

# LBMA Responsible Gold Guidance

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## Introduction

The LBMA has set up a *Responsible Gold Guidance* for Good Delivery Refiners in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, and to comply with high standards of anti-money laundering and combating terrorist financing practice. This Guidance formalises and consolidates existing high standards of due diligence amongst all LBMA Good Delivery Refiners.

This *Guidance* follows the five-step framework for risk-based due diligence of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas<sup>1</sup> adopted on 15 December 2010 and follows the requirements detailed in the OECD Gold Supplement adopted on 17 July 2012.

Refiners should use the LBMA Toolkit (available on the [LBMA website](#)) to implement the requirements within this *Guidance*. Refiners may be asked to justify any substantive deviations from the Toolkit (comply or explain).

This *Guidance* should be interpreted as a minimum threshold upon which refiners should build and continually improve their due diligence practices across each of the key areas. The concept of continual improvement is an integral component of the LBMA responsible sourcing programmes and underpins the spirit of the LBMA's five-step framework.

The LBMA also supports initiatives facilitating responsible supply chains for all forms of mining in areas of conflict or human rights abuse high-risk.

## Scope

All Refiners producing LBMA Good Delivery gold bars (Refiners) must comply with this *Guidance* in order to remain on the LBMA Good Delivery List (GDL). Any Refiner applying to be a LBMA Good Delivery accredited Gold Refiner, must implement this *Guidance* and pass an audit covering a 12 months period prior to becoming a member of the GDL. All GDL Applicants must use an auditor on the LBMA's Approved Service Provider List (available on the [LBMA website](#)). An LBMA Responsible Gold Certificate will only be issued to GDL Refiners who have successfully completed their annual audit.

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<sup>1</sup> Refer to definition of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Supplement on Gold

## Definitions

**AML-CFT:** Anti-Money Laundering – Combating the Financing of Terrorism.

**Beneficial Owner:** Beneficial Owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control (over 25%) over a legal person or arrangement.

**Contribution to conflict:** Contribution to armed aggression between two or more parties which leads to human rights abuses. The parties in the conflict may include government, militia, organised criminals or terrorist groups.

**Gold origin:** The origin of Mined Gold is where the mine is located. The origin of Recycled Gold is considered to be the point in the gold supply chain where the gold is delivered to the Refiner.

**Gold-Supplying Counterparty:** A gold supplier that is directly engaged with a gold Refiner.

**Grandfathered Stocks:** Gold investment products (ingots, bars, coins and grain in sealed containers) held in bullion bank vaults, central bank vaults, exchanges and refineries, with a verifiable date prior to 1 January 2012, which will not require a determination of origin. This includes stocks held by a third-party on behalf of the listed entities.

**Human rights:** For the purpose of this *Guidance*, human rights are those defined in the International Bill of Human Rights. The Bill includes the Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966), the International Covenant on Civil and Political Rights (1966), as well as its two Optional Protocols<sup>2</sup>.

**ISAE 3000:** International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information.

**ISO 19011:2011:** International Standard for auditing management systems, including the principles of auditing, managing an audit programme and conducting management system audits, as well as guidance on the evaluation of competence of individuals involved in the audit process, including the person managing the audit programme, auditors and audit teams.

**Know Your Customer (KYC):** This is the process of a business identifying and verifying the identity of its counterparts and establishing the facts to have a clear understanding of the nature and background of the relationship.

**Mined Gold:** Gold that originates from mines (large-scale, medium-scale or artisanal/small scales mines) and has never been previously refined. This term means any gold or gold-bearing material produced by or at a mine, in any form, shape and concentration, until it is fully refined (995 or greater), fabricated into a gold refinery product (e.g. bar, grain) and sold.

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<sup>2</sup> UN Office of the High Commissioner on Human Rights: <http://www2.ohchr.org/english/law/>



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**Money laundering:** Money laundering is the practice of disguising the origins of illegally obtained money. Ultimately, it is the process by which the proceeds of crime are made to appear legitimate. The money involved can be generated by any number of criminal acts, including drug dealing, corruption and other types of fraud. The methods by which money may be laundered are varied and can range in sophistication from simple to complex.

