



# Do you know where your gold comes from?

RJC Chain of Custody and LBMA Responsible Gold: providing support for supply chain due diligence

**Baselworld, March 8, 2012**

## **Fiona Solomon**

Director – Standards Development,  
Responsible Jewellery Council (RJC)

## **Ruth Crowell**

Commercial Director,  
London Bullion Market Association (LBMA)



## Scope

- 1. Where does your gold come from: the emergence of conflict-sensitive sourcing**
- 2. The focus on gold refiners – new industry programs:**
  - **LBMA Responsible Gold Guidance**
  - **RJC Chain-of-Custody Certification**
- 3. What it all means for the watch and jewellery supply chain**

## Where does your gold comes from?

Do you have conflict minerals in your supply chain?

Are you following the OECD Due Diligence Guidance?

How are we affected by the US Dodd Frank Act?

Is this gold from the DRC or adjoining countries?

## Why are these questions being asked?

Mix of national regulation and intergovernmental initiatives.

Key driver: Informal / illegal mining of gold, tin, tungsten and tantalum (“the 3T’s”) has been financing conflict in the Democratic Republic of Congo.

Objective: To require / promote supply chain due diligence by the private sector. Aim to ultimately eliminate conflict and serious human rights abuses in supply chains of these metals.



## Other issues for brands and retailers

- Large-scale mining practices
  - Tailings management
  - Biodiversity
  - Communities and Indigenous peoples
  - Mine closure
- Worker conditions in jewellery pipeline
  - Artisanal mining (outside of conflict)
  - Manufacturing



# What is supply chain due diligence for conflict?



- OECD Guidance 5 steps:
  - Step 1 – Strong Management Systems
  - Step 2 – Assess Sources for Risk;  
*If Source in Conflict, Added Due Diligence*
  - Step 3 – Respond and Mitigate Risk
  - Step 4 – Audit Due Diligence
  - Step 5 – Report to Public
  
- Dodd Frank: 'Reasonable inquiry' into country of origin of gold
  
- Both involve knowing your suppliers & potentially their suppliers



## Key: knowing your gold refiner/s

- Refiners are seen as a ‘choke point’ in the supply chain: connect upstream mining and recycling with downstream users of gold
- Leading refiners are undergoing 3<sup>rd</sup> party audits to demonstrate their due diligence practices.
- **Q: Where does your gold come from?**
  - Find out the refiner/s in your supply chain
  - Understand their approach to due diligence





## LBMA and RJC

- **LBMA: Responsible Gold Guidance**

- Due Diligence framework for LBMA Good Delivery gold refiners
- A formal requirement for LBMA accreditation

- **RJC Chain-of-Custody Certification**

- Standard for responsible sourcing, conflict-sensitive sourcing through the supply chain
- Builds on RJC Code of Practices and will be voluntary for RJC Members





# **Responsible Gold**

## The Role of the LBMA

Ruth Crowell  
Commercial Director  
London Bullion Market Association



## Scope

- LBMA Responsible Gold Guidance
- The Role of the LBMA
  - The London Bullion Market
  - Good Delivery List
  - Physical Committee



## LBMA Responsible Gold Guidance – The purpose

- To formalise and consolidate existing high standards of due diligence amongst all LBMA Good Delivery Refiners.
- To provide a framework for carrying out due diligence which is practicable for the refinery and credible for the outside world.
- To ensure all LBMA refiners use reasonable and effective due diligence to ensure that all of their feedstock is free from metal that had financed conflict or been used for money laundering or terrorist financing.



