WORLD GOLD COUNCIL

Conflict-Free Gold Standard

A common approach by which gold producers can assess and provide assurance that their gold has been extracted in a manner that does not cause, support or benefit unlawful armed conflict orcontribute to serious human rights abuses or breaches of international humanitarian law

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 with governments and central banks, 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 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 USA, the World Gold Council is an association whose members comprise the world's leading gold mining companies. Our Board of Directors represents the whole of the World Gold Council membership and is chaired by Ian Telfer, who is also Chairman of Goldcorp. In most cases, members are represented on the Board by their Chairman or CEO. Members' active support of the World Gold Council represents their shared vision of ensuring a sustainable gold mining industry, based on a deep understanding of gold's role in society, now and in the future.

Member companies are[1]:
African Barrick Gold Plc
Agnico-Eagle Mines Limited
Alamos Gold Inc.
AngloGold Ashanti
Barrick Gold Corporation
Centerra Gold Inc.
Cia de Minas Buenaventura SAA
Eldorado Gold Corporation
Franco-Nevada Corporation
Gold Fields Limited
Goldcorp Inc.
Golden Star Resources Limited
IAMGOLD Corporation
Kinross Gold Corporation
New Gold Inc.
Newcrest Mining Limited
Newmont Mining Corporation
Primero Mining Corporation
Royal Gold Inc.
Yamana Gold Inc.

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1 As at 1st October 2012

Declaration on Mining and Armed Conflict

The World Gold Council and its member companies are opposed to activities which cause, support or benefit unlawfularmed conflict or contribute to serious human rights abuses or 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 operatorsmay make it more difficult to stabilise a conflict situation or toachieve post-conflict reconstruction.

The *Conflict-Free Gold Standard* provides a mechanism by which gold producers can assess and provide assurance that their gold has been extracted in a manner that does not cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law.

Where a gold producer is operating in an area assessed under this Standard to be 'conflict-affected or high-risk' and in order to prevent causing, supporting or benefiting unlawful armed conflict through the production and transportation of gold, we will:

1. Publicly commit to not support unlawful armed conflict and to respect human rights and where relevant, international humanitarian law, for example, through support of the *Universal Declaration on Human Rights*, the UN Global Compact, the UN *Guiding Principles on Business and Human Rights* and the *Voluntary Principles on Security and Human Rights* (VPSHR)
2. Respect human rights at our operations and in our dealings with stakeholders and seek to use our influence to prevent abuses being committed by others in the vicinity of our operations as envisaged by the UN *Guiding Principles on Business and Human Rights* and the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*
3. Take steps to ensure mine security providers have not been involved or associated with financing or benefiting armed groups involved in serious human rights abuses or breachesof international humanitarian law
4. Put in place controls designed to prevent our operations, agents or mine security providers from bribing or providing illegal payments, or voluntarily providing equipment, to third parties for use in unlawful armed conflict
5. Publicly disclose payments made to governments, unless prohibited from doing so by law
6. Establish processes through which stakeholders may raise concerns about our mines' activities
7. Utilise transport services that are not involved, or associated with, financing or benefiting unlawful armed groups involved in serious human rights abuses or breaches of international humanitarian law
8. Implement risk-based due diligence procedures to ensure that any third party miners that provide gold or gold-bearing materials to our operations also conform with these principles.

Overview and governance of the *Conflict-Free Gold Standard*

1. Purpose

The *Conflict-Free Gold Standard* is designed to be implemented by World Gold Council member companies and other entities involved in the extraction of gold. The Standard has been developed to establish a common approach by which gold producers can assess and provide assurance that their gold has been extracted in a manner that does not cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law. Conformance with the Standard will be externally assured.

As such, the Standard is intended to act as an Industry Programme, as defined by the OECD *Supplement on Gold* to 'support and advance the recommendations of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*'. It is expected that conformance with the Standard, in addition to existing business controls and practices, will result in conformance with the OECD Guidance and the accompanying *Supplement on Gold*.

The Standard has also been developed to support refiners in meeting their due diligence requirements. In particular, companies who conform with the Standard will issue a Management Statement of Conformance (see Part E) which can be used as supporting evidence by refiners to demonstrate compliance with the London Bullion Market Association *LBMA Responsible Gold Guidance*.

2. Usage and audience

It is expected that World Gold Council member companies and other companies involved in the extraction of gold will use the Standard to demonstrate that their gold has been extracted in a manner that does not cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law. In so doing, this is intended to support them in conforming with regulation and authoritative guidance relating to responsible mining in areas assessed to be 'conflict-affected or high-risk'.

The information which companies publicly disclose regarding their conformance with the Standard (the Conflict-Free Gold Report) and against which external assurance is provided, is expected to be useful to, among others:

1. The next participant in the chain of custody, often a refiner, who may use this as part of their due diligence requirements, alongside the Management Statement of Conformance (see Part E)
2. Investors and other providers of capital, looking for information on how the company operates
3. Governments, local communities, community representatives, local and international civil society organisations, law enforcement agencies and others seeking confidence that the mining operation is not fuelling conflict
4. Donor governments, development agencies and others looking to promote responsible mining practices.

3 Scope and links with existinginstruments and initiatives

Many instruments already exist which relate to aspects of this Standard. Indeed the Standard relies heavily on well-recognised instruments, such as those listed in the key reference documents below. The intent of the Standard is not to duplicate existing initiatives but to use them, as appropriate, to address how to operate responsibly in an area assessed to be 'conflict-affected or high-risk'. In addition, the Standard is designed to complement existing approaches and company systems and policies regarding responsible mining and sustainable development, including environmental, social and community impacts.

As such, the World Gold Council recognises that companies may already have in place assurance processes in relation to the management and reporting of similar information. Implementation and conformance 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 to confirm their ability to rely on these and complement them with such new assurance work as is required to demonstrate conformance with the Standard.

4. Development of the *Conflict-Free Gold Standard*

The World Gold Council represents the world's leading gold mining companies. Together with its member companies, 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 and that gold mining should not fund unlawful armed conflict.

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, international organisations, supply chain participants, investors, academia, trade unions, civil society organisations and others, including subject matter experts.

It is hoped that the Standard will promote responsible mining practices throughout the gold mining industry. It is an open standard that is available for use by any party involved in the extraction of gold.

5. Applicability to artisanal and small-scale miners

As noted above, this is an open standard that is available to any party involved in the extraction of gold, including artisanal and small-scale mining enterprises.

However, the Standard contains a demanding set of processes and practices that entities need to meet in order to demonstrate conformance. It is recognised that implementation of these demanding criteria, as well as the requirement for external assurance, may be beyond the capacity of many artisanal and small-scale mining enterprises.

The intent of the Standard is not to exclude gold from the market that is produced by responsible, legitimate artisanal and small-scale mining enterprises. The World Gold Council supports formalisation of artisanal and small-scale mining as a means of addressing poverty, improving social and environmental performance in the sector and reducing vulnerability to criminal networks and armed groups. Users of this Standard are encouraged to refer to Appendix 1 of the OECD *Supplement on Gold*, which contains suggested measures to create economic and development opportunities for artisanal and small-scale miners. This includes a recommendation that 'governments, international organisations, donors, companies in the supply chain and civil society organisations may consider the opportunity to explore collaborative ways' to address these issues.

Companies and other organisations need to consider many factors when determining whether to purchase gold from artisanal and small-scale miners, including the environmental, safety and social practices of such miners, as well as their potential contribution to unlawful armed conflict, serious human rights abuses or breaches of international humanitarian law. Given that many artisanal and small-scale mining enterprises do not operate in a manner consistent with the environmental, safety, social and governance practices of major gold producers, it is rare for member companies of the World Gold Council to source gold from artisanal and small-scale miners. However if companies do source gold from artisanal and small-scale miners operating in areas assessed to be 'conflict-affected or high-risk', they should do so in accordance with the OECD Guidance and accompanying *Supplement on Gold*.

6. Oversight of the *Conflict-Free Gold Standard*

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

7. Priority of criteria

The Standard lays out a demanding set of criteria that implementing companies need to meet if they are to be considered in conformance. The order in which the criteria are listed is not intended to suggest that some are of higher priority than others; each criterion is important and needs to be met in order to demonstrate conformance.

8. Language of precedence

This Standard has been drafted in English. If the Standard is used in other languages, the English version of the Standard should be regarded as the source document.

9. 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 (VPSHR) and Implementation Guidance Tool (IGT)
- Global Reporting Initiative Mining and Metals Sector Supplement
- LBMA Responsible Gold Guidance.

Conformance, public disclosureand external assurance

1. Conformance and public disclosure

World Gold Council member companies and other entities who apply the Standard will be expected to report publicly on their conformance or otherwise with the Standard. This report, the Conflict-Free Gold Report, which provides a management conclusion on the company's overall conformance, should be publicly disclosed either in a company reports (e.g. the annual financial report or the sustainability report) and/or on the company website. This should be done at least annually and will cover activities over a 12-month period.

A review of conformance should be undertaken on a site-by-site basis and must include all operating assets under the control of, or managed by, the company. It is recommended that companies apply reporting boundaries consistent with their existing reporting arrangements. Implementing companies should use their best endeavours to seek to ensure that the joint ventures in which they are actively involved also implement the Standard, albeit their conformance may be reported separately. The Conflict-Free Gold Report should specify the names and locations of the operations that are located in areas assessed to be 'conflict-affected or high-risk'.

The Conflict-Free Gold Report should also include a summary disclosure of activities underway to achieve conformance at any operation where there is a Deviation from Conformance at the time of disclosure (if relevant), as well as noting whether there have been any Deviations from Conformance over the reporting period.