**Politically Exposed Persons (PEPs):** *Foreign PEPs* are individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials. *Domestic PEPs* are individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials. *Persons who are or have been entrusted with a prominent function by an international organisation* refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions. The definition of PEPs is not intended to cover middle-ranking or more junior individuals in the foregoing categories.

**Recycled Gold:** Gold that has been previously refined. This term traditionally encompasses anything that is gold-bearing and has not come directly from a mine in its first gold life cycle. In practical terms, recyclable material includes end-user, post-consumer products, scrap and waste metals, and materials arising during refining and product manufacturing, and investment gold and gold-bearing products. This category may also include fully refined gold that has been fabricated into grain, good delivery bars, medallions and coins that have previously been sold by a refinery to a manufacturer, bank or consumer market, and that may thereafter need to be returned to a refinery to reclaim their financial value.

**Supplier:** This term refers to any individual or organisation who is considered to be a participant in the supply chain for the supply of gold and gold-bearing materials.

**Terrorist financing:** terrorist financing includes the financing of terrorist acts, of terrorists and of terrorist organisations.

**Verifiable Date:** A date which can be verified through inspection of physical date stamps on products and/or inventory lists. The requirements applicable to Refiner's Grandfathered Stocks with a subsequent date, or without a verifiable date, are the same as for other gold-bearing material; that is, a Refiner must provide the same level of source/mine documentation.

## STEP 1 - Establish strong company management systems

### 1. Adopt a company policy regarding due diligence for supply chains of gold.

Refiners should adopt a gold supply chain policy which is consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

In addition the following topics should be addressed in detail in the internal policy:

- Scope;
- Organisation and responsibilities;
- Identification and assessment of risks, including all risks described in Annex II of the OECD Guidance;
- Criteria for high-risk gold supply chain that meet, at a minimum, the requirements under Step 2.2 of this *Guidance*;
- Detailed and meaningful supply chain and KYC due diligence processes that meet, at a minimum, the requirements under Step 2.2 of this *Guidance*;
- Monitoring of transactions that meet, at a minimum, the requirements of Step 2.2 of this *Guidance*;
- Maintaining records of due diligence documents and supply chain traceability system;
- Employee training.

### 2. Set up an internal management structure to support supply chain due diligence

Refiners' internal management systems should collect and maintain documentation regarding the sources of Mined Gold, Recycled Gold, or any other feedstock, in order to ensure that they have not financed conflict, have not participated in abuse of human rights or money laundering, nor financed terrorism at any point in the supply chain. The general outline of best practice for such a structure is as follows:

- Assign authority and responsibility to Senior Management with the necessary competence, knowledge and experience to oversee the supply chain due diligence process;
- Ensure availability of resources necessary to support the operation and monitoring of these processes;
- Put in place an organisational structure and communication processes that will ensure critical information, including the company policy, reaches relevant employees and Gold-Supplying Counterparties;
- Ensure internal accountability with respect to the implementation of the supply chain due diligence process;
- Senior managers should review the effectiveness and performance of their supply chain due diligence procedures regularly and document the results of these reviews.

### **3. Establish a strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors**

#### ***Supply chain traceability system***

Refiners should introduce a supply chain traceability system that collects and maintains supply chain information for each lot refined, including assigning a unique reference number to each input and output in a manner that tampering or removal will be evident. Such information should include:

- Type of gold received (Mined Gold/Recycled Gold);
- Weight and assay (declared and processed);
- Reference to the Gold-Supplying Counterparty due diligence file;
- Date of arrival at the Refinery and date of finalisation of the refining process.

#### ***Maintaining records***

Refiners should maintain adequate records of the supply chain documentation, as requested in Step 2, section 2 of this *Guidance* (Assess risks in light of the standards of their supply chain due diligence system) in order to demonstrate that appropriate and ongoing due diligence has been followed. Adequate records of supply chain traceability systems should also be maintained. These records are required to be maintained for at least five years following the end of the Refiner's fiscal year.

#### ***Training***

Refiners should develop an ongoing gold supply chain training programme for all staff involved in the gold supply chain. Details of this activity should be recorded.

#### ***Compliance Officer***

Refiners should nominate a Compliance Officer who reports to Senior Management.

