

# Gold Investing from an ESG and Climate Perspective

May 25, 2021

Event Partner



COMMODITY CLUB



# Agenda

Welcome & Introduction

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Speaker Introductions

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Panel discussion on the ESG and climate-related aspects of gold investing

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Live Q&A

Event Partner



COMMODITY CLUB

# Welcome & Introduction

**Peter Sigg**

**President**

**Commodity Club Switzerland**

# Mission of Commodity Club Switzerland



COMMODITY CLUB

—Center of Competence—



*“Responsible solutions is our commodity.”*

Peter Sigg,

Founder and President, Commodity Club Switzerland



- Foster research and education on commodity markets

- Drive transition towards a more responsible resource sector



- Reaches more than 400 commodity experts along commodity value-chain

- Founded in 2011 as a center of competence

**10**  
YEARS



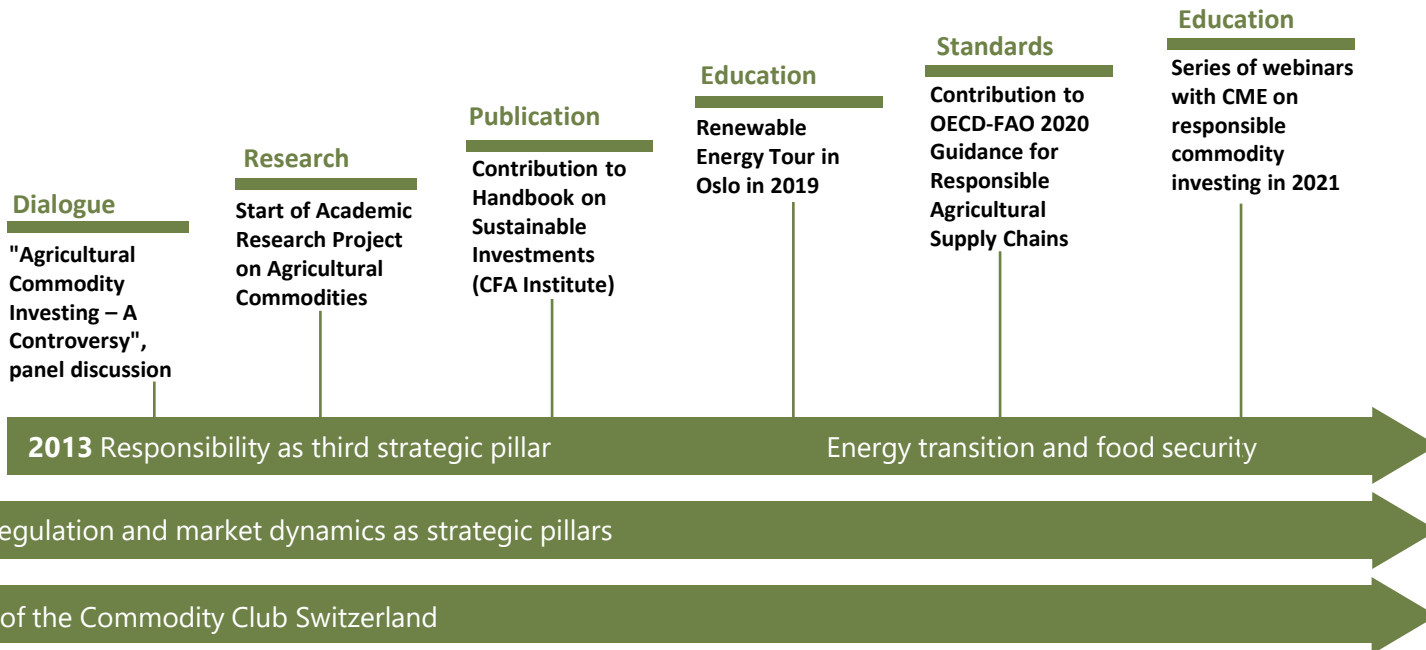
- Goals will be achieved through education, multi-stakeholder dialogue and engaged experts
- Generates impact through evolved standards on investment sector

# Our journey and thematic focus



COMMODITY CLUB

—Center of Competence—



Growing base of  
corporate memberships



Swiss Re



CME Group



Julius Bär



Degussa   
GOLD AND SILVER.