In line with the OECD *Supplement on Gold*, the Conflict-Free Gold Report should also include:

- The management structure responsible for conformance with this Standard
- A declaration as to whether the company has sourced gold from external sources and if so, whether this has been undertaken in line with risk-based due diligence procedures, as envisaged under the OECD *Supplement on Gold*, to ensure that any gold or gold-bearing materials sourced from third party miners conform with the principles expressed in the Declaration on Mining and Armed Conflict contained in this Standard.

Further public disclosure, including the release of the full or partial or summary report to management from the assurance provider – and/or areas that the company identifies as areas for improvement – is a matter for the company to determine at its discretion (with input, as appropriate, from its assurance provider). In many cases, there may be security or legal considerations that restrict the public disclosure of this additional information.

Any complaints related to the Conflict-Free Gold Report should be directed to the company concerned. It is up to individual companies to determine how they will address complaints.

2. Management Statement of Conformance

Part E of the Standard requires companies to provide a statement expressing management's view that the company has the appropriate systems and processes in place to ensure that all gold and gold-bearing material leaving the mine's area of control is produced in conformance with this Standard. This statement, the Management Statement of Conformance, is provided to the next participant in the chain of custody but is not required to be disclosed publicly. However, the Conflict-Free Gold Report should specifically state whether the company has provided appropriate 'Management Statement(s) of Conformance'.

3. Links to existing public disclosure

The Standard includes several areas where evidence of public disclosure is required when operating in an area assessed to be 'conflict-affected or high-risk'. This includes:

1. Public commitment(s) to human rights
2. Disclosure of payments to governments, in line with instruments that specifically address transparency of payments considerations, such as the Extractive Industries Transparency Initiative (EITI), authoritative national legislation or authoritative guidance, including the OECD *Supplement on Gold*
3. Processes in place by which local stakeholders can raise concerns.

It is recommended that companies include references to where these public disclosures can be found, alongside their Conflict-Free Gold Report.

In addition, if a company assesses that the area where its operation is situated, or through which gold or gold-bearing material is transported while in its custody, should not be considered to be 'conflict-affected or high-risk', despite the area being ranked by the Heidelberg *Conflict Barometer* as 5 (war) or 4 (limited war), the company should publicly disclose its rationale for this determination. If this is not included in the Conflict-Free Gold Report itself, it is recommended that the company includes a reference in the Conflict-Free Gold Report to where this public disclosure can be found.

4. Responsibilities of implementing companies

The Standard lays out a demanding set of criteria that implementing companies must meet in order to conform, as set out in Parts A–E. Management's responsibility is to conform with the Standard and it is up to them to determine how they are going to demonstrate conformance with the criteria. Implementing companies are responsible for determining their approach to conformance reflecting their own specific circumstances. This approach should be agreed with the external assurance provider and may include consultation with other relevant stakeholders.

5. Responsibilities of assurance providers

External assurance is required on the Conflict-Free Gold Report. The external assurance provider is engaged to report, in accordance with recognised assurance standards, on whether the company's Conflict-Free Gold Report is prepared in accordance with the Standard. As part of this, the assurance provider issues an independent assurance report covering the 12-month period.

The World Gold Council has worked with external advisers, experienced in assurance, to develop an accompanying document to the Standard, titled *Guidance for Assurance Providers*. That document sets out technical guidance to support the consistent application of assurance across companies, including linkages with existing assurance standards. This guidance does not however lay out a rigid approach to providing assurance; as with all assurance engagements, assurance providers will need to apply their professional judgement.

The external assurance process provides confidence to users of the Conflict-Free Gold Report that the company has appropriate systems and processes in place to satisfy the requirements of the Standard. Individual shipments of gold and gold-bearing material are not specifically subject to assurance.

6. Criteria for assurance providers

The decision as to which assurance providers to use is at the discretion of an individual implementing company. However, the assurance provider must demonstrate the following in order to be able to certify conformance with the Standard[2]:

- Providers should make a public statement of independence that makes the nature of their relationship with the reporting organisation 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 relate to the subject matter of the assurance engagement or deal 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, 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 organisations 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)*.

7. First time implementation

It is recognised that first-time implementation can present specific challenges. In particular, management can consider that their operations are in conformance and make statements as such to the next participant in the chain of custody before the first Conflict-Free Gold Report has been published with external assurance. Where this is the case, the language on the Management Statement of Conformance should make reference to this situation. In other cases, the Management Statement of Conformance should make reference to the date of the last external assurance of the company's Conflict-Free Gold Report.

Similarly, if an operation changes status and moves from being in an area not assessed to be 'conflict-affected and high-risk' to one that is assessed as such (under the approach specified in Part A, Section A2), external assurance will not have previously been undertaken on Parts B and C. However, as with first-time implementation, external assurance is not required for the Management Statement of Conformance documentation to be issued before the subsequent external assurance review. The language on the Management Statement of Conformance must make reference to the fact that external assurance has not been attained since the change in status of the area to one assessed to be 'conflict-affected or high-risk'.

The Management Statement of Conformance related to gold or gold-bearing material dispatched from operations that come into the control of the company during the course of the reporting period, such as new production sites or acquisitions, should also note that external assurance has not been undertaken since this operation came into the control of the company. Operations are not required to be subject to external assurance in a reporting period if they have not been in the control of the company for the entire reporting period.

2. These guidelines for selecting an independent assurance provider are from the ICMM *Sustainable Development Framework*

8. Deviations from Conformance and remedial action

In the event that World Gold Council member companies and other implementing entities deviate from conformance with the Standard, it is expected that they will outline, with their assurance providers, the remedial actions being taken to bring them into conformance and the timeline for those actions through a Remedial Action Plan. A framework to address Deviations from Conformance is contained later in this Standard. When a company identifies a Deviation from Conformance, they should alert their refiner (or the alternative next participant in the chain of custody) in writing and keep records to demonstrate that they have done so.

Remedial actions need to be identified and put in place within 90 days. When a potential Deviation from Conformance is identified by the external assurance provider, they should not issue their report until either a satisfactory Remedial Action Plan is put in place or 90 days have passed, whichever is earlier.

9. Non-conformance

Non-conformance with the *Conflict-Free Gold Standard* occurs when a company:

- adopts a Remedial Action Plan but fails to implement and complete this Remedial Action Plan in a timely manner
- declines to adopt a Remedial Action Plan
- recognises that a Remedial Action Plan is insufficient.

In such situations, the company should publicly report that it is in non-conformance with the Standard for that period for the operation(s) concerned. The company will no longer be permitted to provide a Management Statement of Conformance declaring management's view that the gold conforms with the Standard on the gold or gold-bearing material for the operation(s) impacted by the non-conformance. The company must also promptly notify the next participant in the chain of custody of the non-conformance.

More information is available in the 'Framework to address Deviations from Conformance' (page 35).

10. Complaints process

In instances where concerns are raised that the Conflict-Free Gold Report is not accurate, the concerns should be raised with the company concerned.

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

Executive summary

The *Conflict Free Gold Standard* provides a common approachby which gold producers can assess and provide assurance that their gold has been extracted in a manner that does not cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches ofinternational humanitarian law.

As such, adherence to the Standard will give confidence to stakeholders that gold produced by mines in conformance with the Standard has been produced in a manner that doesnot cause, support or benefit unlawful armed conflict, or contribute to serious human rights abuses or breaches of international humanitarian law.

Unlawful armed conflict leads to the suffering of individuals and communities and can be associated with serious abuses of human rights and breaches of international humanitarian law. Such conflict may have a significant effect on the stability of a country or affected areas, 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 responsible gold mining entities 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 an economy and in the socio-economic development of local communities and nations. However, where there is armed conflict, even the best managed operation(s) will need to take additional steps to ensure that both the gold it produces and its broader activities do not contribute to the conflict.

Where a company can demonstrate that it is operating a mine in an area assessed to be 'conflict-affected or high-risk' in a way that does not cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law, it should be encouraged to continue its operations. Indeed, the closure or suspension of a major source of employment and/or government revenue may accentuate the crisis and accelerate the descent of an area into conflict.

Although there has not been widespread concern that newly-mined gold produced by responsible gold miners is linked to armed conflict, participating companies will be able to: strengthen their relationships with stakeholders through implementing the Standard; ensure that their business practices are designed to avoid causing, supporting or benefiting unlawful armed conflict; and, play their part in demonstrating how gold advances society. Furthermore, it is likely that the ability to provide such assurances will increasingly be expected within the gold supply chain and under the terms of a variety of regulatory and normative initiatives.

This Standard is designed to be used at mines that are producing gold. Nonetheless, the World Gold Council and its member companies recognise that if a mine development project is located in an area assessed to be 'conflict-affected or high-risk', adherence to the processes included in the Standard represents good practice, to the extent that they are applicable. Furthermore, they recognise the importance of conducting exploration and project development after appropriate consultation with potentially affected communities and other stakeholders, to identify and mitigate the effects of their activity and so minimise the risk of causing, supporting or benefiting unlawful 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 principally uses external criteria to assess whether the area in which the mine is located should be assessed to be 'conflict-affected or high-risk'.
- **Part B - Company Assessment**: where the area in whichthe mine is located is assessed to be 'conflict-affected or high-risk', this assesses whether the company has the appropriate systems in place in order to discharge its corporate obligations and responsibilities in this area, to avoid causing, supporting or benefiting unlawful armed conflict, or contributing to serious human rights abuses or breaches of international humanitarian law.
- **Part C - Commodity Assessment**: where the area in whichthe mine is located is assessed to be 'conflict-affected or high-risk', this assesses the processes in place to manage the movement of gold and gold-bearing material while in the custody of the company, so as to mitigate against the misuse of this material by groups associated with unlawful armed conflict.
- **Part D - Externally Sourced Gold Assessment**: when the mine acquires gold, this assesses the process that needs to be in place to ensure that appropriate due diligenceis undertaken on this gold in relation to any potential involvement in causing or supporting unlawful armed conflict.
- **Part E - Management Statement of Conformance**: where management believe that the mine conforms with 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 mine is in conformance with this Standard. Criteria are set out together with the process by which the decision can be made to assess conformance. In addition, publicly available reference points are noted.