The Compliance Officer is responsible for all matters regarding the gold supply chain. In particular, they review the gold supply chain due diligence, and assess if the due diligence is adequate and request additional documentation or information if necessary. They ensure that appropriate measures are executed in case of high-risk supply chains or transactions. They are also responsible for the training of the employees with respect to the responsible supply chain, to prepare and update the gold supply chain policy, and to give proper information to the Senior Management in order for them to perform their duties.

#### ***Payment through official banking channel***

Refiners should make and receive payments for gold through official banking channels where they are reasonably available. Any cash transaction to which the Refiner is party should be clearly motivated, supported by verifiable information and approved by Senior Management.

#### ***Cooperation with government authorities***

Refiners should cooperate fully and transparently with government authorities and provide full access to records and information as appropriate.

#### **4. Strengthen company engagement with Gold-Supplying Counterparties and, where possible, assist Gold-Supplying Counterparties in building due diligence capacities**

Refiners are encouraged to build long term relationships based on trust and mutual recognition with their suppliers.

Refiners should encourage Gold-Supplying Counterparties to commit to, and acknowledge in writing, their compliance with a supply chain policy consistent with Annex II of the OECD Due Diligence Guidance Model Policy for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas for all interactions with Refiners.

Where appropriate, Refiners should assist in establishing processes to promote responsible sourcing practices throughout the supply chain and assist Gold-Supplying Counterparties or prospects in improving their responsible supply chain practices. For example, Refiners can communicate their expectation and provide guidance or share practices during on-site visits to help counterparties improve their practices.

Refiners should support the implementation of relevant initiatives such as the Extractive Industry Transparency Initiative (EITI).

#### **5. Establish a confidential grievance mechanism**

Refiners should develop a mechanism allowing any employee or external stakeholder to anonymously voice concerns over the gold supply chain or any newly identified risk.

## STEP 2 - Identify and assess risk in the supply chain

### 1. Identify risks in the gold supply chain

For both Mined Gold and Recycled Gold, Refiners should identify in accordance with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the following risks associated with the supply chain from the point of origin to the Refinery including:

- Systematic or widespread human rights abuses associated with the extraction, transport or trade of gold, including worst forms of child labour, any forms of torture, inhuman and degrading treatments, widespread sexual violence or other gross human rights violation forced or compulsory labour, war crimes, crimes against humanity or genocide;
- Direct or indirect support to illegitimate non-state armed groups, public or private security forces which illegally control mines sites, traders, others intermediaries, transport routes through the supply chains or illegally tax or extort money or minerals through the supply chains (“illegitimate non-state armed groups, public or private security forces”)<sup>3</sup>;
- Bribery and fraudulent misrepresentation of the origin of gold;
- Non-compliance with taxes, fees and royalties due to Governments related to mineral extraction, trade and export from conflict affected and high-risk areas;
- Money laundering or terrorism financing;
- Contribution to conflict.

### 2. Assess risks in light of the standards of their supply chain due diligence system

#### 2.1 Supply chain due diligence

In order to map the supply chain and assess the risks effectively, all Refiners should perform supply chain due diligence following a risk-based approach before entering into business relationship with any Gold-Supplying Counterparty. The assessment of risk in a supply chain begins with the origin of gold (including Recycled Gold).

As a minimum, supply chain due diligence measures should comprise the following:

- Identifying the Gold-Supplying Counterparty and verifying its identity using reliable, independent source documents, data or information;
- Identifying the Beneficial Owner(s)<sup>4</sup> of the Gold-Supplying Counterparty;
- Checking that the Gold-Supplying Counterparty and their Beneficial Owners are not named on any

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<sup>3</sup> UN Office of the High Commissioner on Human Rights: <http://www2.ohchr.org/english/law/>

<sup>4</sup> Beneficial Owners with significant influence over the Gold-Supplying Counterparty. Not required in the case of companies part of a group listed on a stock exchange nor for bank with appropriate AML-CFT policy

- government lists for wanted money launderers, known fraudsters or terrorists;
- Obtaining business and financial details with regard to the Gold-Supplying Counterparty and information on the purpose and intended nature of the business relationship;

Sections below detail additional due diligence measures applicable to varying types of material and scale of operations. In any case, refiners should conduct ongoing due diligence.