## LBMA Responsible Gold Guidance – An Overview

- Put together by LBMA GD refiners with experience of operating due diligence systems
- Based on the 5-step framework in the OECD guidance on conflict minerals plus existing Know Your Customer Anti-Money Laundering Regulations
- Risk-based: Higher risk = more due diligence is needed (and vice versa)
- Compliance required for maintenance of GD Accreditation
- Section on artisanal mining is still to be written (assistance from experts welcomed, OECD, ngos, etc)



# LBMA Responsible Gold Guidance – Structure

## Structure Based on OECD Due Diligence Guidance - Annex I

### *5-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain*

- **Step 1:** Set up strong management systems
- **Step 2:** Identify and assess risks in the supply chain
- **Step 3:** Design and implement a strategy to respond to identified risks
- **Step 4:** Arrange an independent audit of the due diligence
- **Step 5:** Publish report on policy and actions



# LBMA Responsible Gold Guidance – An Overview

- **Implementation Timetable:**

- 31 Jan 2012 – Deadline for LBMA GD Gold Refiners to indicate they have accepted and will implement the guidance.
- June 2012 – LBMA Audit Protocol will be finalised.
- 31 Dec\* 2012 – First Voluntary\*\* GD Refiner Audit Reports for 2011 Due
- 31 Dec\* 2013 – First Mandatory GD Refiner Audit Reports for 2012 Due

*Timeline gives refiners two years to produce an audit report.*

This audit summary report will be reviewed by the LBMA Physical Committee.

*\*For some Refiners this may be 30 April, as an LBMA Audit Report will be due no later than one year after the closing of the refiner's financial books.*

*\*\*While an audit report for a refiner's 2011 production is not mandatory, it is encouraged especially for refiners who need to meet Dodd-Frank requirements.*



# LBMA Role

## A Trade Association (not an exchange)

- Formed in 1987
- Maintaining or Enhancing the efficiency of the London Market for Gold and Silver Bullion
  - Metal Quality – The Good Delivery System
  - Probity - Membership
- Contacts with Regulators and government agencies



## Key Elements of the London Bullion Market

- Focused on the Loco London Contract ...  
....but with a global membership and client base
- Principal to Principal trading
- Q1 2011: Daily average gold turnover \$240 billion
- LBMA Good Delivery List indicates which bars and refiners are acceptable in the London Market.





## LBMA Good Delivery List

- List of refiners and their bars which are accepted in London
- Covers only large bars (~400 tr oz or ~12.5 kg for gold)
- The first List published by the London Gold Market was in 1934
- Since 1987 the List has been maintained by the LBMA using objective criteria for accreditation (and continued listing)
- The List is used by many markets for defining deliverable brands





# LBMA Responsible Gold Guidance

## Physical Committee

The Physical Committee is responsible for monitoring, developing and protecting the Good Delivery List. It also ensures that standards are maintained with emphasis on continuous improvement and transparency of the market.