The company will undertake the five-section assessment above in line with the criteria and processes as set out in this document. If it is determined during completion of Part A – Conflict Assessment that the mine is not located in an area assessed to be 'conflict-affected or high-risk', there is no need to undertake Part B – Company Assessment and Part C – Commodity Assessment.

Definitions

Definitions taken from the OECD Due Diligence Guidance[3]

Artisanal and 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 and high-risk areas
Areas 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, insurgencies, or 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 also be noted that the OECD Guidance does not require a different approach between areas considered to be 'conflict-affected' or 'high-risk' areas and neither does this Standard. For the purposes of this Standard, the process to identify 'conflict-affected or high-risk areas' is defined in Part A, Section A2.

Due diligence
Due diligence is an ongoing, 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.

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 factors[4]. For the purposes of this Guidance, legitimate refers, among others, to artisanal and small-scale mining that is consistent with applicable laws[5]. 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 OECD 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 conflict[6] through their activities in the supply chain.

3. 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*
4. See Appendix 1 of the Gold Supplement to the OECD Guidance
5. See Alliance for Responsible Mining, *Vision for Responsible Artisanal and Small-Scale Mining (2008)*

6. 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 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).

Benefits-in-kind
The provision of a tangible item of value (other than cash or currency) or service, at no, or reduced, cash cost, by one party to another, such as the use of company land, equipment or transport facilities.

Company
The corporate entity responsible for the mining of the gold.

Credibly accused
An entity or individual has been accused of wrongdoing by a source of information that is:
(i) generally believed to be reliable and which has a reputation for honesty and probity in the external or internal environment, and
(ii) making the accusation based on information derived from and/or corroborated by usually reliable sources or an investigatory process designed to yield reliable conclusions.

Credibly implicated
An entity or individual has been implicated in wrongdoing by a source of information that is:
(i) generally believed to be reliable and which has a reputation for honesty and probity in the external or internal environment, and
(ii) making the accusation based on information derived from and/or corroborated by usually reliable sources or an investigatory process designed to yield reliable conclusions.

Custody
Physical possession of the gold or gold-bearing material. Custody of the gold does not necessarily mean ownership and vice versa.

Integrity of the shipment process
A formal process by which the integrity of gold moving from the company to the next participant in the chain of custody is assured. For doré, the Integrity of Shipment process must include a process of weighing and sampling, packaging, securing and tamper sealing.

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' as defined by the OECD Due Diligence Guidance (and included above).

Mine's area of control
Area designated by a perimeter or otherwise designated by mine management as an area under operational control.

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.

Policy
A document outlining how the company, company employees or others commissioned by the company, should act in specified situations.

Note that for this Standard, this document does not necessarily need to be called a 'policy' in the company's literature, but needsto meet the criterion outlined.

Private security provider
Entities, other than Public Security Providers, engaged for the primary purpose of providing physical protection to a company's personnel and/or assets.

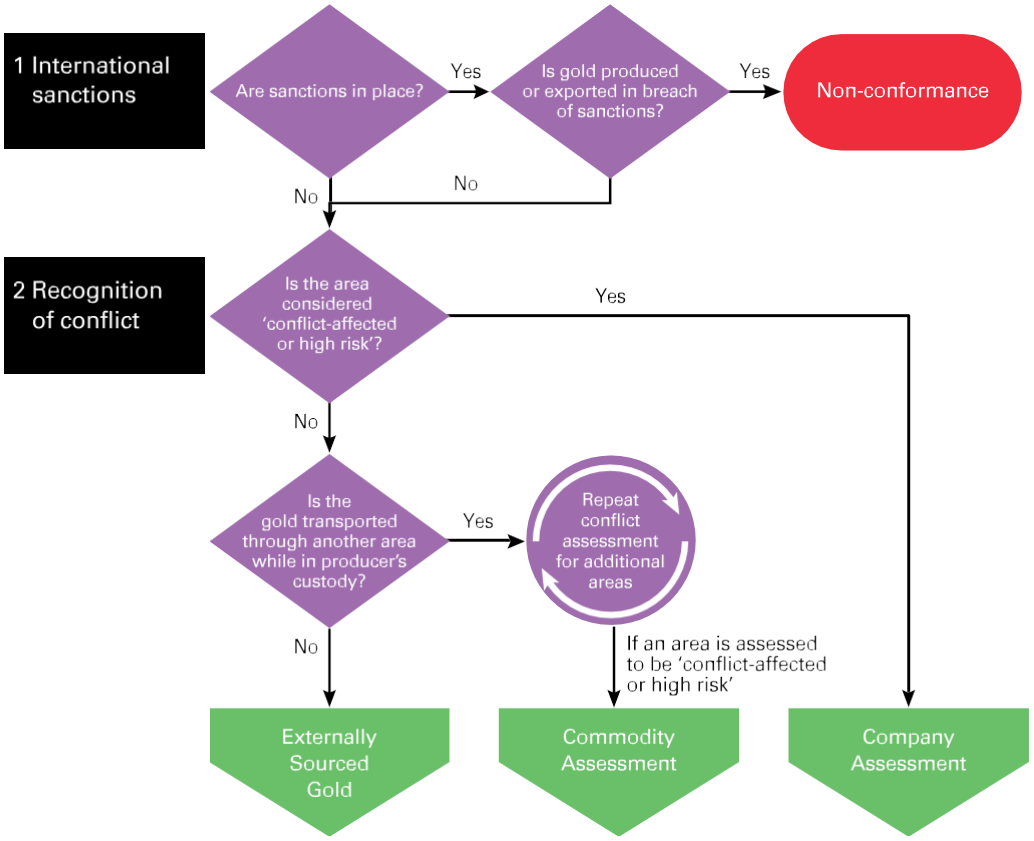
Public security provider
Lawful security forces of a local, state or national government agency.

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

Serious human rights abuses
International crimes which would likely be regarded as breaches of international humanitarian law, such as: war crimes, crimes against humanity, genocide, ethnic cleansing or widespread instances of (a) sexual abuse, (b) torture, (c) enslavement, (d) trafficking of persons, (e) the worst forms of child labour[7] or (f) unlawful killings, including assassinations.

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.

7. See ILO Convention No. 182 on the Worst Forms of Child Labour (1999)



Part A – Conflict Assessment

Overview

Part A - Conflict Assessment relates to the context in whicha company's operations are set. The phases of a gold mine (exploration, development, production, and closure) may span many decades, and the political, social and economic environment within which the mine operates is likely to change over that time. Companies should be encouraged to continue to operate and invest in 'conflict-affected or high-risk' areas if they have the right systems in place to ensure that they are not causing, supporting or benefiting unlawful armed conflict, or contributing to serious human rights abuses or breaches of international humanitarian law.

Part A uses external, objective criteria to assess whether the area in which the mine is located should be assessed to be being 'conflict-affected or high-risk'.

Armed conflicts may occur across international boundaries. In such cases, the primary concern must be the area of 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.

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

A1 International sanctions

A1.1 Introduction

The first step in the Standard is intended to ensure that the mining and onward 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 widely respected 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:

Sanctions set by one or more authoritative supra-nationalbodies 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 home country government on one or more states in which the company has operations.

A1.2 Reference sources

It is up to each company to determine their key reference sources given their geographic presence.

Authoritative supra-national bodies that may be considered as principal sources of reference in relation to **International Sanctions** include:

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

A1.3 Criterion

The criterion in relation to **International Sanctions** is defined as:

Gold will not be mined or transported for refining or furtherprocessing in breach of international sanctions

A1.4 Process

Where the country (in which the mine is located or through which gold is transported while in the custody of the company) being assessed is free from international sanctions the next consideration is set out in **Recognition of Conflict** (Section A2).

Where international sanctions have been imposed on the country (in which the mine is located or through which gold is transported while in the custody of the company) being assessed, the company needs to determine whether the sanctions are intended to 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 A2).

Where the assessment concludes that gold **cannot** be mined or transported, the mine is considered to be in **Non-conformance**.

A1.5 Assessment

The assessment should be undertaken using the process set out in Section A1.4 and against the criterion defined in Section A1.3.

There should be ongoing risk-based monitoring of the imposition of sanctions, particularly in areas that are more likely to be assessed to be 'conflict-affected or high-risk'. A formal assessment should be undertaken at least annually, or when the supra-national bodies identified in Section A1.2 review existing international sanctions or impose new international sanctions.

A2 Recognition of conflict

A2.1 Introduction

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

Companies should use the *Conflict Barometer* produced by the Heidelberg Institute for International Conflict Research[8] as the primary reference source for this assessment. Areas should be considered 'conflict-affected or high-risk' if they are currently ranked, according to the *Conflict Barometer*, as 5 (war) or 4 (limited war) or have been at any stage during the previous two calendar years.

Where a country or area within the country is ranked by the Heidelberg *Conflict Barometer* as 5 (war) or 4 (limited war) butthe company does not believe that the area where their mine is situated, or through which gold or gold-bearing material is transported while in its custody, should be assessed to be 'conflict-affected or high-risk', the company needs to provide
evidence supporting this conclusion to their assurance provider. In these cases, companies may use other authoritative sources (see Section A2.2) and should also publicly disclose their rationale for this determination.

Companies may also, at their discretion, determine that an area that is not ranked as 5 (war) or 4 (limited war) by the Heidelberg *Conflict Barometer*, should be assessed to be 'conflict-affected

or high-risk' based on their experiences of the area concerned or authoritative sources of guidance.