### **2.1.1 Recycled Gold**

Refiners should collect and assess the Recycled Gold-Supplying Counterparty's AML-CFT and gold supply chain policy and practices where applicable on a proportional basis. Refiners should conduct ongoing and proportionate due diligence on the gold supply chain.

### **2.1.2 Mined Gold from Artisanal and Small-Scale Mining (ASM)**

Refiners should gather evidence to determine, as applicable, the factual circumstances of gold extraction, trade, handing and export. Refiners should, with reference to Appendix 1 of the OECD Supplement on Gold, consider measures to create economic and development opportunities for artisanal and small-scale miners and assist legitimate ASM producers to build secure, transparent and verifiable gold supply chains from mine to market.

Measures should include:

- Identification of the origin of the gold based on reasonable and good faith efforts, such as:
  - Identification of the suppliers of ASM gold sources to local gold exporter, including local artisanal mining team, association or cooperatives using reliable, independent source documents data or information. It is however not expected to identify the individual diggers;
  - Assessment whether artisanal mining team or association can be considered to be involved in legitimate ASM<sup>5</sup>;
  - Collecting and assessing mining practice, including extraction, processing and transportation method and assessing human right abuses risk.

### **2.1.3 For Mined Gold from Medium and Large-Scale Mining (LSM)**

Measures should include:

- Identifying the origin of the gold based on reasonable and good faith efforts, including if the gold is purchased by the counterparty from third-party producers (including ASM);
- Obtaining mining license for mining operations;
- Obtaining import/export gold license for gold supplying if applicable;
- Collecting and assessing mining practice, including assessing human right abuses risk and processing and transportation method;
- Obtaining data on production and processing capacity, if available.

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<sup>5</sup> Refer to definition of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Supplement on Gold



## 2.2 High Risk Supply Chains

Refiners should determine their own criteria to define high-risk supply chains. However, the following minimum criteria should be considered high-risk and trigger enhanced due diligence:

- The Mined Gold or Recycled Gold originates from, has transited or has been transported via a conflict-affected or human rights abuse high-risk area;
- The Mined Gold is claimed to have originated from a country that has limited known reserves, likely resources or expected production levels of gold;
- The Recycled Gold comes from a country where gold from conflict-affected and human rights abuse high-risk areas are known, or reasonably suspected, to transit;
- Gold-Supplying Counterparty or other known upstream companies are located in a country representing high-risk for money laundering;
- Gold-Supplying Counterparty or other known upstream companies or their Beneficial Owners with significant influence over the Gold-Supplying Counterparty are PEPs;
- Gold-Supplying Counterparty or other known upstream companies are active in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, sects and their leaders;
- The Mined Gold originated from artisanal mining.

## 2.3 High-Risk Categories

Refiners should apply each of the supply chain due diligence measures described above but may determine the extent of such measures on a risk-sensitivity basis depending on the type of company, business relationship, transaction type, location of the company or transit zone.

Refiners should conduct enhanced due diligence using the following additional steps as a minimum:

- On-site investigation/visit at the appropriate location (for example mining sites for Mined Gold and Gold-Supplying counterparty office for Recycled Gold) aimed at substantiating the documented supply chain due diligence findings. Ideally these visits should be conducted before any transactions occur, however they must have occurred within the first six months of the business relationship commencing. The frequency of follow-up will depend on the number and severity issues identified;
- On-site visits should be conducted by competent employees or a competent independent third-party consultant. Designated assessors, chosen for their competence and reliability, should report back truthfully and accurately to the appropriate persons. Refiners should use the on-site visit templates included in the LBMA Toolkit. Refiners may be asked to justify their positions if they do not use the on-site visit template included in the LBMA Toolkit;
- Refiners should take proportionate measures to assess supplying counterparties' compliance with the payment of taxes, fees and royalties due to governments/government agencies on mineral extraction, trade and export from conflict affected and high-risk areas.



Additionally, the enhanced due diligence should comprise the following minimal additional steps based on the type of gold received

### **2.3.1 Recycled Gold from sources located in conflict or human right abuse high-risk areas**

Refiners should conduct enhanced due diligence using the following additional steps as a minimum:

- Refiners should undertake verification of the identity using reliable, independent source documents, data or information. Government watch list information should be checked regularly for each company, located in conflict affected or human right abuse high-risk areas, and involved in the chain from the Gold-Supplying Counterparty to the Refinery (including transporters).