# Contact persons



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**COMMODITY CLUB**  
—Center of Competence—



**Please find more information under:**  
[www.commodityclub.ch](http://www.commodityclub.ch)

# Thomas Hart

Director, Metals Products

CME Group

## Moderator



**Thomas Hart**  
**Director, Metals Products**  
**CME Group**

## Speakers



**Sakhila Mirza**  
**Board Director and General**  
**Counsel**  
**London Bullion Market Association**



**John Mulligan**  
**Director, Market Relations**  
**and Climate Change Lead**  
**The World Gold Council**



# John Mulligan

Director, Market Relations and Climate Change Lead  
The World Gold Council



# Gold Investing from an ESG and Climate Perspective

Responsible sourcing | Socio-economic impacts | Climate risks

John Mulligan, Director of Market Relations & Climate Change Lead

# World Gold Council members

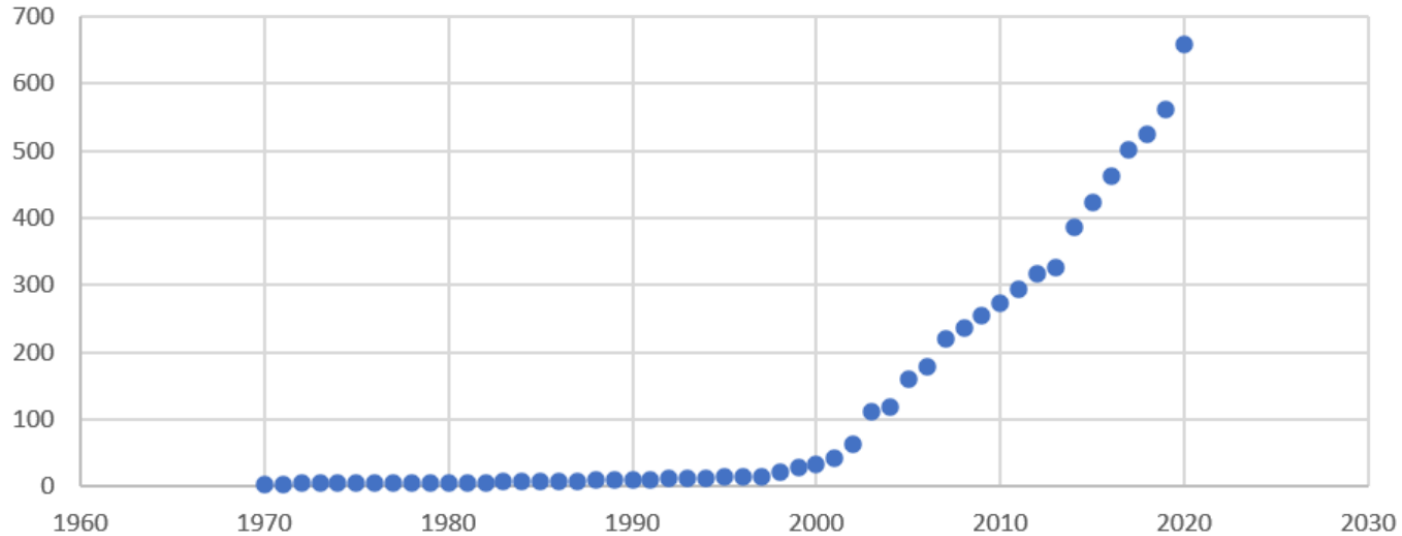
33 companies; 500+ projects; 100+ productive mines; operations in 45+ countries



# ESG – reshaping the investment landscape

## A global trend, still gathering pace

Cumulative number of policy interventions per year (across 84 economies)

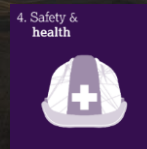


Source: PRI responsible investment regulation database



# Responsible Gold Mining Principles

- A framework which reflects expectations of **responsible gold mining**
- Provides investor and consumer confidence that their gold is **ethically sourced**
- **Developed through consultation** with strong input from civil society, investors, governments and supply chain participants
- Conformance requires full **public disclosure and independent assurance**
- Reflects the **commitment** of the world's leading gold mining companies



