



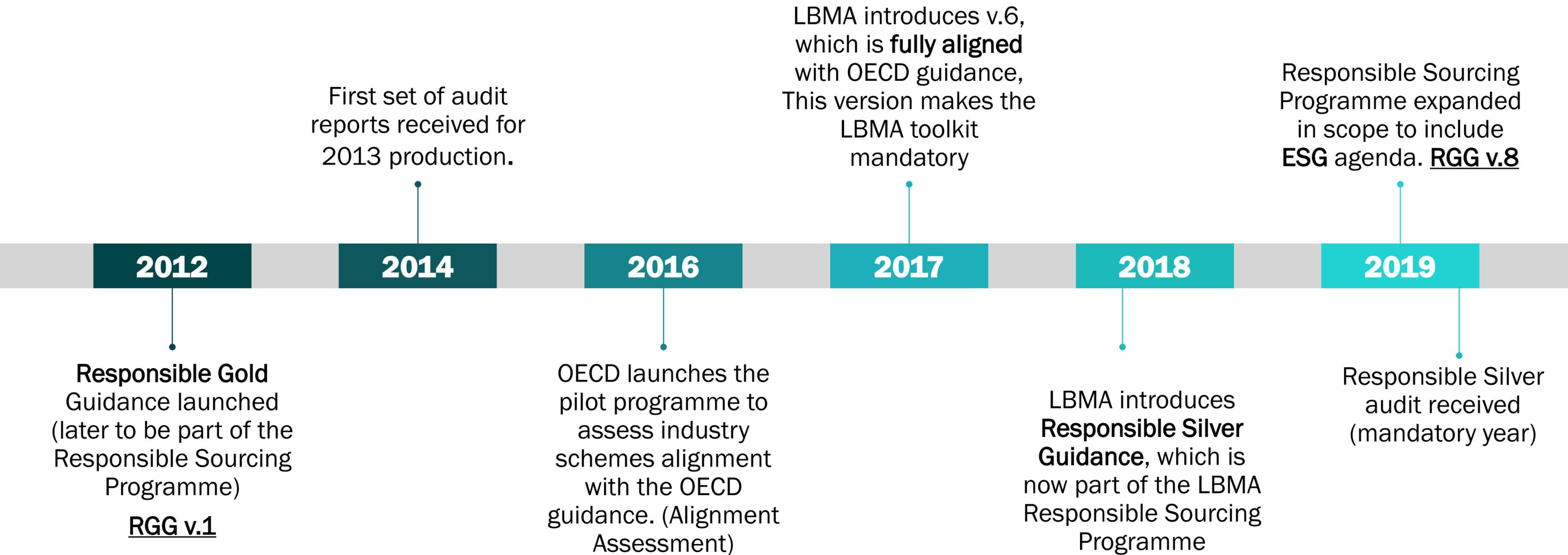
RESPONSIBLE SOURCING DEVELOPMENTS

Sakhila Mirza, Executive Board Director and General Counsel

Thursday 16 April 2020

RESPONSIBLE SOURCING JOURNEY

Review of the last seven years



RESPONSIBLE SOURCING STRATEGY

- **Creating Trust**
- **Call to Action – engage responsibly in High Risk Area**
- **Greater Transparency**
- **Accountability across the Value Chain**

Position LBMA as a leader for the continuous improvement of Responsible Sourcing standards and business practices to ensure a sustainable precious metals market

Priorities	Action
Transparency Improving Disclosure	External advisor Synergy engaged to lead on disclosure requirements for both LBMA and Refiners.
Audit Programme Upholding Trust	A detailed review of the Approved Service Providers was also conducted end of 2019. Stakeholder engagement for further development
Advancing Standards Defining Best Practice	improvements in the overall Responsible Sourcing Programme based stakeholder feedback
ASM and high-risk areas Engaging Responsibly	Involved in various market initiatives to support engagement with ASM – has to be a market collective effort
Value Chain Accountability Building Leverage	Working with miners to develop the miner’s toolkit and bullion bank reporting template

RESPONSIBLE SOURCING VIRTUAL SUMMIT

<https://www.lbmresponsiblesourcingsummit2020.com/>

Refineries as the 'Gate Keepers'

Dr Mark Pieth, Professor of Criminal Law and Criminology at the University of Basel



“I don’t consider de-risking of certain world regions or of ASM in general is a valid option ... there are possibly 100m people worldwide depending economically on ASM”

“Independent third party audits are crucial if you want to show your credibility”

“Let’s accept that most refiners are SMEs with limited resources in legal and compliance”

“Need credible due diligence within the supply chain ... could specialised third parties do the due diligence of mines on behalf of the entire community?”

“No antitrust issues with collective due diligence by refiners”

Comments received

Generalist auditing firms should be partnering with specialist mining consulting firms.

Standard setters should create an independent body of specialists that reviews the audit to help auditors with the issue of independence.

