

Golden opportunity

Building an industry
commitment to conflict-
free gold production

PwC viewpoint report

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Introduction

The launch of the World Gold Council **Conflict-Free Gold Standard** (the ‘Conflict-Free Gold Standard’) marks a significant development for the gold mining industry. The Conflict-Free Gold Standard sets out a common approach for World Gold Council members and other implementing companies to demonstrate their gold has been extracted without fuelling ‘unlawful armed conflict’ or contributing to human rights abuses.

The Conflict-Free Gold Standard has been designed as an industry-wide programme to provide the guidance necessary for gold mining companies to put into practice or ‘operationalise’ the Organisation for Economic Co-operation and Development’s (OECD) **Due Diligence Guidance**¹ and, more specifically, the OECD’s **Draft Supplement on Gold**² (the ‘Gold Supplement’). A common framework complementing the OECD Due Diligence Guidance is important to support the integrity of the due diligence processes that the OECD expects.

The industry programme delivered by the World Gold Council has not set out to develop a standard addressing all aspects of the Gold Supplement. This decision is purposeful: some expectations of the Gold Supplement are less applicable to the mining sector, while others are integral to existing business processes. Mandating further requirements would risk adding burden of process rather than new content and substance. On this same theme, with deliberate design, the Conflict-Free Gold Standard goes into more detail than the Gold Supplement on the issues where the mining sector needs to emphasise establishing processes to mitigate and manage areas of conflict.

While alignment with the OECD Due Diligence Guidance has been a priority,

the Conflict-Free Gold Standard supports and enhances the wider landscape of voluntary and regulatory initiatives including the recently adopted US Securities and Exchange Commission (SEC) rule³ (s1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act).

As a result of the programme led by the World Gold Council, the industry now has a standard against which conformance, progress and performance will be externally assured. This is a fundamental point of difference to the OECD Due Diligence Guidance. Companies are expected to

implement the OECD Due Diligence Guidance, but it remains guidance - companies are not required to comply with it and are not mandated to seek external assurance of compliance.

The responsibility taken by the industry, through the World Gold Council, is an important step. Industry engagement to define commitments to raise overall standards and create mechanisms for self-governance and transparency creates unavoidable accountability. It is reasonable to expect that standards will continue to develop with time and use; getting started is often the biggest step.

1. OECD’s Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, adopted in May 2011, sets out an overarching five-step framework for due diligence which applies to all ‘conflict minerals’ (i.e. tin, tantalum, tungsten and gold).

2. OECD’s Draft Supplement on Gold, adopted July 2012, forms part of a revised recommendation on the Due Diligence Guidance that elaborates on the five-step due diligence framework to take account of any intricacies particularly associated with gold.

3. On 22 August 2012 the SEC adopted a rule mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring SEC-listed companies to disclose if the conflict minerals they use (i.e. tin, tantalum, tungsten and gold) originate from the Democratic Republic of the Congo, or any of its adjoining countries. The rule applies if those conflict minerals are ‘necessary to the functionality or production of a product’ manufactured by those companies. If a company’s conflict minerals originate in those countries, the SEC rule requires the company to submit a report describing the measures taken to conduct due diligence on the conflict minerals’ source and chain of custody (see: <http://www.sec.gov/rules/final/2012/34-67716.pdf>). In contrast to the Conflict-Free Gold Standard, the SEC rule does not apply to mineral extraction.



The Conflict-Free Gold Standard provides a foundation for delivering conflict-free gold. Its effectiveness depends on the quality with which it is implemented, as well as the actions of other parties involved in the gold supply chain.

Purpose of this report

In this report we evaluate the World Gold Council's approach in the context of its objective to develop an industry-led standard to increase customer and investor confidence in buying gold, and in doing so, to 'operationalise' the Gold Supplement.

After setting the context on the role of standards in shaping governance, we set out comments on the design of the Conflict-Free Gold Standard compared to the Gold Supplement, how they differ and specific areas where, in our view, the Conflict-Free Gold Standard goes further than the Gold Supplement, and vice versa.

Our intended audiences for this report are:

- Gold mining companies seeking to evaluate how the Conflict-Free Gold Standard helps to achieve conformance with the Gold Supplement;
- Other parties in the gold supply chain seeking to understand the extent to which adherence to the Conflict-Free Gold Standard will satisfy their due diligence requirements and what they need to take into account;
- Regulators seeking to understand the landscape of wider conflict minerals initiatives;
- General stakeholders looking to understand the Conflict-Free Gold Standard's contribution, approach and thoroughness; and
- Other industry groups looking to establish similar practical standards and guidance.