### **2.3.2 Gold mined from ASM located in conflict or human right abuse high-risk areas**

Refiners should conduct enhanced due diligence using the following additional steps as a minimum:

- Refiners should collect progressively proportionate KYC on each company located in conflict or human right abuse high-risk areas involved in the chain from the gold exporter to the refiner (including intermediaries, gold traders and exporters, and transporters);
- Refiners should collect information on the government, political or military affiliations of ASM suppliers including in particular any reported instances of affiliation with non-state armed group and/or public or private security forces;
- Refiners should collect evidence of any serious abuse of human rights committed by any party at mine sites, transportation routes and points where gold is traded and/or exported;
- Refiners should assess the militarisation of mine sites and transportation routes and the risk of direct or indirect support to illegitimate non state armed group or public or private security forces, where relevant;
- During the mandatory on site visit, Refiners should identify instances of conflict or tensions between LSM and the ASM actors and assess if gold from other sources is being unknowingly introduced into the supply chain.

### **2.3.3 Gold mined from LSM located in conflict affected or human right abuse high-risk areas:**

Refiners should conduct enhanced due diligence using the following additional steps as a minimum:

- Proportionate KYC on each company involved in the chain from the mine to the Refinery (including gold producers, intermediaries, gold traders and exporters, and transporters);
- Refiners should understand progressively the nature of public or private security services provided at the mine sites and through the supply chain (including the screening and training of security employees). Such assessment may be made during the on-site visit;
- Refiners should assess the militarisation of mine sites and transportation routes and the risk of direct or indirect support to illegitimate non-state armed group or public or private security forces, where relevant;
- Refiners should collect evidence of any serious abuse of human rights committed by any party at mine sites, transportation routes and points where gold is traded and/or exported;



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- During the mandatory on site visit, estimate the number of ASM miners (if any) on the producer's concession and assess whether they can be considered to be involved in Legitimate ASM, identify instances of conflict or tensions between the producer and the ASM actors and assess if gold from other sources is being unknowingly introduced into the gold producer's processing operation.

Refiners should revisit the due diligence performed within a reasonable timeframe, which should be defined in the internal procedure for non-high-risk and high-risk supply chain.

Following a change of risk level to high-risk, Refiners have to perform all the enhanced due diligence steps within a reasonable timeframe, and apply, if required, Step 3 of this *Guidance* (Design and implement a management strategy to respond to identified risks).

## 2.4 Monitoring of transactions

The Refinery should conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship so as to ensure that the transactions are consistent with the Refiner's knowledge of the supply chain and risk profile. Monitoring of transactions should be undertaken by applying a risk-based approach.

In this context, the Refinery should receive and document the following information for each lot received:

- For Mined Gold:
  - Estimated weights and assay results (from counterparty);
  - Shipping/transportation documents (waybill/airway bill, pro-forma invoice, if applicable);
  - Export and import form for high-risk transaction, if applicable;
  - Reference to supply chain due diligence file.
- For Recycled Gold:
  - Estimated weight (from counterparty);
  - Shipping/transportation documents (waybill/airway bill, pro-forma invoice, if applicable);
  - Export and import form for high-risk transaction, if applicable;
  - Reference to supply chain due diligence file.

Refiners should verify that the documents and materials are consistent with each other and with its knowledge of the supply chain based on the due diligence performed. Refiners need to verify that the shipment received is in conformance with the shipping/transportation documents. The background of transactions which are not consistent or in any way suspicious should be examined and the findings established in writing and reported to Compliance. The gold should be physically segregated and secured as required in Step 3 of this *Guidance* until the inconsistencies are resolved. These findings should be reported to the appropriate authorities as applicable.

## 3. Report risk assessment to designated Senior Management

Senior Management retains the ultimate control and responsibility for the gold supply chain. Senior Management will carefully select and supervise the Compliance Officer and give him/her the

necessary means to perform his/her duty.

Senior Management should approve each new supply chain assessed as high-risk and should revisit each year the decision whether to continue with these business relationships or not.