# The Principles

10 umbrella Principles; 51 Principles

## Governance

1. Ethical conduct
2. Understanding our impacts
3. Supply chain

## Social

4. Safety & health
5. Human rights & conflict
6. Labour rights
7. Working with communities

## Environment

8. Environmental stewardship
9. Biodiversity, land use & mine closure
10. Water, energy & climate change

## Responsible Gold Mining Principles

### Governance

#### 1. Ethical conduct

- Legal compliance
- Code of conduct
- Combating bribery and corruption
- Political contributions
- Transparency
- Taxes and transfer pricing
- Accountability and reporting

#### 2. Understanding our impacts

- Risk management
- Stakeholder engagement
- Due diligence
- Impact assessment
- Resolving grievances

#### 3. Supply chain

- Supply chain policy
- Local Procurement
- Market access for ASM

### Social

#### 4. Safety and health

- Safety
- Safety management systems
- Occupational health and wellbeing
- Community health and emergency planning

#### 5. Human rights and conflict

- UN Guiding Principles
- Avoiding complicity
- Security and human rights
- Conflict

#### 6. Labour rights

- Wages and benefits
- Preventing discrimination and bullying
- Child and forced labour
- Freedom of association and collective bargaining
- Diversity
- Women and mining
- Raising concerns

#### 7. Working with communities

- Community consultation
- Understanding communities
- Creating local benefits
- Seeking community support
- In-migration
- Indigenous Peoples
- Cultural heritage
- Resettlement

### Environment

#### 8. Environmental stewardship

- Managing environmental impacts
- Tailings and waste management
- Cyanide and hazardous materials
- Mercury
- Noise and dust

#### 9. Biodiversity, land use and mine closure

- Biodiversity
- World Heritage Sites
- Land use and deforestation
- Mine closure

#### 10. Water, energy and climate change

- Water Efficiency
- Water access and quality
- Combating climate change
- Energy efficiency and reporting

# Gold Mining Industry's Contribution to the UN Sustainable Development Goals

## When undertaken responsibly.....

The Responsible Gold Mining Principles provide an over-arching ESG framework which defines responsible gold mining



## ....gold mining contributes significantly to sustained social and economic development

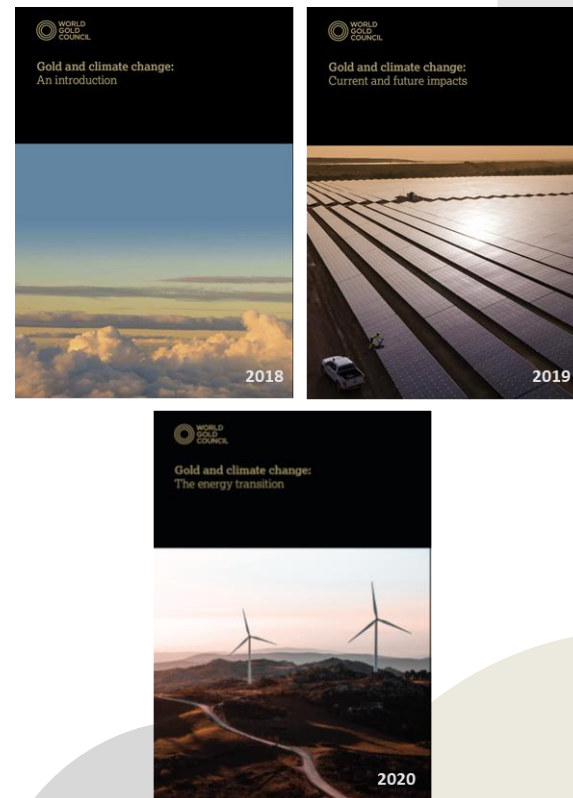
including through employment, infrastructure, healthcare, education, environmental stewardship, and tax and royalty payments to government



# Gold and climate change

## Our work to date

- Quantified **gold's carbon footprint**, including Scope 1, 2, and 3 emissions
- Highlighted **positive actions by gold mining and Member companies** to improve energy efficiency and reduce emissions
- Presented possible (future) **industrial/technological applications** for gold that might contribute to enhanced energy use and emissions reduction
- Outlined an **potential pathway to net zero for gold**, identified as increasingly accessible and cost-effective
- Identified the **practical steps** that gold miners are taking and can take to **decarbonise in line with Paris climate targets**
- Examined how gold might represent a **climate risk mitigation asset** (balancing climate-related risks in investment portfolios)