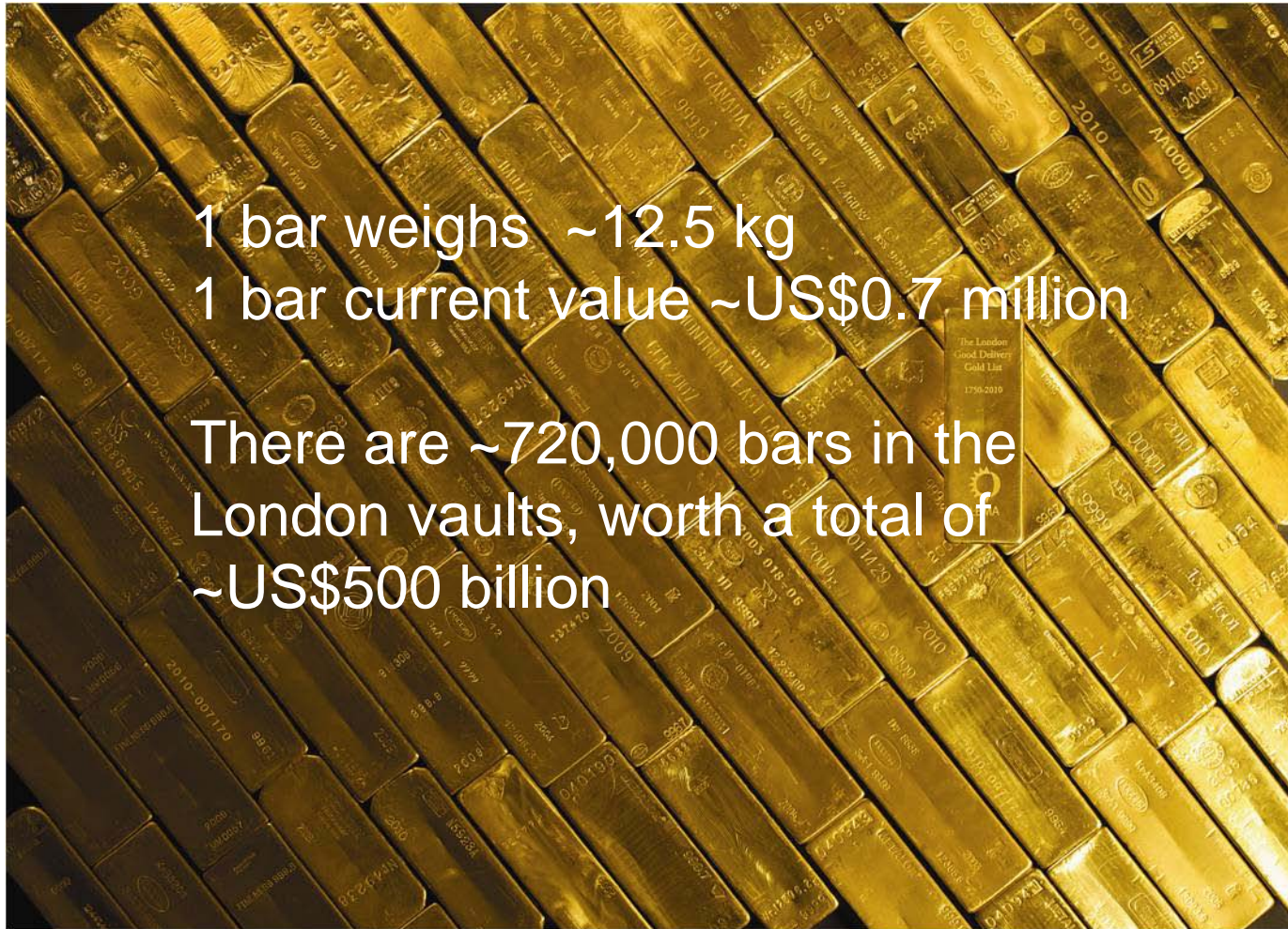
- **Chairman: JPMorgan Chase Bank**
- Brink's Limited
- HSBC Bank USA, NA, London Branch
- UBS AG
- Barclays Capital
- Standard Bank Plc
- Bank of Nova Scotia - ScotiaMocatta