Recognition of an area as 'conflict-affected or high-risk' should be undertaken only for the purposes of assessing conformance with this Standard, and be based on the reasonable and good faith efforts of the company.

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

Assessment of whether an area should be assessed to be 'conflict-affected or high-risk'. The principal reference should be the *Conflict Barometer* produced by the HeidelbergInstitute for International Research where a ranking of 5 (war) or 4 (limited war) should be considered as evidence that an area is 'conflict-affected or high-risk'.

The application of these criteria does not mean that the World Gold Council or its member companies necessarily endorse the *Conflict Barometer* produced by the Heidelberg Institute or the conflict assessment level that it provides.

A2.2 Reference sources

The principal reference in relation to **Recognition of Conflict** is:

- The *Conflict Barometer* produced by the Heidelberg Institute for International Conflict Research

At their own discretion, in the circumstances described above in the introduction, companies may use the following reference sources.

Supra-national bodies:

- The United Nations Security Council (or subsidiary bodies such as United Nations Groups of Experts), to the extent that it identifies specific countries or groups 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 or regional African groupings such as ECOWAS, SADC and the EAC
- The Organization of American States.

National bodies and legislation that have widespread international acceptance or recognition and widely respected civil society organisations such as the International Crisis Group or the International Committee of the Red Cross.

A2.3 Criterion

The criterion in relation to **Recognition of Conflict** is defined as[9]:

Companies will assess whether the area(s) in which the mineis located or through which the gold or gold-bearing material is transported, while in the custody of the company, shouldbe assessed to be 'conflict-affected or high-risk'.

8. The Heidelberg Institute for International Conflict Research (HIIK) is an independent and interdisciplinary registered association located at the Department of Political Science at the University of Heidelberg. Since 1991 the HIIK has been committed to the distribution of knowledge about the emergence, course and settlement of interstate and intrastate political conflicts. The *Conflict Barometer* has been published since 1992 and is an annual analysis of the global conflict events and the main publication of the HIIK. It covers non-violent and violent crises, wars, coup d'états as well as peace negotiations. (Source: HIIK)
9. Taken from the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*

A2.4 Process

Where the company assesses that the area where the mine is located is 'conflict-affected or high-risk' in line with the guidance above, the next consideration is the **Company Assessment**, set out in Part B.

Where the company assesses that the area where the mine is located is not 'conflict-affected or high-risk', in line with the guidance above, the next consideration is whether the gold or gold-bearing material is transported through any areas considered to be 'conflict-affected or high-risk' while under the custody of the company. Where this is the case, the next consideration is the **Commodity Assessment**, set out in Part C.

Where the company assesses that neither the area where the mine is located, nor any areas through which the gold or gold-bearing material is transported while in the custody of the company, is considered to be 'conflict-affected or high-risk' in line with the guidance above, the next consideration is **Externally Sourced Gold**, set out in Part D.

A2.5 Assessment

The assessment should be undertaken using the process set out in Section A2.4 and against the criterion defined in Section A2.3.

There should be regular monitoring of whether an area is 'conflict-affected or high-risk', in line with the provisions of Principle 23 of the UN *Guiding Principles on Business and Human Rights*. The assessment should be in writing and undertaken at least annually. It should be noted that, at present, the Heidelberg *Conflict Barometer* is only reviewed annually. Recognising that conditions may change rapidly, companies should continue to exercise due diligence and take appropriate action if there is reasonable cause to believe that the area could be considered to be 'conflict-affected or high-risk'.

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 A1.5, and A2.5. 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 shares the information with the external assurance provider
- 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 shares the reasons behind the selection of this information with the external assurance provider.

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 - Company Assessment 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 a withdrawal of investment or termination of operations and employment may destabilise an already fragile environment. In such cases, it is important that companies are encouraged to continue operating if they are able to demonstrate that the gold they produce does not cause, support or benefit unlawful armed conflict, nor contribute to human rights abuses or breaches of international humanitarian law. The Company Assessment is not required if it is determined in Part A – Conflict Assessment – that the gold or gold-bearing material is not being extracted in a 'conflict-affected or high-risk' area.

Equally, there are companies that do not meet internationally accepted norms of business practice and by their activities and behaviour may complicate, or exploit, already difficult situations in countries or areas with weak governance. These companies will not conform with the Standard.

Part B 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 minerals 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:

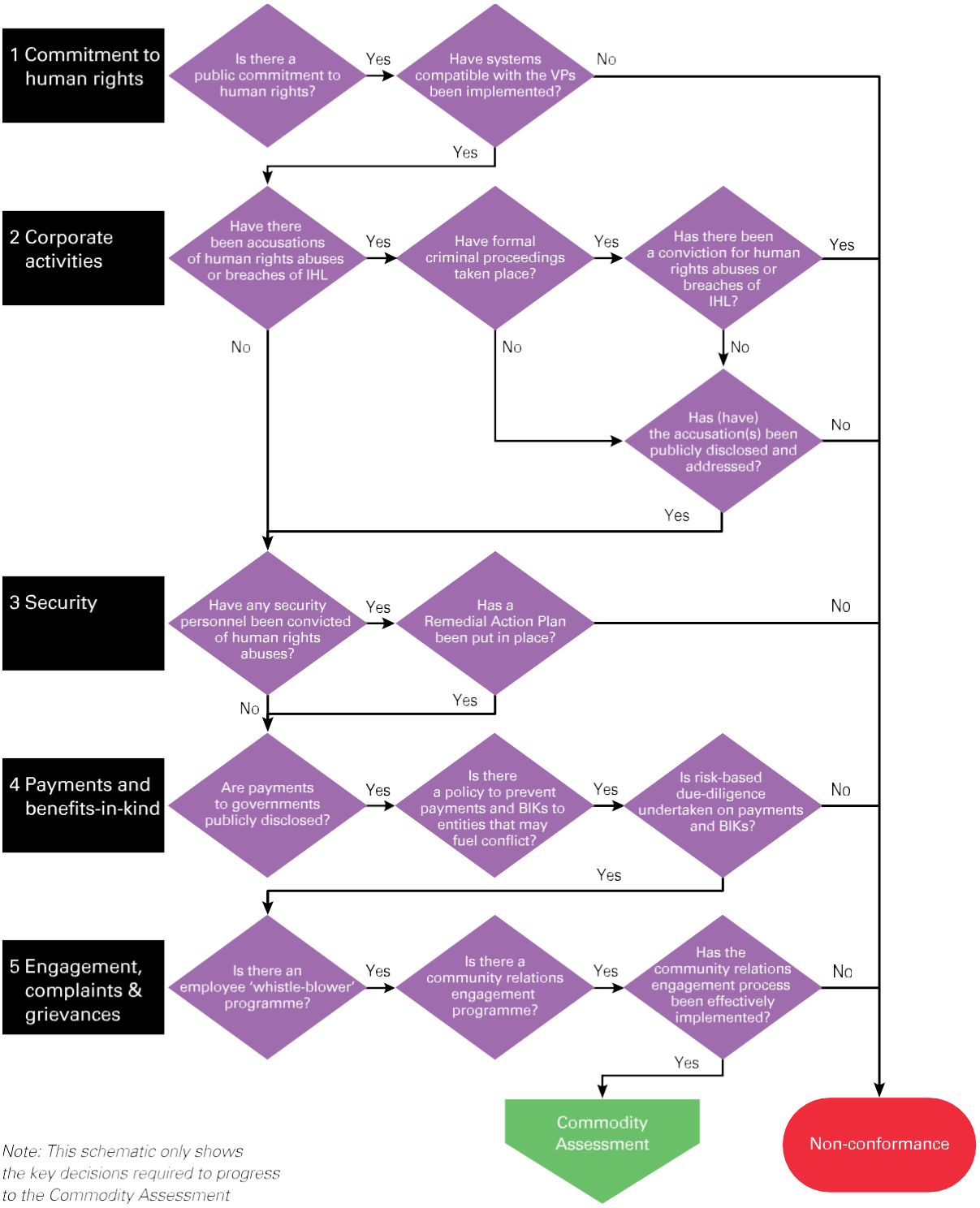
1 Commitment to human rights

2. Corporate activities

3. Security

4. Payments and benefits-in-kind

5. Engagement, complaints and grievances.



Note: This schematic only shows the key decisions required to progress to the Commodity Assessment

Company Assessment - Overview

B1 Commitment to human rights

B1.1 Introduction

A company's commitment to respect human rights and international humanitarian law may be 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 and international humanitarian law 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, seek to prevent and address actual or potential adverse impacts and to ensure that they respect human rights and do not cause, support or benefit unlawful armed conflict, or contribute to serious human rights abuses or breaches of international humanitarian law.

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

> Public commitments and other supporting documentation made by a company (or individual mine) to protect human rights, conform with international humanitarian law and notcause, support or benefit unlawful armed conflict.

B1.2 Reference sources

The principal references in relation to **Commitment to Human Rights** are:

- UN Global Compact – Company Communication on Progress
- 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
- Guidance produced by labour organisations and non-governmental organisations on human rights policies.

B1.3 Criterion

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

> Gold produced by companies that publicly commit to: not supporting unlawful armed conflict, respecting human rights and international humanitarian law, including not tolerating exploitative child labour and, in addition, implement the Voluntary Principles on Security and HumanRights (even if they are not participants in the Voluntary Principles international plenary) or implement systems consistent with the Voluntary Principles.

B1.4 Process

Where the company operating the mine:

- has a suitably evidenced publicly available statement on not supporting unlawful armed conflict, respecting human rights and not tolerating exploitative child labour
- implements the *Voluntary Principles on Security and Human Rights* or systems consistent with the requirements of the Voluntary Principles

the next consideration is in **Corporate Activities** (Section B2).