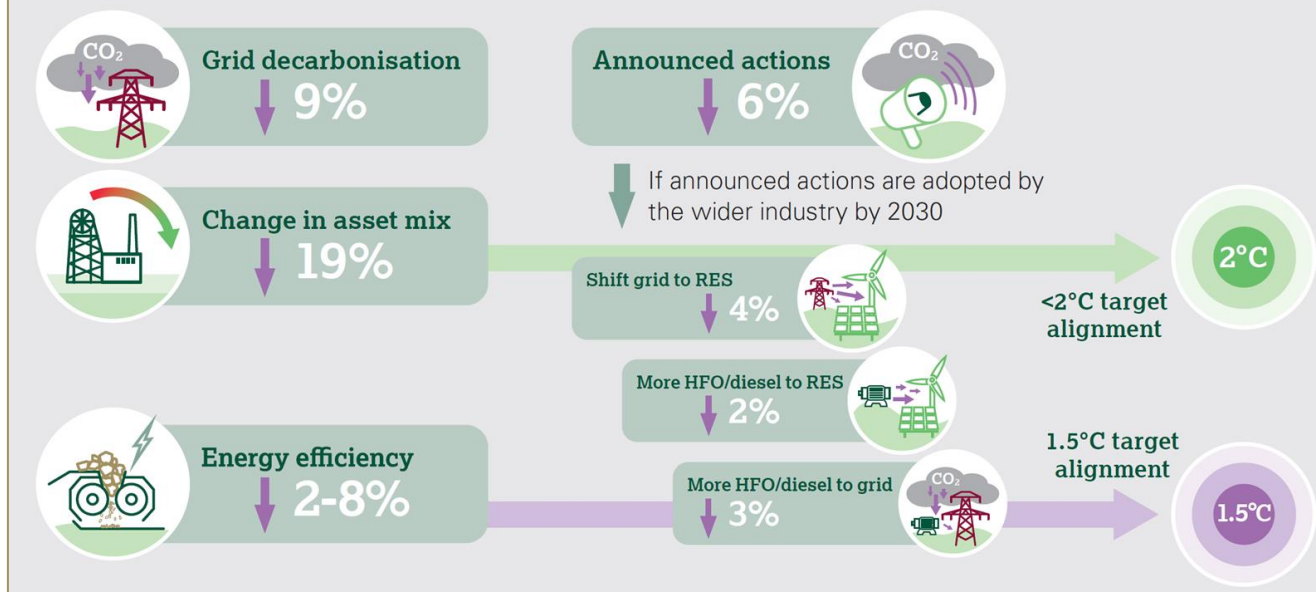




# Gold - the pathway to net zero

## Decarbonising power

**Key findings:** Estimates of potential reductions in gold mining's power emissions by 2030



# Gold and portfolio climate resilience

## Asset risk and resilience

Sensitivity of annual returns	2030				2050				2100			
	1.5 °C	2 °C	3 °C	4 °C	1.5 °C	2 °C	3 °C	4 °C	1.5 °C	2 °C	3 °C	4 °C
US Bond Aggregate	↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓
US Stocks	↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓
EAFE Stocks	↓	↓	→	↑	↓	↓	↓	↓	↓	↓	↓	↓
Emerging Market Stocks	↓	↓	↑	↑	↓	↓	↓	↓	↓	↓	↓	↓
Commodities	↓	↓	→	↑	↓	↓	↓	↓	↓	↓	↓	↓
Gold	↑	→	↑	↓	↑	↑	↑	↑	↑	↑	↑	↑
Real Estate	↑	↑	↑	↑	↓	↓	↓	↓	↓	↓	↓	↓

- Assets that are relatively neutral in the context of a particular scenario, and may be expected to deliver similar annual average returns to those expected under current/historical market conditions.
- Assets that may be more robust and benefit from specific factors or opportunities associated with a scenario, potentially delivering increased returns.
- Assets that are more vulnerable to scenario 'downside' risks, less likely to be able deliver expected returns (and more likely to be loss-making).