*The Bank of England also sits on this committee as an active observer.*

*The Committee is independent of Refiners.*



## London Good Delivery Gold List 1750 - present



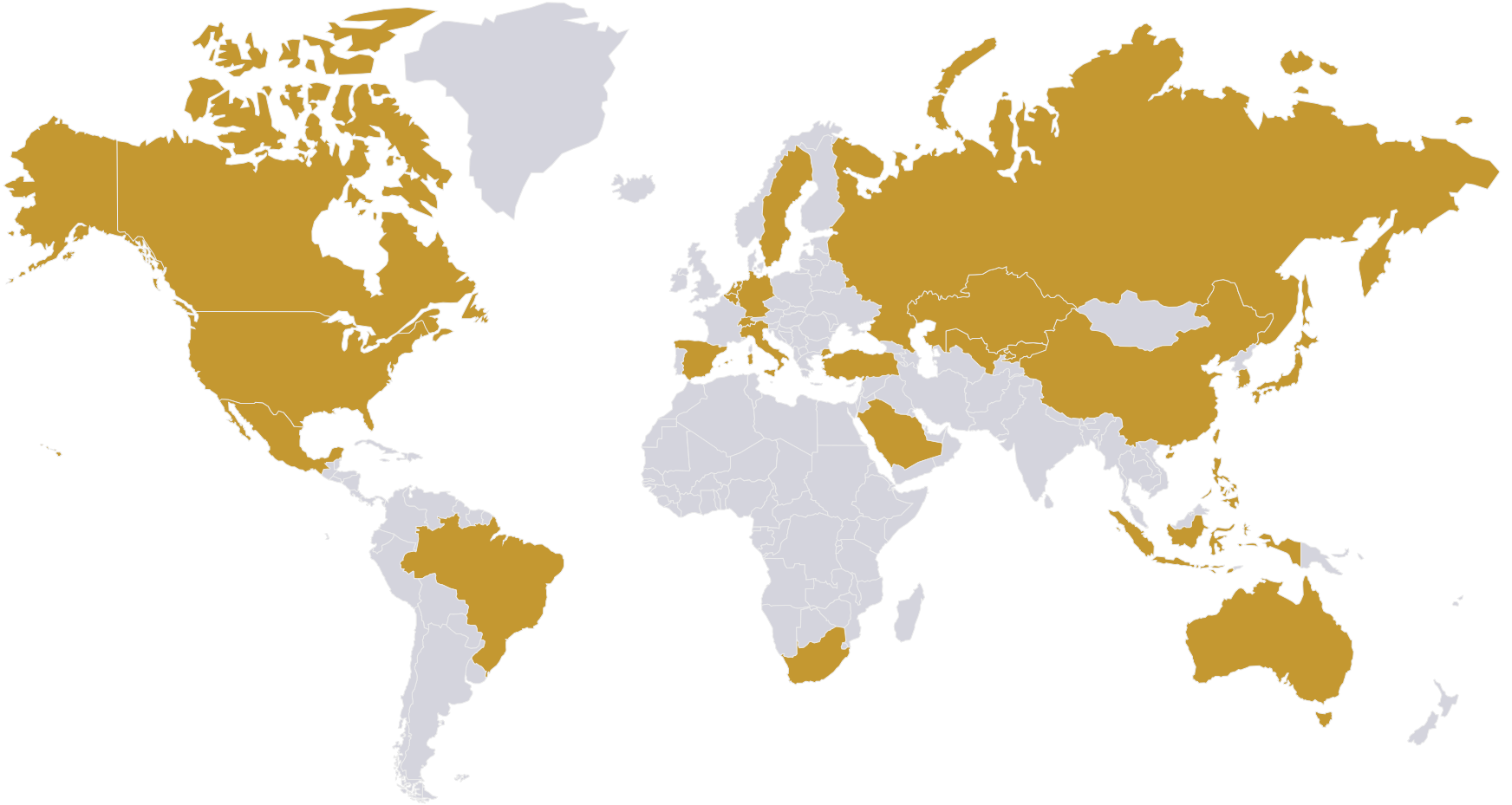


# Good Delivery Accreditation the International Dimension

- The LBMA List is used by a number of exchanges to define their locally accepted brands, including:
  - NYSE-Liffe
  - Tocom
  - Istanbul Gold Exchange
  - Shanghai Futures Exchange
  - Shanghai Gold Exchange
  - Hong Kong Mercantile Exchange
- The LBMA will continue to encourage these and other exchanges to adopt a policy similar to the LBMA Responsible Gold Guidance



# Gold Good Delivery Refiners





## Good Delivery Refiners in 2012

Region	Gold Refineries	Silver Refineries
Africa	1	1
Americas	8	9
Asia	38	41
Europe	13	18
Oceania	1	2
Refineries	61	71
Countries	26	24