It is suggested that a company's human rights policy should be informed by Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*.

For the purposes of this Standard, assurance in regard to implementation of the Voluntary Principles, or systems consistent with the requirements of the Voluntary Principles, should be made on the basis of conformance with the activities identified in the Reporting Guidelines of the Voluntary Principles.

Where the assessment concludes that this is not the case, the mine is considered to be in **Non-conformance**.

B1.5 Assessment

The assessment should be undertaken using the process set out in Section B1.4 and against the criterion defined in Section B1.3.

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.

B2 Corporate activities

B2.1 Introduction

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

If a company identifies a risk of causing or contributing to a serious human rights abuse or breaches of international humanitarian law (or identifies past or ongoing company involvement in serious human rights abuses or breaches of international humanitarian law), then it should take appropriate steps to cease or prevent this from occurring, including

undertaking a review and initiating remedial measures.

Companies should take appropriate steps to prevent serious human rights abuses and breaches of international humanitarian law even where they have not contributed to abuses but where it is nevertheless directly linked to their operations, products or services by a business relationship. If a company identifies the potential risk of serious human rights abuses or breaches of international humanitarian law, due to their own actions or others, they should take appropriate actions, including alerting government authorities.

Most legal systems 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 or breaches of international humanitarian law 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 breaches of international humanitarian law has been laid against a company, the company should publicly disclose the fact of the charge but complete the assessment on the basis of being innocent until the appropriate court or tribunal arrives at a final judgement.

It is recognised, however, that formal criminal proceedings may not be taken against a company in all instances. 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 is subject to a civil suit based on such allegations, then it should undertake a review and, if the circumstances and evidence support it, initiate any remedial measures which may be required.

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

Corporate activities are undertaken with due regard tohuman rights considerations

B2.2 Reference sources

The principal references in relation to **Corporate Activities** are:

- Company Annual/Sustainable Development/Corporate Social Responsibility Reports, company website
- Voluntary Principles on Security and Human Rights
- UN Guiding Principles on Business 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
- Business and Human Rights Resource Centre website.

B2.3 Criterion

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

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, if suchabuses are believed to be occurring.

B2.4 Process

Where the mining operation is not subject to any credible allegations of serious human rights abuses or breaches of humanitarian law and has used its influence to seek to prevent abuses being committed by others in the vicinity of its operations, if such abuses are occurring, the next consideration is **Security** (Section B3).

Where the mining operation is subject to credible allegations of serious human rights abuses or breaches of international humanitarian law and:

1. Formal proceedings or investigations have **not** taken place (e.g. before a court or tribunal) and the mining operation has publicly addressed the concerns raised, and has used its influence to prevent abuses being committed by others in the vicinity of its operations, if such abuses are occurring, the next consideration is **Security** (Section B3)

or

2. Formal proceedings or investigations have taken place (e.g. before a court or tribunal) and the mining operation has **not** been found culpable or received a conviction for serious human rights abuses or breaches of international humanitarian law and has publicly disclosed and addressed the concerns raised and has used its influence to prevent abuses being committed by others in the vicinity of its operations, if such abuses are occurring, the next consideration is **Security** (Section B3)

or

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

- Where it has put in place sufficient remedial measures, related to matters under its direct control, to prevent a recurrence and publicly responded to allegations of serious abuses of human rights or breaches of international humanitarian law committed by third parties, and used its influence to ensure that such activities are not repeated, the next consideration is **Security** (Section B3)
- Where the mining operation 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 or breaches of international humanitarian law committed by third parties, or **not** used its influence to ensure that such activities are not repeated, it is likely to be considered as giving tacit support to the abuse. Where the assessment concludes that this is the case, the mine is considered to be in **Non-conformance**.

B2.5 Assessment

The assessment should be undertaken using the process set out in Section B2.4 and against the criterion defined in Section B2.3.

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 credible allegations of serious human rights abuses or breaches of international humanitarian law within the area of its operations.

B3 Security

B3.1 Introduction

This section looks at ensuring, as far as possible, that mine security providers or personnel do not cause or contribute to promoting or maintaining conflict in the locality of the mine, including funding or otherwise benefiting armed groups. Gold is a valuable commodity and its inherent value may be a contributing factor to conflict in poor and disadvantaged communities. Where the presence and value of gold at the mine site becomes a potential contributory factor in causing, supporting or benefiting unlawful armed conflict, the way in which a company, and in particular 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 or breaches of international humanitarian law. In addition, it is important that the mining operation, its agents or its security providers do not fund or otherwise benefit armed groups or their supporters

and that the mine operator seeks to use its influence with

public security forces acting in the immediate vicinity of the mine, to ensure that they observe applicable human rights and international humanitarian law. The provisions of the Voluntary Principles on Security and Human Rights may be used by companies to assist in this aim.

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

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

B3.2 Reference sources

The principal references in relation to **Security** are:

- Voluntary Principles on Security and Human Rights and the Implementation Manual
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- Transparency International – Bribe Payers and Corruption Perceptions Indices
- International Alert Conflict Sensitive Business Practices
- Global Reporting Initiative Mining Supplement
- Montreux Document on Private Military and Security Companies
- Company Annual/Sustainable Development/Corporate Social Responsibility Reports.

B3.3 Criteria

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

Gold should be produced from a mine where the personnel providing security have not been credibly accused of humanrights abuses; where the mine has not financed or provided benefits to armed private groups who have committed or been credibly accused of human rights abuses; and where the mine has sought to use its influence with public security forces acting in the vicinity of the mine to ensure that they observe human rights and international humanitarian law and the rule of law.

B3.4 Process

Where:

- for Private Security Providers, the provider has not been found responsible, convicted or credibly implicated, in the previous two years, of committing or aiding or abetting serious human rights abuses or breaches of international humanitarian law in the country in which the mine is located, and
- for Private Security Providers, the security personnel providing security to the mine have not been found responsible, convicted or credibly implicated, in the previous two years, of committing or aiding or abetting serious human rights abuses or breaches of international humanitarian law in any country,
- for Public Security Providers, the company has exerted reasonable good faith efforts to establish whether the individuals providing security to the mine have not been found responsible, convicted or credibly implicated, in the previous two years, of committing or aiding or abetting serious human rights abuses or breaches of international humanitarian law,

the next consideration is in **Payments and Benefits-in-Kind** (Section B4).

Where:

- for Private Security Providers, the security provider or contracted personnel have been found responsible, convicted or credibly implicated in the previous two years of committing, or of aiding or abetting, serious human rights abuses or breaches of international humanitarian law, 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 B4),
- for Public Security Providers, individuals providing security to the mine have been found responsible, convicted or credibly implicated, in the previous two years, of committing or of aiding or abetting serious human rights abuses or breaches of international humanitarian law, but the mine has used its influence to ensure that such personnel are removed from involvement in providing security to the mine, the next consideration is in **Payments and Benefits-in-Kind** (Section B4).

Where:

- for Private Security Providers, the security provider or contracted personnel have been found responsible, convicted or credibly accused in the past two years of committing, or of aiding or abetting, serious human rights abuses or breaches of international humanitarian law, but a Remedial Action Plan has not been put in place or there is no evidence that such a plan is effective, the assessment concludes that the mine is considered to be in **Non-conformance**.
- for Public Security Providers, individuals providing security to the mine have been found responsible, convicted or credibly implicated in the previous two years' of committing, or of aiding or abetting, serious human rights abuses or breaches of international humanitarian law but the mine has not used its best endeavours to ensure that such personnel are removed from involvement in providing security to the mine, the assessment concludes that the mine is considered to be in **Non-conformance**.

B3.5 Assessment

The assessment should be undertaken using the process set out in Section B3.4 and against the criteria defined in Section B3.3.

Due diligence in this area should be ongoing, drawing on a range of sources. A formal assessment should be undertaken at least annually, or if there are credible reports providing evidence about the role of the security force in serious human rights abuses or breaches of international humanitarian law.

B4 Payments and benefits-in-kind

B4.1 Introduction

The aim of this section is to demonstrate that the company:

i) acts transparently in making payments to governments and government entities

ii) is committed to not making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law

iii) undertakes risk-based due diligence to mitigate against the risk of making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law.

Public disclosure of payments to government should be in line with instruments that specifically address transparency of payments considerations, such as the EITI, authoritative national legislation or authoritative guidance including the OECD *Supplement on Gold*.

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

The company makes appropriate public disclosure regarding financial payments to governments and government entities, is committed to not making payments or providing benefits- in-kind to non-government entities that cause, support or benefit unlawful armed conflict and undertakes risk-based due diligence to mitigate against making payments or providing benefits-in-kind to such non-government entities.

B4.2 Reference sources

The principal references in relation to **Payments and Benefits-in-Kind** are:

- Voluntary Principles on Security and Human Rights
- Extractive Industries Transparency Initiative
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Gold
- IFC Performance Standards
- Foreign Corrupt Practices Act and equivalent authoritative national legislation
- Transparency International Corruption Index
- UN Convention Against Bribery
- Company Annual/Sustainable Development/Corporate Social Responsibility Reports (for information about payments made to the Government and other official bodies, including taxes).

B4.3 Criteria

The criteria in relation to **Payments and Benefits-in-Kind** are defined as:

- Appropriate public disclosures are made regarding financial payments to governments and governmententities, unless such disclosure is prohibited by law or contract
- The company has a policy which demonstrates its commitment to not making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contributeto serious human rights abuses or breaches of international humanitarian law
- The company undertakes risk-based due diligence to mitigate against making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contributeto serious human rights abuses or breaches of international humanitarian law.