Source: Anthesis; World Gold Council



# Thank you

**For more information:**

[www.gold.org/research/gold-and-climate-change](http://www.gold.org/research/gold-and-climate-change)

[www.gold.org/who-we-are/our-members/responsible-gold](http://www.gold.org/who-we-are/our-members/responsible-gold)

**[www.gold.org](http://www.gold.org)**

# Sakhila Mirza

Board Director and General Counsel  
London Bullion Market Association

# COMMODITY CLUB WEBINAR

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Sakhila Mirza, Executive Board Director & General Counsel  
LBMA

25 May, 2021

# WHO WE ARE

## Independent Authority for Precious Metals



**Advancing  
Standards for  
the Common  
Good of the  
Global Industry**



### **Standards**

Good Delivery  
– Metal Quality  
  
Global Precious Metals Code  
– Business Conduct  
  
Responsible Sourcing



### **Market Solutions**

Problem Solving  
  
Market Infrastructure  
  
Tools & Training  
  
Education



**Voice and  
Champion  
of the Market**

Principal contact  
for regulators, media,  
industry and clients

# ADVANCING GLOBAL STANDARDS



**Good Delivery**  
Metal Quality



**Global Precious  
Metals Code**  
Business Conduct



**Responsible  
Sourcing**  
Ethical Sourcing



# RESPONSIBLE SOURCING

Enforced by LBMA



The RSP covers  
**85-92% of global annual** production.  
Good Delivery accreditation is the  
de facto standard trusted around  
the world



**Global Risk assessment**  
covering conflict, AML, terrorist financing,  
human rights,  
environment, sustainability



The RSP encourages engagement with  
all **forms of mining and recycled**  
**sources** across Gold, Silver  
Platinum and Palladium



Refiners on LBMA's Good Delivery List  
are **audited annually** by **approved**  
**independent auditors** and are required to  
report their audit findings publicly



De-Facto **International standard** trusted  
around the world.



# ADVANCING ESG REQUIREMENTS

## Large Scale Mining Artisanal and Small-Scale Mining

2  
5



**Strengthen**  
ESG engagement &  
build due diligence  
capacities



**Assess**  
supply chain risk,  
environmental policies  
& practices



**Respond**  
Management Strategy  
& Sustainability Policy

# RESPONSIBLE SOURCING REPORT



## RESPONSIBLE SOURCING Report 2020

### 3. 2019 PROGRAMME UPDATE & Refiners' Responsible Sourcing Performance

#### IMPLEMENTATION OF ESG REQUIREMENTS

2019 was the first year for all Good Delivery List (GDL) refiners to implement the changes that were introduced in version 8 of the Responsible Gold Guidance (RGG).

To summarise, version 8 of the RGG expanded the definition of due diligence by requiring refiners to not only assess risks identified in the OECD Due Diligence Annex II, regarding money laundering, but also to include an assessment of the Environment, Social and Governance (ESG) responsibilities.

**Under step one**, of the RGG, the refiner's due diligence for its supply chain must include a policy that extends to ESG requirements. Under this step, refiners are asked to strengthen ESG engagement with gold-supplying counterparties and, where possible, assist gold-supply counterparties build due diligence capacities. This would also capture the use of mercury in Artisanal and Small-Scale Mining (ASM), with the expectation that GDL refiners assist in establishing processes to eliminate its use.

**Under step two**, refiners must assess the risk in the supply chain, which includes assessing the environmental policies and practices of the producers, both in relation to Artisanal and Small-Scale Mining (ASM) and Large-Scale Mining (LSM). The guidance also gives more detail on this assessment, depending on the nature of the material being sourced (ASM/LSM).

**Under step three**, once the risks have been identified, the refiner is required to make sure it has a management strategy to respond to identified ESG risks. GDL refiners are also required to provide evidence of their sustainability policy and its effect on any associated initiatives throughout their supply chain.

**Audit reports reflecting implementation of these changes will be submitted in 2020 and discussed in more detail in the next Annual Report.**

#### GDL REFINERS' 2019 PERFORMANCE

In 2019, no GDL refiner was moved to the **Former List for failure to comply with the Responsible Sourcing Programme**.