## Applications for Listing

- **Technical Criteria**
  - Assay test across the whole of the Good Delivery range
    - 995-999.9 for gold
  - Assaying of 24 Reference Samples
  - Inspection of 10 bars in London
  - Comprehensive testing of the bars by two referees
- **Non-technical Criteria**
  - ***Compliance with Responsible Gold Guidance***
  - Tangible Net worth: £15 million
  - In business for five years
  - Information on ownership and directors (KYC)
  - Refining history of three years
  - Minimum refined production (10 tonnes of gold per year)



## Proactive Monitoring

- Technical Testing of Good Delivery Refineries  
- once every three years
- Annual monitoring of Tangible Net Worth and production
- Now expanded to include Responsible Gold Guidance





# Why the LBMA?

## International Standard

- The London Bullion Market is physically based in London...  
...but with an international membership and a global client base
- The LBMA Good Delivery List is used not only in London but by exchanges worldwide as the defacto international standard for gold refiners.



## Why the LBMA?

- Recognised worldwide as setting the standard for refined gold bars.
- Currently pro-actively monitoring gold refiners' financial standing as well as their ability to melt and assay Good Delivery gold.
- The LBMA's Physical Committee has reviewed gold refiners for 24 years.
- LBMA Responsible Gold Guidance is an extension of proven methods of refiner accreditation and ongoing monitoring.



# RJC Chain-of-Custody Certification

**Fiona Solomon**

**Director – Standards Development, Responsible Jewellery Council**

# Responsible Jewellery Council (RJC)



## Mission

*“To advance responsible ethical, social and environmental practices, which respect human rights, throughout the diamond, gold and platinum group metals jewellery supply chain, from mine to retail.”*

- **Member based** organisation: businesses can join the Council to support its mission; RJC will support Members in meeting its standards through training, guidance and toolkits.
- **Standard-setting and certification** organisation: RJC sets responsible ethical, social and environmental standards for the jewellery supply chain.
- **Accreditation body**: RJC accredits auditors than can independently verify a member’s practices against RJC standards.

# Responsible Jewellery Council (RJC)

Uniquely covers **all** parts of the jewellery supply chain: miners, refiners, traders, cutters and polishers, manufacturers, wholesalers, retailers.

## Membership:

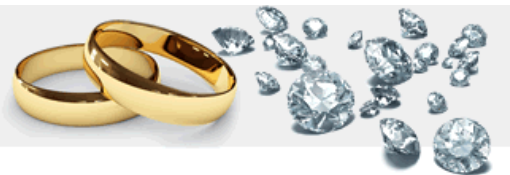
- 350+ Members
- US\$45+ billion in annual relevant sales

## Auditor Accreditation:

- 230+ RJC Accredited Auditors across 8 firms

## Certification:

- 140+ Certified Members – growing daily



# RJC Standards

## *RJC Code of Practices*

- ✓ Launched in 2009
- ✓ Assurance for Member's business practices
- ✓ Compulsory for RJC Members



## *Chain-of-Custody Standard*

- ✓ Launched for precious metals in March 2012
- ✓ Assurance metals are from responsible sources
- ✓ Voluntary for RJC Members





# RJC Chain-of-Custody Certification

- Applicable to gold and platinum group metals (platinum, palladium, rhodium). Diamonds under further review.
- Requires independent, third party auditing to achieve Certification, but also available as guide to good practice.
- Certification voluntary and flexible as to which parts of business and which materials.
- Supports responsible, conflict-sensitive sourcing in supply chains.
- Requires RJC Membership to advance responsible business practices through Code of Practices: more than conflict.
- Supports OECD Guidance and Dodd-Frank (1502).

## Chain-of-Custody and Diamonds



- A sub-committee of the RJC Standards Committee has been formed to consult further with the diamond sector.
- Comment from other stakeholders also welcomed by RJC during this time.
- RJC expects to finalise the CoC Standard for diamonds once the sub-committee has completed its consultations and made recommendations to the RJC Standards Committee.