B4.4 Process

Where the company:

- has publicly disclosed payments to government in the country in question (where such disclosure is not prohibited by law or contract), and
- has a policy in place which demonstrates its commitment to not making payments or providing benefits-in-kind to non-government entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law, and
- has a policy in place designed to prevent bribery and extortion and has internal procedures to be followed in case the policy is breached, and
- undertakes risk-based due diligence to mitigate against making payments or providing benefits-in-kind to non-governmental entities that cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law,

the next consideration is in **Engagement, Complaints and Grievances** (Section B5).

Where this is not the case, the assessment concludes that the mine is considered to be in **Non-conformance**.

For the purposes of this Standard, the level of disclosure of payments to government in the country in question should be in line with instruments that specifically address transparency of payments considerations, such as the EITI, authoritative national legislation or authoritative guidance including the OECD *Supplement on Gold*. Due consideration should also be given to security concerns in making these disclosures. Where disclosure of payments to governments is prohibited by law or contract, the company should publicly disclose that this is the case.

Companies should use their best endeavours to avoid payments to public security forces except where the basis for such payments is clear and within the framework of law, and should seek to maintain their contacts with such security forces within formal channels.

B4.5 Assessment

The assessment should be undertaken using the process set out in Section B4.4 and against the criteria defined in section B4.3.

It should be noted in respect of the public disclosure referred to in this section, the company may rely on disclosure(s) that it has made for other purposes and the Standard does not necessarily require any additional disclosure.

Due diligence should be ongoing in areas assessed to be 'conflict-affected and high-risk'. The formal assessment should be undertaken at least annually.

B5 Engagement, complaints and grievances

B5.1 Introduction

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

Engagement with employees, contractors and communities in areas assessed to be 'conflict-affected or high-risk' is a fundamental element in ensuring that a mine understands its impacts and the dynamics between elements in a community or communities and their relevance to an actual or potential armed conflict situation. In their engagement activities, companies should seek to include traditionally marginalised groups such as women, young people and indigenous peoples. Engagement plans should, where appropriate, include interactions with artisanal and small-scale miners, including assessing the extent to which they and their activities may be considered 'legitimate', through seeking to behave in good faith and to seek formalisation.

Grievance mechanisms (for both employees and the community) may be a source of information for the identification of any adverse human rights impacts associated with an operation and should form part of ongoing human rights due diligence and, once identified, should enable a grievance to be addressed and remedied in a timely, transparent, accessible and equitable fashion. 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.

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

A mine that regularly engages with its employees, contractors and local stakeholders with a view to understanding their concerns, including the security contextfor its operations and its effects, and provides appropriate mechanisms through which employees, contractors and those affected by the mine's operations can raise concerns about the mine's operations and provides a means of resolving such concerns or grievances.

B5.2 Reference sources

The principal references in relation to **Engagement, Complaints and Grievances** are:

- UN Guiding Principles on Business and Human Rights (specifically Principles 29, 30 and 31)
- Public statements made at the mine level, including the process by which communities can raise issues of concern and have access to remedies
- Policies, programmes and management systems for community relations, community engagement, community development and social impact assessment.

B5.3 Criteria

The criteria in relation to **Engagement, Complaints and Grievances** are defined as:

- 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 seeks to ensure that employeesraising concerns in good faith will not face retaliation orbe victimised
- Gold produced from a mine that engages regularly with local stakeholders with a view to understanding their concerns and maintains a grievance process through which those affected by the mine's operations can raiseconcerns and seek an effective and timely remedy for such concerns.

B5.4 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 grievance process through which employees, workers at mine-site and those affected by the mine's operations can raise concerns about the mine's activities, the assessment concludes that the mine is considered to be in **Non-conformance**.

Where a mine has a whistle-blower programme in place, does have a process for the identification of and engagement with local stakeholders and has provided a grievance process through which those affected by the mine's operations can raise concerns about the mine's 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 concludes that the mine is considered to be in **Non-conformance**.

It should be noted that the process for identification of local stakeholders should include processes for identifying minority or historically marginalised groups, including, amongst others, women, youth and indigenous peoples.

B5.5 Assessment

The assessment should be undertaken using the process set out in Section B5.4 and against the criteria defined in Section B5.3.

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

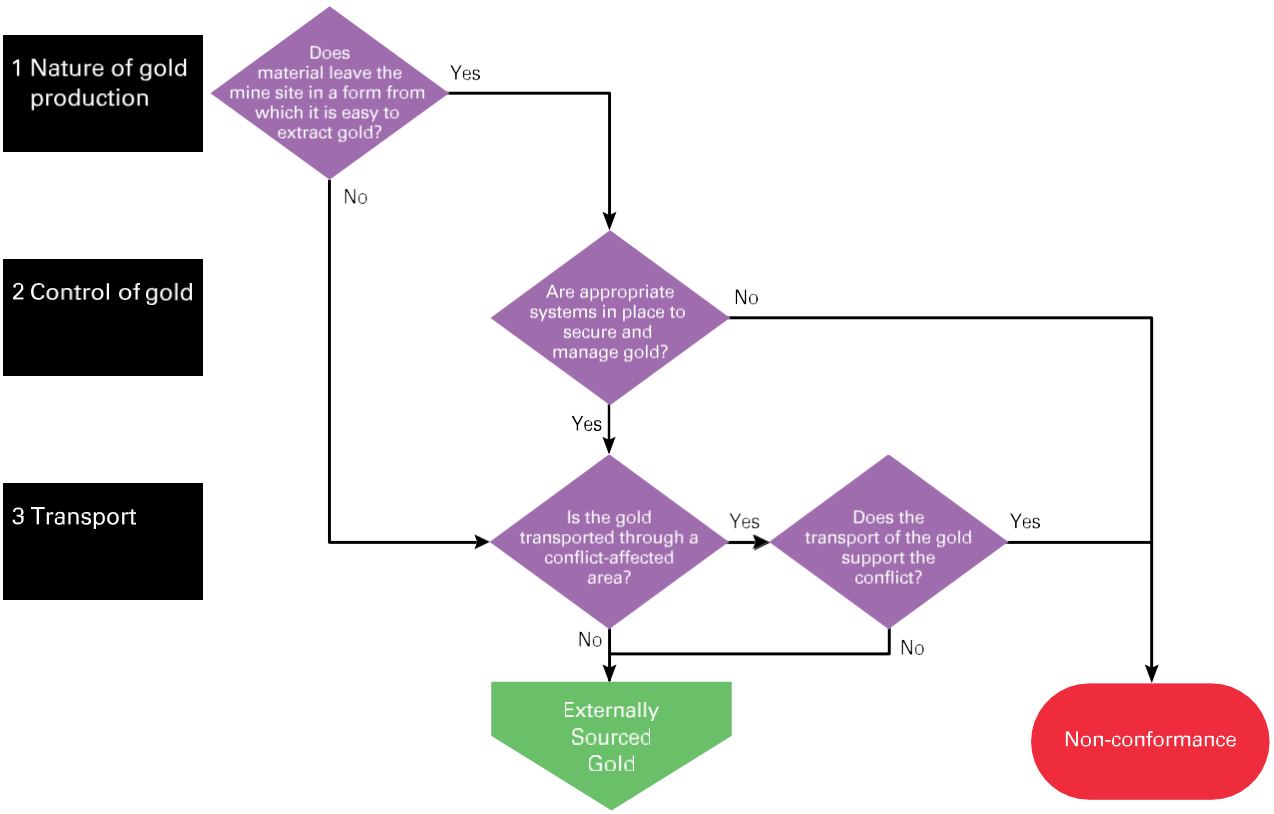
This Standard is based on a decision-making process, where the decision is arrived at with reference to a number of criteria and information made available to the public by reputable independent bodies, or placed in the public domain by the company itself.

It is for the company to review the assessment in line with the guidance provided in Sections B1.5, B2.5, B3.5, B4.5 and B5.5. 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
- IFC Performance Standards
- Trade union representations and publications.



Part C – Commodity Assessment

Overview

Part C - Commodity Assessment relates to the handling ofthe 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. The Commodity Assessment is not required if it is determined in Part A – Conflict Assessment, that the gold or gold-bearing material is not extracted in a 'conflict-affected or high-risk' area, unless the gold is transported through such an area while under the custody of the company and therefore carries a risk of being made subject to extortion or illegal 'taxation' by armed groups.

Commodity Assessment - Overview

Note: This schematic only shows the key decisions required to progress to Externally Sourced Gold

C1 Nature of gold production

C1.1 Introduction

The Commodity Assessment is intended to assess the risk that the gold production may directly cause, support or benefit unlawful armed conflict, or contribute to serious human rights abuses or breaches of international humanitarian law.

At many mines, significant processing takes place to extract and purify the gold from the surrounding material. This purification process 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 on or near the mine site. 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 relatively low grade and is a visually indistinguishable component of the bulk material and the gold requires significant, capital-intensive processing to extract it from the bulk material. As such, this gold does not constitute a potential source of financing for unlawful armed groups or others without access to dedicated, specialised equipment.

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

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

> The nature of gold-bearing material which leaves the mine site and the consequent further processing that is requiredto extract gold.

C1.2 Reference sources

The principal reference in relation to the **Nature of Gold Production** is:

- Information related to the mine, including the grade and type of ore produced at the mine.

C1.3 Criterion

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

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

C1.4 Process

Where the mining operation can demonstrate that all gold-bearing material leaving the mine-site cannot be easily processed into gold, the next consideration is **Transport** (Section C3).

Where the mining operation 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 C2) 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 C2).

C1.5 Assessment

The assessment should be undertaken using the process set out in Section C1.4 and against the criterion defined in Section C1.3.

C2 Control of gold at the operation

C2.1 Introduction

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

The aim of this section is to ensure that the security and management of any gold or gold-bearing material within the mine's area of control is well documented before it leaves the site. It is expected that the company operating the mine will have management systems in place to secure and track the flow of gold and gold-bearing material within the mine's area of control.

