

Gold-bearing material leaves the mine-site in a form where it can be easily processed into gold

1.4 Process

The first consideration is whether gold-bearing material leaves the mine-site in a form where it can be easily processed into gold. Where the Company can demonstrate that all gold-bearing material cannot be easily processed into gold, the next consideration is whether the company has any **Externally Sourced Gold** in Part D.

Where the Company can demonstrate that some but not all gold-bearing material cannot be easily processed into gold, the next consideration is whether the gold-bearing material that cannot be easily processed into gold is segregated from the gold-bearing material that can be easily processed into gold. Where this is the case, the next consideration is **Control of Gold at the Operation** (Section 2) but this only relates to the gold-bearing material that can be easily processed into gold.

Where all gold-bearing material that leaves the mine-site can be easily processed into gold or where there is no segregation of gold-bearing material, the next consideration is **Control of Gold at the Operation** (Section 2).

1.5 Assessment

The assessment should be undertaken using the process set out in Section 1.4 and against the criterion defined in Section 1.3.

2. Control of Gold at the Operation

2.1 Introduction

This section examines how gold or gold-bearing material is managed on the mine lease area, prospecting area or any other areas within the mine's control, up until any gold or gold-bearing material is transported from the mining area.

The aim of this section is to ensure that the management of any gold or gold-bearing material within a mine's control is well documented before it leaves the site. It is expected that the Company will have management systems in place to track the flow of gold or gold-bearing material around the mine site; these should be sufficiently robust for the Company to register and track the movement of each consignment of gold or gold-bearing material through the mine.

For the purposes of this *Standard*, **Control of Gold at the Operation** is defined as

Definition

The rigour with which gold or gold-bearing material is managed within all areas under the mine's control.

2.2 Reference Sources

Within the context of the definition of **Control of Gold at the Operation** above, the principal reference is:

- Controls and procedures relating to the management of all gold or gold-bearing materials within the mine's area of control

2.3 Criterion

The criterion in relation to **Control of Gold at the Operation** is defined as:

Criterion

Appropriate management systems are in place to track the flow of gold and gold-bearing material around the mine site and safeguard against gold and gold-bearing material entering or leaving the site without proper oversight .

Mine handling may include gold and gold-bearing material from various sources. Refer to **Externally Sourced Gold** in Part D that sets out the assessment for externally sourced gold.

2.4 Process

The main consideration is whether the controls related to **Control of Gold at the Operation** include the Company having sufficiently robust management systems, processes and internal controls in place to track the flow of gold and gold-bearing material around the mine site. As part of this process, the Company should formally document the flow of gold and gold-bearing material at the operation, and undertake an assessment to identify the risk points that arise, including opportunities where the gold and gold-bearing material may enter or leave the site without proper oversight. For each material risk point, controls should effectively be in place to mitigate the risks identified

Where all gold and gold-bearing material on the mine is shown to be in conformance with this *Standard*, the next consideration is **Transport** (Section 3)

Where there is any gold or gold-bearing material at the mine-site that is deemed to not be in conformance with this *Standard*, the next consideration is whether the gold or gold-bearing material in conformance with this *Standard* is kept separate from that deemed to be in non-conformance.

Where the gold and gold-bearing material on the mine is segregated in conformance with this *Standard*, then the gold or gold-bearing material conforming to this *Standard* is deemed to be **Segregated** at this stage of the process and the next consideration for this gold is **Transport** (Section 3).

Where the gold or gold-bearing material conforming to this *Standard* is not segregated from the gold or gold-bearing material failing to conform to this *Standard* or where the gold or gold-bearing material fails to meet this *Standard*, then the gold or gold-bearing material 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.

3. Transport

3.1 Introduction

This section evaluates how the gold and gold-bearing material moves from the mine to the next point of processing (usually a refinery). In many cases, this will be a relatively straightforward process, with a well-established process of tracking, based on high levels of security.