This has not affected the launch of the CoC Standard for gold and platinum group metals.



## CoC Certification Elements

- ✓ Auditable Standard
- ✓ Accredited auditors (ISO 17021)
- ✓ Certification Handbook, Standards Guidance
- ✓ Assessment toolkit – audit protocol
- ✓ Training (workshops and webinars)
- ✓ Entitlement to on-product use of the RJC CoC certified logo
- ✓ Complaints mechanism



# Structure of the CoC Standard

## **Provisions 1 – 3.**

Management system requirements, Internal material controls to ensure segregation, Outsourcing contractors

## **Provisions 4 – 6**

Controls for the sourcing of Eligible Materials (Mined, Recycled, Grandfathered)

## **Provisions 7 – 9**

Documentation and Consumer Claims

## **Provision 10**

Conflict-sensitive sourcing

## Eligible Precious Metals for RJC Chain-of-Custody

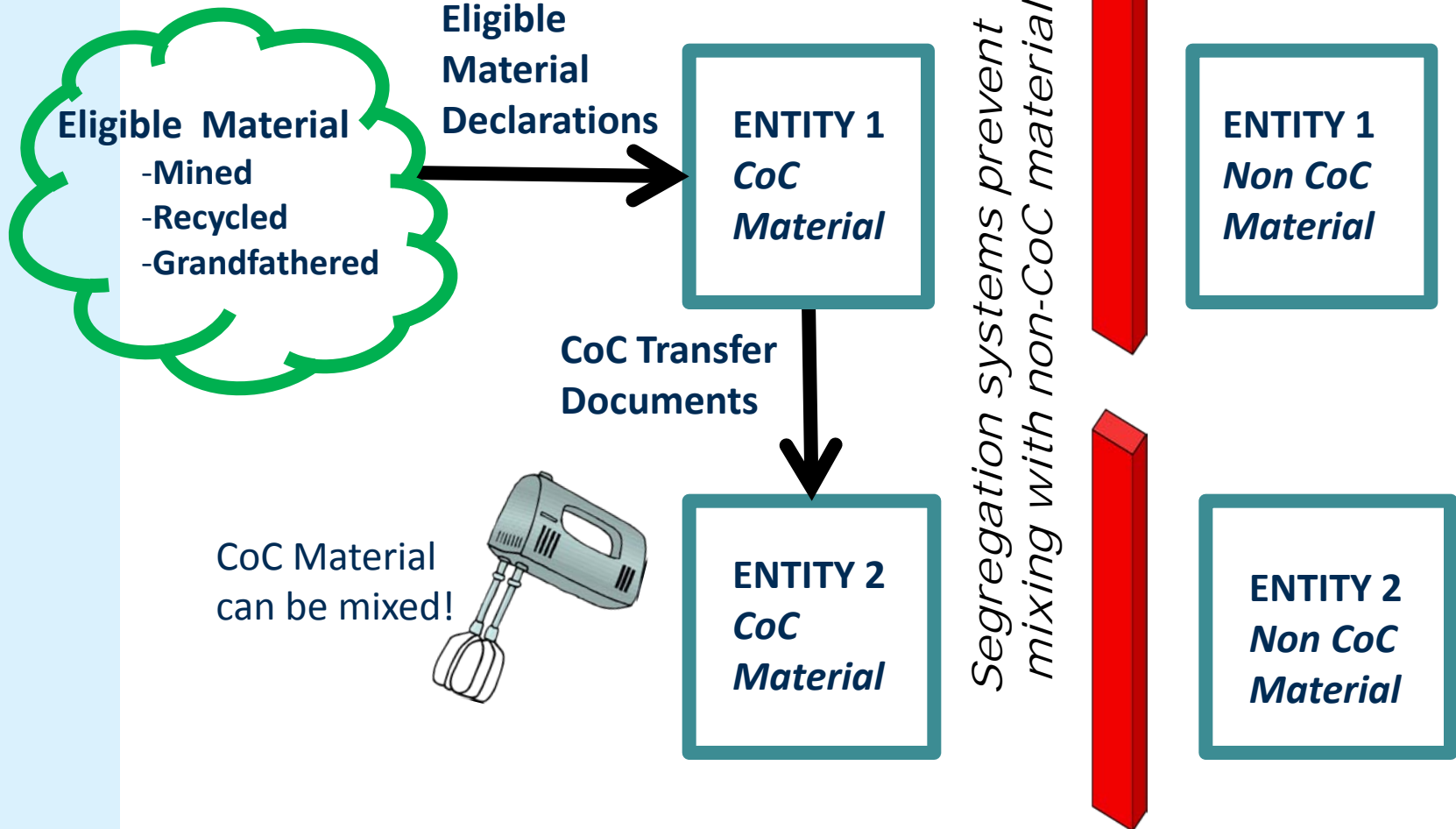
Eligible Materials are:

- Conflict-free **Mined Material** produced by a CoC Certified Entity, by ASM on its concessions, or under a Recognised Responsible Mining Standard, or Mining Byproduct declared by a Refiner (Provision 4); and/or
- **Recycled Material** sourced from Eligible Recyclable sources (Provision 5); and/or
- **Grandfathered Materials** in existence in their current form prior 1 January 2012 (Provision 6); or
- A mix of the above, each meeting above eligibility criteria.

## Where does a Chain-of-Custody start for each type of Material?

Type of Material	Type of Entity that may issue the Eligible Material Declaration
Mined Material	Mine
Mining Byproduct	Refiner (However a known mine source may also be CoC Certified and/or RJC Member)
Recyclable Material	Refiner Manufacturer or other entity with on-site recycling/refining capabilities
Grandfathered Material	Any Entity that can source Eligible Grandfathered Material

# Key controls for CoC Material



## Flexibility of CoC Certification

### Certification Scope:

- All of a business / group; or
- An entity / facility within a larger group.
- Selection of Materials (gold, platinum, palladium, rhodium), which may be used in all, some or occasional manufacturing / product lines.
- *Segregation systems for CoC needs to be in place to support any claims made. Claims made at discretion of business.*
- *Decisions on CoC volumes and/or sourcing approach are up to the business and can vary according to customer demand.*

### Refiners:

- Can request a Certification Scope to cover Conflict-Sensitive Sourcing practices only. In this case, not able to declare CoC Material.
- If later decide to respond to customer demand for CoC Material, an audit for expanded Cert Scope would be triggered.

## Building bridges with Artisanal and Small Scale Mining (ASM)

Enhanced focus on due diligence in gold supply chains is raising concerns for possible consequences for ASM producers.

The RJC CoC Standard aims to build bridges with legitimate ASM production. Included in the CoC Standard are:

- Scope for the RJC to formally recognise comparable mining standards.
- Sourcing from ASM operating on the mining concessions of CoC Certified Entities, as part of an initiative to support professionalisation and formalisation of ASM.

RJC has signed MOU's with the Alliance for Responsible Mining (Fairtrade/Fairmined Gold) and Diamond Development Initiative.



## CoC and Mining Companies

CoC Certification should be relatively straightforward for most mining companies. Main requirements:

- Meeting RJC Code of Practices re responsible mining;
- Carrying out detailed due diligence in conflict-affected areas.

CoC avoids retrospective inquiries otherwise required by OECD and Dodd Frank, by:

- Identifying and tracking gold starting with the mine of origin;
- Requiring conflict-free due diligence to be conducted by the miner.





## CoC and Precious Metals Refiners

RJC currently has 9 Refiner Members – all headquartered in Europe but many have additional facilities in other countries.

Main CoC requirements:

- conflict-sensitive practices for all sources.
- does not prevent sourcing from non-RJC mining entities, but any non-CoC gold must be kept segregated.