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

The rigour with which gold or gold-bearing material is secured and managed within the mine's area of control.

C2.2 Reference sources

The principal reference in relation to **Control of Gold at the Operation** is:

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

C2.3 Criteria

The criteria in relation to **Control of Gold at the Operation** are defined as:

Appropriate security and management systems are in place to:
(i) track the flow of gold and gold-bearing material within themine's area of control, and
(ii) minimize the risk or incidence of illegal addition or theftof gold and gold-bearing material.

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.

C2.4 Process

The main consideration is whether the controls related to **Control of Gold at the Operation** include the mining operation having robust management systems, processes and internal controls in place to secure and track the flow of gold and gold-bearing material within the mine's area of control. As part of this process, the mining operation 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 and ensure that documented security controls are in place and a process to review and provide assurance that these controls are functioning. Where a mine is operating in an area assessed to be 'conflict-affected or high-risk', it should consider any credible evidence of significant theft of gold or gold-bearing materials being used to finance unlawful armed conflict and take appropriate mitigation measures.

Specific management systems that should be in place should include:

- Traceability systems that map the flow of gold and gold-bearing material from point of origin to point of dispatch
- Reference systems able to uniquely identify each batch of gold that leaves the mine's area of control and imprint that reference number in such a way that tampering or removal will be evident.

Where the mining operation has sufficiently robust management systems in place to secure and track the flow of gold and gold-bearing material within the mine's area of control, the next consideration is **Transport** (Section C3).

Where the mining operation does not have sufficiently robust management systems in place to secure and track the flow of gold and gold-bearing material within the mine's area of control, the assessment concludes that the mine is considered to be in **Non-conformance**.

C2.5 Assessment

The assessment should be undertaken using the process set out in Section C2.4 and against the criteria defined in Section C2.3.

C3 Transport

C3.1 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 relatively straightforward, 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 provides steps refiners must take to avoid money laundering, 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 known parties (or under the control of known parties) to any unlawful armed conflict or serious human rights abuses or breaches of international humanitarian law.

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

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

C3.2 Reference sources

The principal references in relation to Transport 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)
- LBMA Responsible Gold Guidance.

C3.3 Criteria

The criteria in relation to **Transport** are defined as:

- Mining operations should undertake due diligence on intermediaries who transport their gold or gold-bearing material
- Gold and gold-bearing material transported from the mine's area of control should have an 'Integrity of Shipment' process in place to ensure that the same gold and gold-bearing material that is shipped from the mine's area of control is that which arrives at the end location andany discrepancies are identified and investigated
- Gold and gold-bearing material meeting the *Conflict-FreeGold Standard* is segregated from gold and gold-bearingmaterial that does not meet the Standard throughout its transport between the mine and the refinery.

C3.4 Process

Where the company itself does not transport the gold or gold-bearing material from the mine's area of control to the refiner (or next participant in the chain of custody), the company should undertake due diligence on the transport provider to assess whether they are involved or implicated in causing, supporting or benefiting unlawful armed conflict or contributing to serious human rights abuses or breaches of international laws. As part of this due diligence undertaking, the company should:

- identify the ownership and related businesses, verify the identity of the company, check government watch list information and identify any affiliation of the company with the government, political parties, the military, criminal networks or non-state armed groups, in line with the OECD *Gold Supplement*
- obtain assurances from the transport provider that they have put in place appropriate risk management systems to avoid causing, supporting or benefiting unlawful armed conflict, for example, using the OECD Guidance.

Where the company operating the mine retains ownership of the gold or gold-bearing material leaving the mine's area of control to the refiner (or next participant in the chain of custody), the company must ensure that an Integrity of Shipment is in place that assures that gold material that leaves the mine's area of control arrives at the receiving location intact. Where the gold or gold-bearing material does not arrive intact, an investigation must be conducted to assess whether the gold or gold-bearing material caused, supported or benefited unlawful armed conflict en-route from the mine's area of control to the refiner (or alternative next participant in the chain of custody).

Where all intermediaries are deemed to have appropriate risk management systems in place or an Integrity of Shipment process is in place when intermediaries are not involved, and all gold and gold-bearing material that conforms with the Standard is segregated from that which does not, the next consideration is whether the mining operation has **Externally Sourced Gold**, in Part D.

Where the company operating the mine does not transport the gold or gold-bearing material itself from the mine's area of control to the refiner (or next participant in the chain of custody) and any of the intermediaries are deemed to be causing, supporting or benefiting unlawful armed conflict or do not have appropriate risk management systems in place, or the gold and gold-bearing material that conforms with the Standard is not segregated from that which does not, the assessment concludes that the mine is considered to be in **Non-conformance**.

Where the company retains ownership of the gold or gold-bearing material leaving the mine's area of control to the refiner (or next participant in the chain of custody) and does not have Integrity of Shipment processes in place, the assessment concludes that the mine is considered to be in **Non-conformance**.

C3.5 Assessment

The assessment should be undertaken at least annually using the process set out in Section C3.4 and against the criteria defined in Section C3.3.

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 C1.5, C2.5 and C3.5. 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

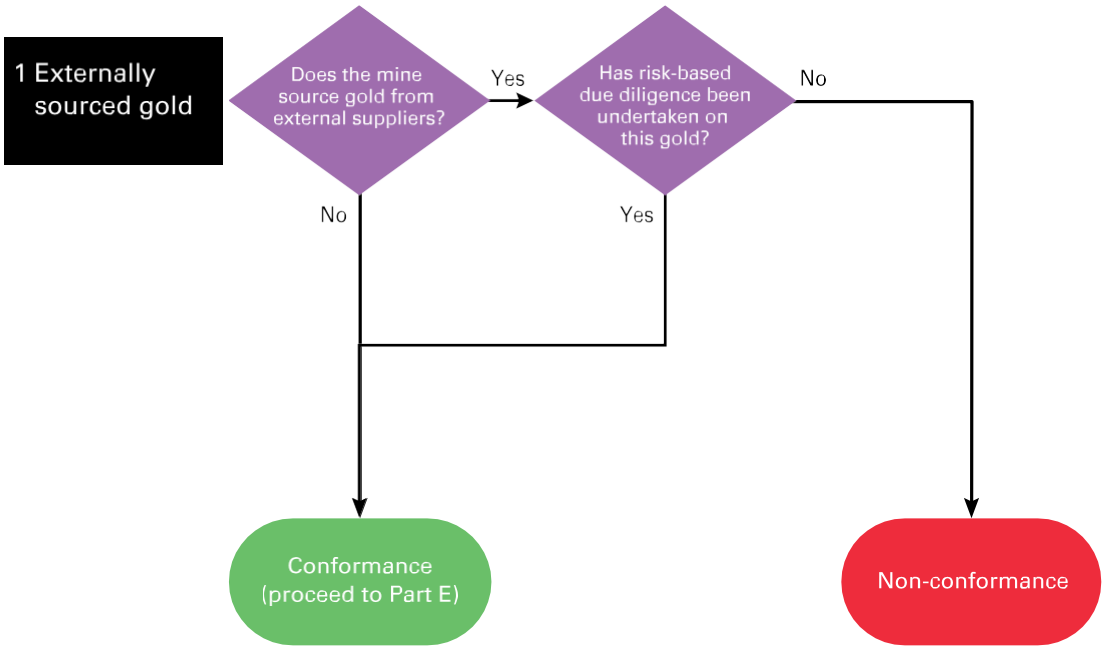
In addition to extracting gold, companies may choose to source gold or gold-bearing material from external suppliers. This is likely to happen in one or more of the follow ways:

- 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
- Treated gold (e.g. toll treating) which is processed with or alongside the mine's gold or gold-bearing material.

Companies sourcing gold or gold-bearing material from external suppliers are required to undertake due diligence to identify and prevent or mitigate any risks of causing, supporting or benefiting unlawful armed conflict, or contributing to serious human rights abuses or breaches of international humanitarian law. Due diligence should aim to ensure that gold from external sources does not contribute to unlawful armed conflict. It should be noted that refiners who adhere to the LBMA Responsible Gold Guidance will have already conducted appropriate due diligence on their gold and gold-bearing material.

Companies sourcing from artisanal or small-scale miners are encouraged to note Appendix 1 to the *OECD Gold Supplement*, which suggests that these companies 'should assist and enable legitimate ASM producers from whom they source to build secure, transparent and verifiable gold supply chains'. Companies who do not source from artisanal or small-scale miners are encouraged to note the suggested measures to encourage the formalisation of ASM operations, including participating in collaborative initiatives with governments, international organisations, donors and civil society organisations for formalisation, the improvement of social and environmental performance and to support responsibly produced, legitimate ASM gold to find routes to market.

Externally Sourced Gold - Overview



Note: This schematic only shows the key decisions required to progress to Management Statement of Conformance

D1 Externally sourced gold

D1.1 Introduction

Conformance with this Standard means that companies accept that they will implement risk-based due diligence procedures to ensure that any third party entity, operating in an area assessed under the Standard to be 'conflict-affected or high-risk', that provides gold or gold-bearing material to the company's operations, will also conform with the principles listed in the Declaration on Mining and Armed Conflict.

Companies sourcing gold or gold-bearing material should undertake risk-based due diligence on their gold suppliers. Due diligence should aim to ensure that gold from external sources does not contribute to unlawful armed conflict, serious human rights abuses or breaches of international humanitarian law.

The company should initially determine whether the gold or gold-bearing material is potentially from a 'conflict-affected or high-risk area', using the process laid out in Part A, Section A2.1 of this Standard to identify such areas. To do so, they should identify the areas where the gold and gold-bearing material comes from and the areas in which this material passes through during its onward transportation. They should also use good faith efforts to identify the presence of any 'red flags' for this material, including considering whether it is claimed to originate from a country that has limited known reserves or stocks or it has been previously refined in a country where gold from 'conflict-affected and high-risk areas' is reasonably suspected to transit.