The receiving refinery is responsible for undertaking due diligence on their suppliers and ensuring the integrity of the Chain of Custody between them and the mine. National and international legislation exists steps refiners must take to avoid money laundering and the financing of terrorism and other forms of organised crime.

The aim of this section is to ensure that as gold and gold-bearing material moves between the mine and the refinery:

- its integrity is preserved
- it does not become subject to extortion, illegal handling charges or taxes which might be used to fund conflict
- those handling the gold or gold-bearing material are not party, (or under the control of parties) to any conflict or associated serious human rights abuses.

For the purposes of this *Standard*, **Transport** is defined as

Definition

The physical movement of gold and gold-bearing material from the mine to the refinery including any changes of custody, or responsibility for, or control over the physical gold or gold-bearing material.

The transfer point occurs when the custodianship and control over the metal changes, which marks the limit of the applicability of this *Standard*.

Consideration should be given to conducting due diligence on transporters and refiners in accordance with the OECD. Participation in industry led approaches – such as refiners' adherence to the LBMA Responsible Gold Guidance – is likely to simplify the required due diligence

3.2 Reference Sources

Within the context of the definition of **Transport** above, the principal references are:

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- Financial Action Task Force – Recommendations
- US Foreign Corrupt Practices Act and equivalent national legislation in other countries
- EU Money Laundering Directive
- UN Convention Against Transnational and Organized Crime (Palermo Convention)

3.3 Criterion

The criterion in relation to **Transport** is defined as:

Criterion

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

3.4 Process

The primary consideration is whether the transport providers support, or are under the influence of, those involved in the conflict. Where the Company uses an independent intermediary to transport the gold or gold-bearing material while that gold is still in the custody of the Company, it will need to undertake due diligence and obtain assurances that the intermediary has put in place appropriate risk management systems to avoid fuelling conflict in line with the OECD Guidance.

Where **all** intermediaries are deemed to have appropriate risk management systems in place, the next consideration is whether the company has **Externally Sourced Gold** in Part D.

Where **any** of the intermediaries are deemed to be party to, support, or under the influence of, those involved in the conflict or do not have appropriate risk management systems in place, the gold or gold-bearing material is considered to be in **Non-Conformance** and the assessment is **Terminated**.

3.5 Assessment

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

The assessment should additionally be undertaken when there is a new intermediary, when the transporter changes their transport procedures or when the handling regime for the gold changes.

Decision-Making

This *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 reputable independent bodies, or placed in the public domain by the Company itself.

It is for the Company to review the assessment in line with the guidance provided in Sections 1.5, 2.5 and 3.5. To address the uncertainties that may arise in arriving at any decision, this *Standard* provides guidance on decision making on page 15.

Part D – Externally Sourced Gold Assessment

Overview

In addition to extracting gold, companies may choose to purchase gold or gold-bearing material. This is likely to happen in the following ways:

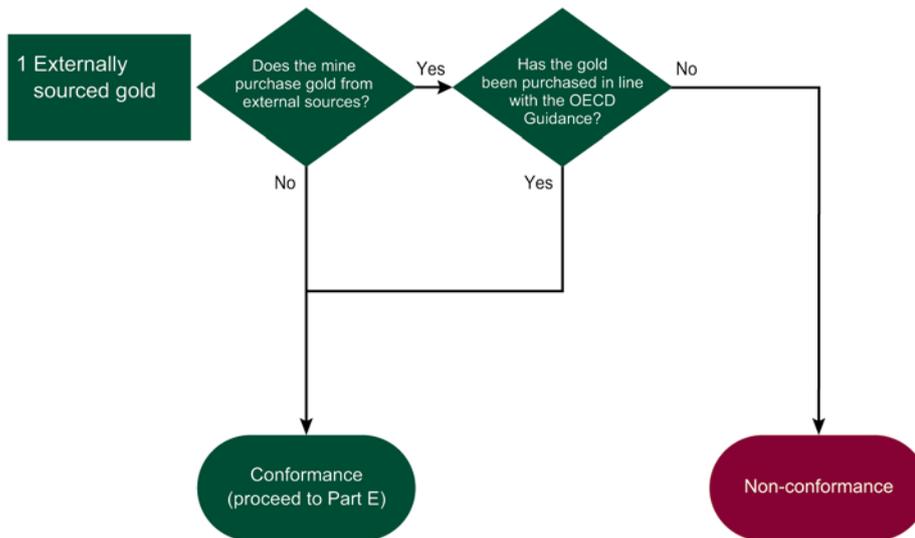
- Local purchasing of gold mined by artisanal or small-scale miners
- Local purchasing of gold mined by a third party mining company
- Local purchasing of processed gold (e.g. gold that has already been refined to a high purity)
- Gold purchased from a refiner (e.g. gold that is sold to a refiner and then an equivalent amount of gold is repurchased after refining)
- Gold extracted by the company but then sold to another party for toll treating or other processing service before being re-purchased