Supports :

- claims for responsibly mined gold, recycled gold or grandfathered gold, or mix.
- OECD Due Diligence Guidance and Dodd Frank compliance via auditable standard for refinery audits.
- Dodd Frank reporting via CoC Transfer Document records.



## CoC and Jewellery Manufacturers and Retailers

Key to CoC compliance will be segregation of CoC from non-CoC material. Many manufacturers may have the basic systems already in place.

Range of options for sourcing CoC gold, including from CoC refineries, and grandfathered supplies.



CoC Certification will support:

- Identification of CoC sources as part of a responsible sourcing program.
- Identification of CoC Certified refiners – which have independently audited and verified due diligence practices (OECD).
- CoC gold that is conflict-free (Dodd Frank).
- Claims to consumers (if desired).

## RJC CoC Summary

- Voluntary and designed to support due diligence and chain-of-custody efforts in the jewellery supply chain.
- Controls for conflict-sensitive sourcing AND for responsible business practices in the supply chain.
- Supports chain-of-custody for mined, recycled and 'grandfathered' and/or a mix for gold and platinum group metals.
- CoC Certification for Refiners provides independent audit of their due diligence practices.
- Strong focus on harmonisation with relevant standards and initiatives.
- CoC for precious metals launched in March 2012.



# OECD Due Diligence Guidance

How we've been involved?



## Initiatives in the gold supply chain

Support for due diligence re conflict in gold supply chains.

- London Bullion Market Association (**LBMA**): is requiring third-party audit of all accredited refiners of gold bullion who are on the London Good Delivery list.
- Responsible Jewellery Council (**RJC**): Chain-of-Custody certification available for responsibly-produced and conflict-free gold, and conflict-sensitive sourcing practices.
- World Gold Council (**WGC**): developing Conflict-Free Standard for large-scale gold mining companies operating in conflict-affected areas. Can support refiner due diligence.
- Electronics Industry Citizenship Coalition (**EICC**): audit protocol for gold refiners to assist the electronics sector with Dodd Frank reporting.



## Initiatives in the gold supply chain

	<b>LBMA</b>	<b>RJC</b>	<b>WGC</b>	<b>EICC</b>
<b>Applies to</b>	Refiners	All supply chain	Mining companies	Refiners
<b>Focus</b>	OECD Due diligence, KYC and AML	Code of Practices; OECD Due Diligence	Conflict-free; OECD Due Diligence	Country of origin; Dodd Frank Act
<b>Audit outcome</b>	Good Delivery Accreditation	CoC Certification	3 <sup>rd</sup> party assurance of due diligence	Validated Smelter/ Refiner list
<b>Harmonisation</b>	Opportunity for harmonisation with RJC and EICC	RJC CoC will recognise LBMA and EICC re conflict-sensitive sourcing. WGC supports mined gold due diligence for CoC.	Supports refiner due diligence for mined gold under LBMA, RJC, EICC	Opportunity for harmonisation with LBMA and RJC



## For the watch and jewellery supply chain ...

### Q: Where does your gold come from?

- Find out the refiner/s in your supply chain
- Understand their approach to due diligence
- Determine your requirements as a customer – assurance of practices, types of sources etc

In 2012, leading refiners will be undergoing 3<sup>rd</sup> party audits to demonstrate their due diligence practices.

- LBMA
- RJC
- EICC
- Other



## Contacts

### **Ruth Crowell**

Commercial Director

London Bullion Market Association

[ruth.crowell@lbma.org.uk](mailto:ruth.crowell@lbma.org.uk)

[www.lbma.org.uk](http://www.lbma.org.uk)

### **Fiona Solomon**

RJC Director - Standards Development

Responsible Jewellery Council (RJC)

[fiona.solomon@responsiblejewellery.com](mailto:fiona.solomon@responsiblejewellery.com)

[www.responsiblejewellery.com/chain-of-custody](http://www.responsiblejewellery.com/chain-of-custody)