If the initial due diligence reasonably determines that there are no links between the gold and gold-bearing material and areas assessed to be 'conflict-affected or high-risk', no further due diligence is required for the purposes of this Standard. If this is not the case, companies should conduct further due diligence in line with the OECD Guidance.

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

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

D1.2 Reference sources

The principal references in relation to **Externally Sourced Gold** 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.

D1.3 Criterion

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

> All externally sourced gold or gold-bearing material should be subject to risk-based due diligence processesaimed at ensuring that externally sourced gold and gold-bearing material has not contributed to unlawful armed conflict, serious human rights abuses or breaches of international humanitarian law.

D1.4 Process

Where the mining operation does not accept externally sourced gold, the mine is considered to be in **Conformance** and the **Management Statement of Conformance** should be produced to this effect.

Where the mining operation does accept externally sourced gold and due diligence is not undertaken in assessing the links between this gold and gold-bearing material and areas assessed to be 'conflict-affected or high-risk, the assessment concludes that the mine is considered to be in **Non-conformance**.

Where the mining operation does accept externally sourced gold and initial due diligence is undertaken and it reasonably determines that there are no links between the gold and gold-bearing material and areas assessed to be 'conflict-affected or high-risk', no further due diligence is required for the purposes of this Standard and the mine is considered to be in **Conformance** and the **Management Statement of Conformance** should be produced to this effect.

If the initial due diligence reasonably determines that there may be links between the gold and gold-bearing material and areas assessed to be 'conflict-affected or high-risk' and companies have conducted further due diligence in line with the OECD Guidance, the mine is considered to be in **Conformance** and the **Management Statement of Conformance** should be produced to this effect. Where this is not the case, the the mine is considered to be in **Non-conformance**.

D1.5 Assessment

The assessment should be undertaken using the process and against the criterion set out in section D1.4 and against the criterion defined in section D1.3.

The assessment should be undertaken at least annually.

Part E – Management Statement of Conformance

Overview

In order to maintain the integrity of the supply chain, implementing companies need to provide a statement expressing management's view that the company has the appropriate systems and processes in place to ensure that all gold and gold-bearing material leaving the mine's area of control is produced in conformance with this Standard.

The Management Statement of Conformance can either be a document that covers gold and gold-bearing material dispatched from a mine over a period of time (and which is updated as and when circumstances change) or documentation attached to each dispatch of gold and gold-bearing material (e.g. on waybills or invoices).

Suggested language
The following is suggested language for a Management Statement of Conformance:

{Mine company name} confirms, to the best of our knowledge, that the gold or gold-bearing material has been produced by [XX] mine, which has the appropriate systems and controls in place to conform with the World Gold Council's Conflict-Free Gold Standard. The company's latest Conflict-Free Gold Report relatesto the twelve months ended [xx] and was subject to independent assurance. The Conflict-Free Gold Report and the independent assurance report can be viewed at [xx]. Nothing has come to our attention to indicate any non-conformance since that date.

This Statement of Conformance is provided by {Mine company name} as part of the conformance requirements for the World Gold Council's Conflict-Free Gold Standard and in order to provide a good faith representation to the next participant in thechain of custody.

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

For the purposes of this Standard, **Management Statement of Conformance** documentation is defined as:

Documentation expressing management's belief that the company operating the mine has the appropriate systems and processes in place to ensure that all gold and gold-bearing material leaving the mine's area of control is being dispatched in conformance with the Standard.

E1.1 Reference sources
Not applicable.

E1.2 Criterion
The criterion in relation to **Management Statement of Conformance** documentation is:

Where management believes that the mine has the appropriate systems and processes in place to ensure thatall gold or gold-bearing material leaving the mine's area of control is being dispatched in conformance with this Standard, documentation should be in place to this effect.
This documentation can either be a 'standing arrangement' (which is updated as and when circumstances change)
or attached to each individual dispatch of gold and gold-bearing material.

E1.3 Process
Where the company operating the mine believes it has the appropriate systems and processes in place to ensure that all gold or gold-bearing material leaving the mine's area of control is being dispatched in conformance with this Standard, and provides documentation to this effect to the next participant in the chain of custody, the mine is considered to be in **Conformance**.

Where the company believes it has the appropriate systems and processes in place to ensure that all gold or gold-bearing material leaving the mine's area of control is being dispatched in conformance with this Standard, but does not provide documentation to this effect to the next participant in the chain of custody, the assessment concludes that the mine is considered to be in **Non-conformance**.

Where the company does not believe that it has the appropriate systems and processes in place to ensure that all gold or gold-bearing material leaving the mine's area of control is being dispatched in conformance with this Standard, the assessment concludes that the mine is considered to be in **Non-conformance**.

E1.4 Assessment
The assessment should be undertaken using the process and against the criterion set out above.

The assessment should be undertaken at least annually.

Framework to address Deviations from Conformance

Deviations from Conformance withthe Standard

Where the company adopts a Remedial Action Plan
In the event that a mining operation does not adhere to one or more of the Standard's assessment criteria (aside from minor/ administrative issues which are addressed in the section below), it is considered to be in Deviation from Conformance with the Standard. Notwithstanding the occurrence of a Deviation from Conformance, a mining operation can remain in conformance with the Standard if it creates and adopts a Remedial Action Plan as set out below.

The Remedial Action Plan should include the following elements:

- a description of the Deviation from Conformance
- corrective action to be taken by the company
- identification of responsible parties for corrective action
- estimated timeframes for implementation, and
- such other matters as the company deems appropriate.

The Remedial Action Plan must be created and action commenced as soon as is practicable, and at most, within 90 days of management becoming aware of the Deviation from Conformance with the Standard.

In addition to adopting the Remedial Action Plan, the company operating the mine must also notify the next participant in the chain of custody of the Deviation from Conformance and the adoption of the Remedial Action Plan. During the company's assurance review, the company shall provide its assurance provider with a copy of the Remedial Action Plan (which may be redacted if deemed necessary by the company to protect any particularly sensitive information, such as security concerns). The company may choose to revise its Remedial Action Plan while corrective actions are ongoing to reflect current information.

The company's Conflict-Free Gold Report should include a reference to the existence of a Deviation from Conformance and state that there is a Remedial Action Plan in place to address it.

When the Remedial Action Plan has been completed or the Deviation from Conformance is remedied, notice shall be provided by the company to the assurance provider and the next participant in the chain of custody.

In the event that the company concludes it will not be able to address the Deviation from Conformance with the Standard through its Remedial Action Plan (whether revised or not) or if a period of six months has passed since the adoption of the Remedial Action Plan and the Deviation from Conformance continues substantively unabated, the mine will be deemed to be in non-conformance with the Standard and gold or gold-bearing material from the mine that has the Deviation from Conformance must be specified as non-conforming.

Where the company declines to adopt a Remedial Action Plan
In the event that the company operating the mine believes it cannot address a Deviation from Conformance through a Remedial Action Plan and chooses not to create a Remedial Action Plan in respect of a Deviation from Conformance, the mine will immediately be deemed to be in non-conformance with the Standard and gold or gold-bearing material dispatched from the mine that has the Deviation from Conformance must be specified as non-conforming.

The company must also promptly notify the next participant in the chain of custody of the Deviation from Conformance and its decision not to adopt a Remedial Action Plan. The company is not permitted to use the Management Statement of Conformance in Part E of the Standard for gold or gold-bearing material being dispatched from the mine in question.

The company may chose to implement a Remedial Action Plan at a later date in respect of the Deviation from Conformance but the relevant gold or gold-bearing material from the mine in question will not be deemed to be in conformance with the Standard until the Deviation from Conformance is actually remedied.

Where the company recognises that a Remedial Action Plan is insufficient
When a situation has arisen that blatantly contravenes both the letter and spirit of the Standard, such as an operation being found to be implicated in funding unlawful armed groups credibly implicated in serious human rights abuses or breaches of international humanitarian law, the company may recognise that a Remedial Action Plan may not be sufficient to redress the actions taken.

Non-conformance

As noted above, a mine may be considered as being in non-conformance with the *Conflict-Free Gold Standard* when the company operating the mine:

- adopts a Remedial Action Plan but fails to implement and complete this Remedial Action Plan in a timely manner, or
- declines to adopt a Remedial Action Plan
- recognises that a Remedial Action Plan is insufficient.

In such situations, the company operating the mine should publicly report that the mine is in non-conformance with the Standard for that period for the operation(s) concerned. The company is no longer permitted to provide a Management Statement of Conformance declaring management's view that the gold from that mine conforms with the Standard. The company must also promptly notify the next participant in the chain of custody of the non-conformance.

In a situation where there is a Deviation from Conformance that cannot be sufficiently addressed through a Remedial Action Plan, or the company chooses not to do so, and where the next participant in the chain of custody declines to accept the gold or gold-bearing material because of the non-conformance, it is for the company to determine what they do with this gold or gold-bearing material and they should document this as part of their evidence pack assembled for external assurance.

Minor and/or administrative Deviations from Conformance with the Standard

In the event of a Deviation from Conformance with the Standard that is minor and/or administrative in nature, there is no need to adopt a Remedial Action Plan in order to remain in conformance with the Standard (although a company may choose to do so). Instead the company should take prompt steps to rectify the Deviation from Conformance on a go-forward basis and notify its assurance provider as to the existence of such a minor and/or administrative Deviation from Conformance and the steps taken to correct the issue. If it is not possible to promptly rectify a minor and/or administrative Deviation from Conformance, the company shall follow the procedures set out in 'Deviations from Conformance with the Standard' regardless of the fact that the relevant Deviation from Conformance is minor and/or administrative.

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