Companies sourcing newly mined gold or gold-bearing material from external suppliers operating in areas or countries considered as conflict-affected or high-risk are required to undertake due diligence to identify and prevent or mitigate any risks of fuelling armed conflict and associated human rights abuses. Due diligence should aim to ensure that newly-mined gold from external sources does not contribute to conflict.

Companies are to integrate the OECD's five-step framework for risk-based due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas into their management system. Companies sourcing from artisanal or small-scale miners are to note Appendix 1 to the OECD Gold Supplement, which provides suggested measures to lead to the formalisation of these operations, including participating in collaborative initiatives with governments, international organisations, donors and civil society organisations.

Where gold enters the supply chain from refiners and other sources, and where traceability to mine of origin is not feasible, companies will conduct due diligence in line with the OECD's five-step framework. Refiners who are following the LBMA Responsible Gold Guidance are likely to have already conducted appropriate due diligence on all their sources of gold.

Externally Sourced Gold - Overview



For the purposes of this *Standard*, **Externally Sourced Gold** is defined as

Definition

Gold or gold-bearing material that has not been extracted by the company but purchased or processed from external sources

Reference Sources

Within the context of the definition of **Externally Sourced Gold** above, the principal references are:

- OECD Guidance on the Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas and the accompanying Gold Supplement
- LBMA Responsible Gold Guidance

Criterion

The criterion in relation to **Externally Sourced Gold** is defined as:

Criterion

All externally sourced gold or gold-bearing material should be subject to due diligence processes consistent with those laid out in the OECD Guidance and the accompanying Gold Supplement

Process

Where the company does not purchase externally sourced gold, the mine is considered to be in **Conformance** and **Statement of Conformance Documentation** should be produced to this effect. Guidance on this is available in Part E.

Where the company purchases externally sourced gold (whether from other miners, refiners, or other sources), due diligence processes should be applied consistent with the OECD Guidance and the company needs to provide documentation of this. Where the due diligence demonstrates that gold has been sourced in a manner consistent with the OECD Guidance, the mine is considered to be in **Conformance** and **Statement of Conformance Documentation** should be produced to this effect. Guidance on this is available in Part E.

Where the company purchases externally sourced gold (whether from other miners, refiners, or other sources) and due diligence processes applied are not consistent with the OECD Guidance the gold is considered as in **Non-Conformance** and the assessment is **Terminated**.

Assessment

The assessment should be undertaken using the process and against the criterion set out above.

The assessment should be undertaken at least annually.

Part E – Statement of Conformance Documentation

Overview

In order to maintain the integrity of the supply chain, companies need to provide a statement that gold and gold-bearing material being dispatched is in conformance with this *Standard*.

Suggested Language

The following is suggested language for a Statement of Conformance that should be supported by appropriate assurance and documentary evidence:

{Mine company name} confirms, to the best of our knowledge, that this gold or gold-bearing material has been produced by a mine which is in conformance with the World Gold Council Conflict-Free Gold Standard

Gold or gold-bearing concentrate which is NOT in conformance with this *Standard* will need to be specified as such.