An introduction to ‘conflict minerals’

Conflict minerals have been defined as tin, tantalum, tungsten (‘the 3Ts’) and gold under recent legislation in the US. These minerals are integral to the functioning of many everyday products, particularly in the automotive and electronics industries. The term ‘conflict minerals’ has typically been associated with the Democratic Republic of the Congo (DRC), as the country possesses comparatively significant stores of these minerals and conflict in the DRC has brought the issue to wider public attention. The DRC has not been able to fully benefit from this mineral wealth as various armed and rogue non-state militia groups have a degree of control of mines and transport routes, with the minerals providing a significant source of revenue to these groups and potentially heightening the risk of human rights abuses as a result.

Increasing global awareness of the conflict in the DRC, the role minerals play in sustaining it, and consumer pressure on businesses to help address the issue led to the inclusion of Section 1502 (s1502) in the US Dodd-Frank Act in 2010. This requires SEC-listed companies to publicly disclose whether any of the 3Ts or gold they use originated in the DRC or its adjoining countries. The specific rules underpinning Section 1502 were formally adopted in August 2012.

A variety of industry and regulatory initiatives designed to stop resource wealth funding conflict have emerged in recent years, some global and some regional in focus. We have included some of these in the table below which have direct relevance to the Conflict-Free Gold Standard. It is not intended to be an exhaustive list.



Global	Regional
OECD Due Diligence Guidance	Section 1502 – focused on the DRC and its adjoining countries
World Gold Council Conflict-Free Gold Standard	Conflict-Free Tin Initiative – pilot initiative focused on responsible sourcing of tin from South Kivu in the DRC
Extractive Industry Transparency Initiative – focused on transparency of payments from natural resources extraction	Electronics Industry Citizenship Coalition – Global e-Sustainability Initiative Conflict-Free Smelter Program – designed to support compliance with Section 1502, the program aims to determine whether minerals processed by smelters originate from conflict-free sources
Kimberley Process – focused on establishing frameworks for diamond production in conflict areas	
London Bullion Market Association (LBMA) Responsible Gold Guidance – focused on demonstrating that gold outputs from LBMA-accredited refiners are conflict-free	
Responsible Jewellery Council Chain-of-Custody scheme – focused on ensuring that gold and platinum group metals are conflict-free and responsibly produced	

While new standards and guidance continue to be issued, the central challenge of achieving effective implementation remains.

The context

Experience is showing that the use of voluntary and market mechanisms to achieve greater levels of governance and accountability is continuing to drive progress in improving operating standards and transparency. Legal compliance requirements still have a role to play. Their influence is greatest when localised to specific issues and countries, and when raising the minimum level of performance across all organisations.

Experience shows that to continue progress in driving governance and accountability it is important for:

- **Industry to take a proactive role in setting out practical guidance and frameworks that will influence and change practices.** Industry is in a unique position. It needs to recognise that expectations go beyond compliance and now take its responsibility to set out what can be done in practice. If this accountability is not taken, the standard of implementation will remain variable, without proper supervision, preventing overall progress.
- **Standards and guidance to be developed to complement and support each other so they form a 'network'.** The links and interconnections need to be explicit, clear and agreed to enable efficient implementation and proper use. Without networked links, there will be a growing multiplicity of individual standards resulting in undue burden to industry and confusion in priorities leading to reduced uptake and progress.
- **Principles-based standards to take precedence over prescriptive rules in new areas of governance and control.** Principles create the necessary framework for 'why' and 'what', but leave accountability for actual decisions of 'how' to the leadership of the organisation. This is essential for implementation to be valuable to the organisation and therefore sustained as business as usual. This also reduces, but does not eliminate, dependency on compliance and monitoring processes.
- **Organisational boundaries of responsibility to be realistic and clear.** There are pressures for organisations to exert influence and/or control on third parties, for example through joint ventures, partnerships, supply chains and associations. How this is done for areas of non-financial performance is largely uncharted territory with significant legal and commercial implications. Establishing some basic principles will be a start, and will help to manage expectations and engage the relevant parties.

- **Relevant information to be shared and dialogue maintained.** There are almost insatiable demands for information and an unprecedented level and speed of global communication including through social media. Corporate disclosures continue to be challenged for relevance, timeliness, completeness and accuracy. Meanwhile, at a day-to-day level, there is inconsistency in the extent and effectiveness of stakeholder dialogue processes. Communication remains a key area of challenge for standard-setters and individual organisations.
- **Assurance to be delivered against a clear framework that helps to ensure the assurance itself is valid and reliable.** While assurance is becoming more common, methods vary and there are not yet generally accepted assurance standards for non-financial content across the globe. Assurance frameworks need to continue to be developed to ensure that assurance conclusions are valid, reliable and useful for stakeholder decision-making.

It is against this context that we present commentary on the design of the World Gold Council's Conflict-Free Gold Standard.



Effective dialogue, supported by clear accountability and well-founded decisions, is fundamental to drafting standards that are respected and adopted.