## **STEP 3 - Design and implement a management strategy to respond to identified risks**

The objective of this section is to evaluate and respond to identified risks in order to prevent or mitigate adverse impacts. Where appropriate, Refiners should seek to enhance supplier engagement and their own systems of information collection and transparency.

### **1. Report findings to designated Senior Management**

Where appropriate, information gathered and actual and potential risks identified in the supply chain risk assessment should be communicated to Senior Management.

### **2. Devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk**

If the result of the gold supply chain due diligence concludes that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group, or fraudulent misrepresentation of the origin of minerals or if the possibility of the same is deemed too high, the Refinery should stop immediately to refine gold from this provenance and report it to the appropriate authorities if applicable. However, in case of indirect support to non-state armed group carried out by extortion of good faith miners or other supply chain actors, the Refiners can continue to refine gold coming from this source provided that it adopts an improvement strategy.

If the result of the gold supply chain due diligence concludes that it is possible that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group or fraudulent misrepresentation of the origin of minerals, the Refinery should suspend refining gold from this provenance until it can obtain additional information/data confirming or refuting the preliminary assessment.

Where the result of the due diligence is not fully satisfactory or when the result of the due diligence concludes that there is direct or indirect support to illegitimate public or private security forces, bribery, non-fraudulent misrepresentation of the origin of minerals or non-compliance of taxes fees and royalties due to government, but the assessed company in the supply chain is using reasonable and good faith effort, Refiners can continue to refine gold coming from this source provided that it adopts an improvement strategy, devised with input and engagement from the supplier, which clearly defines performance objectives within a reasonable timeframe.

### **3. Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management**

The principles of risk mitigation that underpin this section focus on good faith efforts to make meaningful improvements on the supply chain where Refiners do not terminate their relationship with Suppliers.

The improvement strategy described in Section 1 above should state clear performance objectives, including qualitative and/or quantitative indicators in order to measure improvement. Significant and measurable



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improvement towards eliminating the risk within six months from the adoption of the risk management plan should be identified. Additional measures should then be defined in a revised improvement strategy, based on the progress achieved within the first six months. If no such measurable improvement can be demonstrated within the six-month period, Refiners should suspend the relationship until the supplier has responded to the improvement plan.

Risk mitigation plans and their effectiveness should be subject to on-going monitoring with regular reports made to senior management. Refiners should consider suspending or discontinuing engagement with a supplier after failed attempts at mitigation within six months from the adoption of the risk management plan.

If appropriate, Refiners should consult and or monitor progress with stakeholders on the risk mitigation plan and make use of leverage over the actors of the supply chains who could contribute to risk mitigation.

Refiners should, where appropriate, cooperate and/or consult relevant stakeholders (such as local or central authorities, upstream companies, international or civil society organisations and affected third parties). Refiners may also benefit from the creation or support of community-based monitoring networks to facilitate monitoring of risk mitigation measures.

On the deadline, an assessment should be performed in order to determine if the measures have been properly undertaken. Senior Management should be informed of the results and make a decision as to whether to continue dealing, disengage or suspend the supply chain in question.

#### **4. Undertake additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances**

Supply chain due diligence is a dynamic process and requires on going risk monitoring. After implementing a risk mitigation strategy, companies should assess if Step 2 of this *Guidance* should be repeated or for instance if another on-site visit is required. Any change in the supply chain may as well require the Refiner to repeat some of due diligence steps to ensure effective management of risk.

## STEP 4 - Arrange for an independent third-party audit of the supply chain due diligence

### Auditor Requirements

Refiners should have their gold supply chain management systems and practices audited by independent and competent third parties.

The LBMA requires Refiners to use an auditing body on the Approved Service Providers List (available on the [LBMA website](#)).

### Audit Standards

The LBMA recognises there are different types of audit engagements with which Refiners are familiar. For this reason, the LBMA will accept either an audit engagement performed in accordance with ISAE 3000, or the certification standard ISO 19011:2011. The LBMA has prepared detailed Third-Party Audit Guidance with respect to these two types of engagements (available on the [LBMA website](#)).

### Audit Procedures

#### *ISO 19011:2011*

For third-party audits based on ISO 19011:2011, auditors should perform their assessment based on the LBMA Third-Party Audit Guidance, specifically those sections that are drawn from ISO 19011:2011.