Whilst there were several escalations during the year, each one was addressed appropriately, with full co-operation from the GDL refiner in question. As highlighted earlier, LBMA relies on two important processes to help identify Responsible Sourcing issues. Firstly, the annual reports, and the information provided in these reports, will flag non-conformances. Also, market intelligence, media reports and credible NGO reports may provide information that will then instigate an Incident Review Process (IRP).

##### Gold – non-conformances

2019 saw an overall increase in medium-risk and high-risk non-conformances for responsible gold audits. The two high-risk non-conformances for gold related to one GDL refinery based in the Europe & Africa Country of Origin category (see case study one). All medium-risk non-conformances for gold related to two different GDL refineries based in the Americas and were escalated to the Compliance Panel. LBMA engaged with the auditors and both GDL refiners throughout the development of Corrective Action Plans to ensure appropriate timescales

were agreed before issuing 2018 RGG certificates. No zero-tolerances were reported in 2019.

##### Silver – non-conformances

As 2018 was the implementation year for silver GDL refiners, the 2019 reports highlighted a high number of non-conformances for silver. This was expected, as several silver-only GDL refiners were implementing new controls and going through the audit for the first time. We expect to see these numbers trend down as silver GDL refiners fully embed systems in their operations and work towards continuous improvement. However, no zero-tolerance non-conformances were identified, which confirms the commitment that each GDL refiner has in trying to achieve full compliance with the international standards.

As is expected for gold, all silver high-risk non-conformances were addressed within 90 days.

Non-conformances rated		Low Risk	Medium Risk	High Risk	Total
GOLD	2018	27	3	2	30
	2017	37	2	0	39
	2016	33	5	0	38
SILVER	2019	40	4	1	45
	2018	68	48	24	138