Taking the initiative

In 2009, the Board of the World Gold Council, comprising senior executives from its member companies, decided to become the forum for the gold mining industry to take responsibility to prepare an industry-led programme. The World Gold Council recognised the importance of dialogue, in particular with the organisations setting standards to which the Conflict-Free Gold Standard was responding. However, it also recognised that it retained full accountability for decisions on content in keeping with its purpose and mandate. These decisions on the content of the Conflict-Free Gold Standard will prove to be critical for its ultimate success. They determine whether the commitments are relevant, and ensure that industry has sole ownership and accountability for what it commits to achieve.

An intensive multi-stakeholder consultation process

The World Gold Council has not worked alone. The Conflict-Free Gold Standard was developed through a multi-stakeholder engagement process, in close collaboration with World Gold Council member companies, governments, industry associations, civil society organisations, expert groups, investors and gold supply chain participants. In addition to meetings and written submissions, formal consultative roundtable meetings were held in various locations, including Lima, Dar es Salaam, Melbourne, Brussels, Johannesburg, London and New York. These were hosted by a number of different independent organisations, including the Institute for Democracy and Human Rights, Fund for Peace, Chatham House and the South African Institute for International Affairs. The World Gold Council has been transparent in disclosing the changes made to the Conflict-Free Gold Standard as it has developed, for example changes to recognition of armed conflict, tracking material within mine sites and human rights, showing the commitment to acting on stakeholder feedback and aligning to key global initiatives and standards.



The World Gold Council recognised that the OECD Due Diligence Guidance and Gold Supplement are key developments in delivering an industry-wide programme. At the same time, the World Gold Council saw there were some practical challenges for mining companies:

1. What in practice needs to be done for the gold mining industry to meet the requirements of the due diligence processes on its supply chain?
2. Which areas are suited to collective definition of approach and to what level of detail? Which are best left to the discretion of management of individual companies?
3. In which areas would gold mining companies have existing business processes that could be leveraged to meet the due diligence requirements?

Intersection between the SEC rule and the Conflict-Free Gold Standard

The adoption of the SEC rule for disclosing use of conflict minerals (mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act) underlines the importance of mining companies implementing the Conflict-Free Gold Standard in a thorough and transparent manner. The SEC rule primarily impacts downstream companies whose products incorporate conflict minerals. Now legally obliged to conduct due diligence, these companies will be seeking transparency up their supply chains. The fact that the World Gold Council has designed a standard that operationalises the OECD Due Diligence Guidance for upstream mining companies will help ensure the necessary information can be shared downstream. The SEC rule requires companies to use internationally-recognised due diligence processes – the OECD Due Diligence Guidance is currently the only such tool. This will help to create transparency across the gold supply chain and, it is hoped, increase standards of practice across the industry.

It should be noted that Section 1502 is focused on companies identifying the country of origin of their minerals and is specifically concerned with the DRC and its surrounding countries. Meanwhile, the Conflict-Free Gold Standard applies globally, and is not seeking companies to specify the country-of-origin of gold. It is focused on enabling companies to demonstrate their gold has been extracted without fuelling unlawful armed conflict or contributing to human rights abuses, regardless of location. To do so the Conflict-Free Gold Standard requires implementing companies to assess the area where their mine is located or through which gold is transported while in the custody of the company. Although the specific requirements of the Conflict-Free Gold Standard and Section 1502 are not explicitly linked given their different purpose and scope, they are complementary given the link to the OECD Due Diligence Guidance in the SEC rule. Accordingly, the Conflict-Free Gold Standard does not reference Section 1502. Commentary is included here given the profile of Section 1502 and its interest to stakeholders in this area.



Setting standards can be simpler than the more challenging tasks of determining and explaining what will be done to implement them.

Setting a practical framework

Effective, sustained implementation in a commercial business context depends on:

- **Aiming for the right goals** – managing the risks and opportunities essential to meet strategic and operational goals;
- **Focusing effort where it is most needed** – putting processes and controls into areas where there is the greatest risk/opportunity;
- **Creating streamlined and comprehensive business processes** – integrating new requirements in everyday working practices;
- **Measuring progress and outcomes** – creating the insight needed to make the right decisions;
- **Making effective, timely decisions based on the right facts** – understanding implications and necessary actions;
- **Having structured, open dialogue with others** – to get feedback and support; and
- **Assuring progress, effectiveness and results** – assisting continuous improvement and consistent implementation.

Implementation is not straightforward, especially when it needs to be consistent across different geographies, operating models and cultures. Implementation of new requirements can require established working practices to change, not simply be amended.

It is for these reasons that the Gold Supplement needs to be supported by practical guidance.