The creation of an independent body doing third party mine site assessments could create the risk of “externalising” due diligence responsibility.

For on site assessments, compliance officers are not always on top of ASM realities and field research techniques. The risks are so diverse - it can be difficult for compliance staff to know how to spot integrity, social, and environmental risks

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Conflict and High-Risk Gold

Sasha Lezhnev is Deputy Director of Policy at the Sentry



“Conflict gold is an emerging issue for the gold industry”

“Armed groups either control the mines themselves, control the checkpoints or raid the mines”

“Some responsibly mined gold is not accepted by the market yet ... important for companies not de-risk. More education needed around these areas”

“Banks need to develop more expertise in trade-based money laundering due diligence and gold refining more generally”

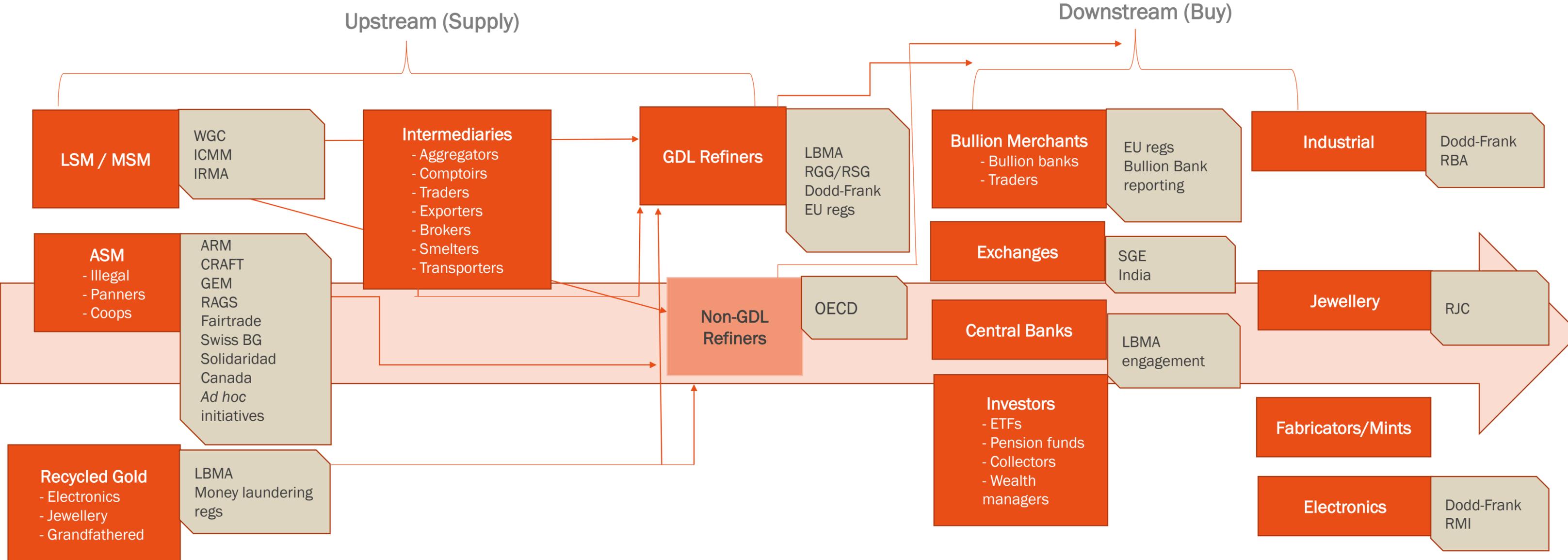
“There need to be consequences for those who trade inn conflict-affected gold”

VALUE CHAIN APPROACH

Key =

Value chain actor

Existing mitigation measures



What **role** should LBMA play in **enhancing the leverage** of refiners, banks and key actors/stakeholders to achieve **positive outcomes**?

TECHNOLOGY DEVELOPMENTS

- 01** Identifying a technology-based market solution that addresses the risk of duplicate and/or counterfeit bars, as well as the risks arising in relation to supply chain provenance. This initiative builds on the LBMA's Responsible Sourcing Programme.
- 02** **Security Feature:** covert and overt security features to provide confidence in the bar being what it purports to be.
Centralised Database: For all bars to help address any potential fraud issues
- 03** LBMA is working with partners and other markets around the world to ensure that we are continuing to advance standards for the common good of the global industry.



**Further
strengthening
the gold supply chain**

LBMA UPDATE

LBMA's role in maintaining market continuity

Delivering more information more regularly and supporting market development

LBMA Rulebooks

For Members and Associates

For Good Delivery Refiners

Global Precious Metals Code

Sets out best practice for market participants in promoting and maintaining market integrity

Market Participants are encouraged to review their compliance with the Code

Particularly the principles under Business Conduct: Pre-Trade and Execution

Engagement

Infrastructure providers, market participants, stakeholders, media, regulators and authorities



THANK YOU

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