Responsible Sourcing REPORT 2020 | 17

Provides background to the Responsible Sourcing Programme

Refiners performance for 2019 including case studies

Auditors Review of 2019

Country of Origin data collected in 2019 for 2018 production

Future development

Annual Report

# SOURCE to Refiner

REFINED LESS THAN 200kg

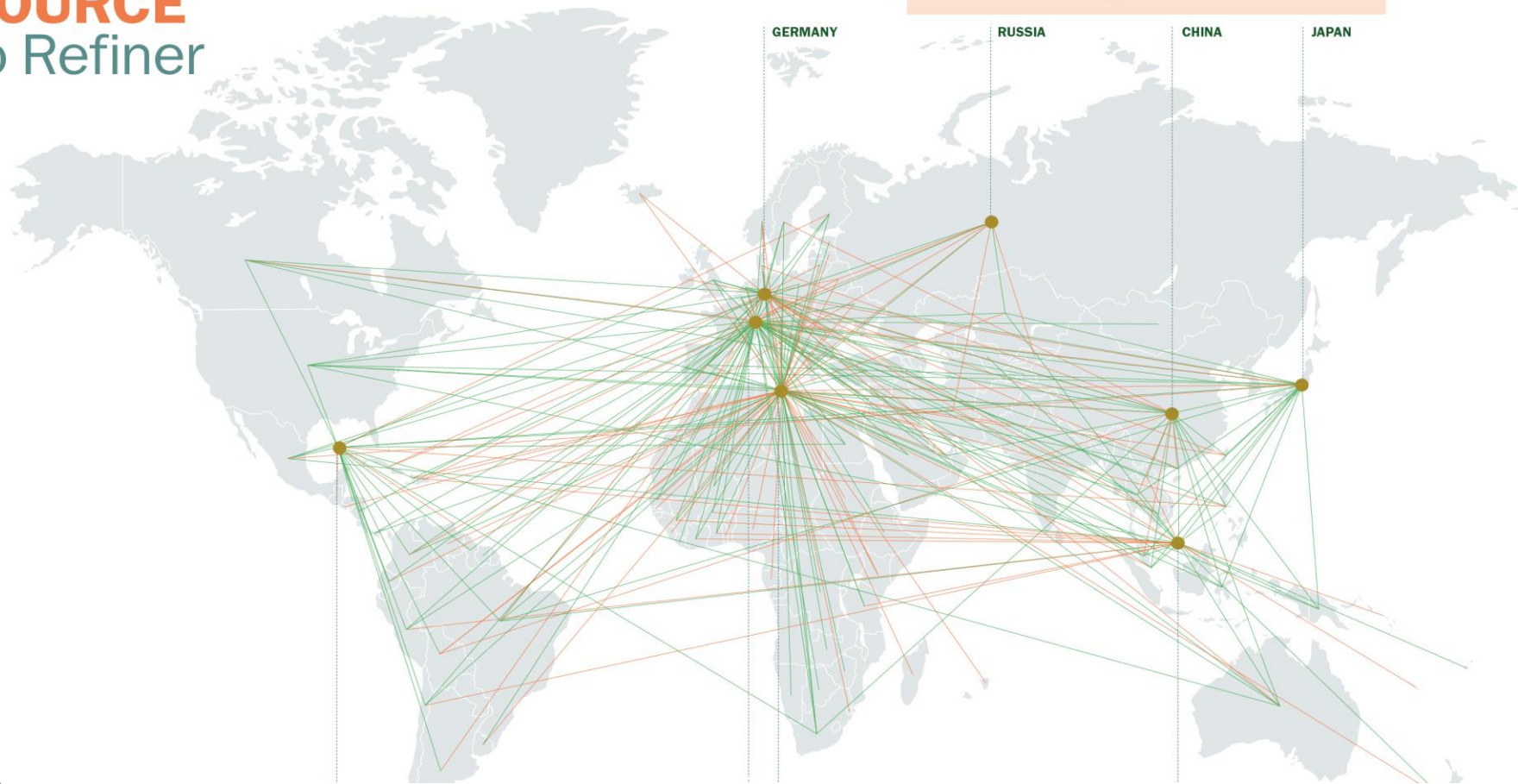
REFINED MORE THAN 200kg

GERMANY

RUSSIA

CHINA

JAPAN





# RESPONSIBLE SOURCING STRATEGY

## Three Year Strategic Plan – RGG Version 9 Consultation during 2021



LBMA's role is to lead and advocate for the continuous improvement of Global Responsible Sourcing standards and business practices to ensure a sustainable precious metals industry

### Priorities:



Transparency  
improving disclosure



Audit programme  
upholding trust



Advancing standards  
defining best practice



Artisanal Mining (ASM)  
creating responsible demand



Value chain  
accountability  
building global leverage  
beyond LBMA's reach



Sustainability  
protection of life, health,  
and the environment for  
future generations

# RESPONSIBLE GOLD GUIDANCE THE NEXT VERSION



The responsible sourcing of **recycled gold**: clarity on due diligence expectations



The **elimination of cash** transactions except for ASM where transactions will require approvals.



Provision of support for **responsible ASM** measures to create economic & development opportunities.



Clarity on **Origin of material**. Integrated approach to risk assessment & strengthened due diligence process.



Further detail on **ESG risk assessment**



**Risk mitigation** requirements clarified & aligned with OECD due diligence guidance.



Auditor independence & **audit quality**: rotation of auditors every 10 years & annual assurance checks.



Mandatory conformance with **Disclosure guidance** to promote better reporting practices.

# COUNTRY OF ORIGIN DATA: BACKGROUND

**01**

## **Data Provided**

LSM – 2,127t (44%)

ASM – 26t (1%)

Recycled – 2,683t (55%)

**02**

## **Aggregated**

Countries with four or more  
refiners i.e.  
China and Switzerland

Regions: i.e. Asia and  
Australia

**03**

## **Data Analysis**

Existing Customs Data

Market Reports

# International Bullion Centres



## IBC Recommendations:

- Responsible sourcing of recycled gold
- Eliminating cash transactions
- Support ASM



## LBMA calls on:

- National Authorities
- Civil Society
- Other Industry Bodies



## Feedback on:

- IBC recommendations
- Three-year strategic plan



**THANK YOU  
& BEST WISHES FROM THE LBMA TEAM**

**ASK@LBMA.ORG.UK**

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**lbma.org.uk**



**LBMA**



**@lbmaexecutive**



**LBMA**



# Thank you

Please let us know your questions, comments and opinions.

[events@cmegroup.com](mailto:events@cmegroup.com)