The audit report should include:

- Confirmation of the auditor's professional qualification;
- Confirmation of the auditor's independence;
- The audit standards applied;
- The auditor's assessment on the Refiner's compliance with this *Guidance* (the LBMA Summary Report);
- An Annex listing the countries of origin of gold (both Mined and Recycled), and amount received from each country, for the assessment period.

#### *ISAE 3000*

For assurance engagements, auditors should apply ISAE 3000 and refer to the LBMA Third-Party Audit Guidance, specifically those sections that provide further guidance on the application of ISAE 3000 Standard. Auditors will provide assurance on the Refiner's Compliance Report (refer to Step 5 of this *Guidance*).

The audit report should include:

- Confirmation of the auditor's professional qualification;
- Confirmation of the auditor's independence;

- The audit standards applied;
- The auditor's assessment on the Refiner's Compliance Report,
- An Annex listing the countries of origin of gold (both Mined and Recycled), and amount received from each country, for the assessment period.

In addition, auditors should make recommendations to the Refiner to improve their gold supply chain practice. Such recommendations may be done in a separate report.

### **Audit Periodicity**

An audit of the Refiner's compliance with this *Guidance* is required on a yearly basis, within three months of their financial year end which will cover activities over a 12-month reporting period. A full audit (reasonable assurance/full assessment) will be carried out to ensure Refiners are meeting the requirements of this *Guidance*. After successfully passing a full audit without instances of non-compliance (Medium, High-Risk, Zero Tolerance), Refiners may be subject to a lower level of audit or "audit review" (limited assurance/assessment review) for the next two years. A full audit will be required every three years; however, some Refiners may choose to conduct a full audit every year. The required audit frequency will increase if instances of non-compliance are identified or if there is a significant change of circumstance in the Refiner's supply chain.

### **Submission of Audit Report to LBMA**

Copies of full audit reports, review reports and management report should be submitted to the LBMA Chief Executive via email on an annual basis.



## STEP 5 - Report on supply chain due diligence

Refiners should publicly report on their gold supply chain due diligence policies and practices, with appropriate regard for security, proprietary information and the legal rights of the other supply chain actors. Refiners should publicly report on their compliance with this *Guidance* on an annual basis, which will cover activities over a 12-month reporting period.

### ISO 19011:2011

For third-party audits based on ISO 19011:2011, Refiners are not required to issue a Refiner Compliance Report. Refiners should therefore make available to the public their company policy regarding gold supply chain and the LBMA Summary Report. Refiners are not required to disclose publicly the Annex report disclosing the countries of origin of gold and amount received from each origin.

### ISAE 3000

For assurance engagements based on ISAE 3000, Refiners are required to compile a Refiner Compliance Report, including the following information:

- Name of Refinery;
- Time period of compliance;
- Summary of activities undertaken during the period to demonstrate compliance;
- Refiner's level of compliance with each Step of this *Guidance*;
- Management conclusion statement on compliance with this *Guidance*;
- An Annex listing the countries of origin of gold and amount received from each origin for the reporting period.

Refiners should make available to the public their company policy regarding gold supply chain, the Refiner's Compliance Report with these guidelines together with the Assurance Report. Refiners are not required to disclose publicly the Annex of the Compliance Report disclosing the countries of origin of gold.

### Corrective Action Plan

Regardless of the third-party audit approach chosen, Refiners should also submit a Corrective Action Plan when there is a Medium / High-Risk / Zero Tolerance non-compliance and/or the Refiner fails to satisfy one or more of the requirements as set out in Steps 1 to 5 of this *Guidance*.

The Refiner's Corrective Action Plan should include (for each Medium / High-Risk / Zero Tolerance non-compliance identified):

- A description of the issue;
- Reference to the relevant section in this *Guidance*;
- Assigned risk rating of the non-compliance;
- Corrective actions to be taken for each non-compliance identified;
- The timeframe for completion of corrective actions for each non-compliance identified; and
- The person responsible for the implementation of each corrective action.

## EFFECTIVE DATE

Refiners shall apply this *Guidance* (version 7) for annual period beginning on or after 1 January 2018.