The Conflict-Free Gold Standard is designed to be an industry-led programme. As the OECD's work progressed on the Gold Supplement, the World Gold Council's Conflict-Free Gold Standard has sought to take account of this to 'operationalise' compliance with the parts of the Gold Supplement relevant to gold extraction companies. The Conflict-Free Gold Standard is written to provide implementing companies with guidance on how to put requirements into practice. It sets the expectation that business processes, enhanced and extended where necessary, have to deliver the stated requirements.

The Conflict-Free Gold Standard is part of a suite of documents released by the World Gold Council to enable implementation of the Gold Supplement:

1. The **Conflict-Free Gold Standard** sets the framework, scope, intent and requirements.

2. The **Guidance for Implementing Companies** provides examples and advice to companies implementing the Conflict-Free Gold Standard's criteria. It explains how 'compliance' with the provisions of the Conflict-Free Gold Standard could be achieved, and explains what this should mean in practice. It is left to the management of implementing companies to determine their specific approach.
3. The **Guidance for Assurance Providers** gives further explanation to assurance providers of the expected assurance scope, level of assurance and responsibilities of the company and assurance provider.

The Conflict-Free Gold Standard's presentation of the 'what needs to be done', supplemented by practical interpretation, suggestions and examples should help enable effective and consistent adoption.

Practical interpretation: reliance on existing business processes

The Conflict-Free Gold Standard allows mining companies to leverage existing business systems and processes. Formalising these processes in the Conflict-Free Gold Standard and subjecting them to additional disclosure and assurance obligations could have required additional cost and effort for potentially little added benefit. Specifically, the Conflict-Free Gold Standard recognises existing business processes can help to:

- *generate information relating to the gold produced – e.g. type, weight and date of extraction;*
- *implement physical security practices over gold shipments to minimise the risk of theft or interference; and*
- *maintain 'know your counterparty' details of third party service providers.*

The Conflict-Free Gold Standard is designed by industry for industry to drive practical actions. It is therefore an inherently different document to the OECD Gold Supplement but entirely complementary.

Key features of the Conflict-Free Gold Standard

Comments on some key features of the design of the Conflict-Free Gold Standard which are critical to it achieving full success are shared below. These build from the points set out as Context on pages 8 and 9.

Creating accountability to develop necessary business processes

The Conflict-Free Gold Standard sets out principles supported by practical guidance rather than prescription as presented in the OECD Gold Supplement. It is recognised that, as a result, the effectiveness of the Conflict-Free Gold Standard (and by extension, the OECD's Gold Supplement), will depend on the quality and consistency of implementation in companies' daily business processes.

The Conflict-Free Gold Standard provides companies with the principles, guidance and responsibility to make decisions on what they need to do to comply, and how. It does not define actual steps to be taken or areas of priority, nor does it set definitive outcomes. All of these have to be determined by the management of each adopting company in the context of its particular business goals, circumstances and risks.

It is reasonable to expect that many of the requirements of the due diligence process introduced by the OECD and the

Compliance with the OECD's Gold Supplement

Conformance with the Conflict-Free Gold Standard will help ensure conformance with the OECD Due Diligence Guidance, as the World Gold Council states: '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.'

Source: World Gold Council's Conflict-Free Gold Standard, 'Overview and Governance of the Conflict-Free Gold Standard'

Conflict-Free Gold Standard can be met through existing business processes. However, in most organisations some critical processes and controls will need improvement; others may need to be built. This will take some time. However, by creating the expectation on business processes and avoiding prescription of steps, the World Gold Council has avoided two key risks, namely:

- rules-based compliance can substitute for management accountability for decision-making and lead to inappropriate outcomes; and
- the definition of outcomes are not appropriate to the business and therefore will not be seen as necessary or valuable.

Clarifying the boundaries of responsibility

There is a clear trend towards private sector organisations being expected, sometimes required through operating licences, to take new levels of responsibility for areas outside their sphere of influence, from supply chains to social development obligations. For example, this could include providing or contributing to healthcare, education, and community projects. In this environment, companies need to be clear and systematic in determining and explaining realistic limits around what they can be expected to control. Alongside this there is increasing need for companies to work with others in their networks to deliver collective and combined progress.

Progress in this area depends on the clarity of responsibilities in these networks. There are necessary and practical boundaries of control, recognised forms of influence and areas where sole responsibility has to be preserved. Resolution depends on the parties involved working together to agree responsibilities, map out boundaries and explain these to stakeholders. At the same time, external parties need to understand the importance of the dynamics of control and influence in forming their expectations, targeting questions and raising challenge.

Delivering dialogue as well as disclosure

Consistent with other areas, the Conflict-Free Gold Standard seeks not to codify areas which may reasonably be expected to be addressed through existing business processes. It focuses instead on explaining new requirements relevant to the sector. As a result the Conflict-Free Gold Standard, going further than the Gold Supplement, sets requirements with respect to dialogue with local stakeholders and grievance processes.

With respect to annual reporting, the Conflict-Free Gold Standard introduces the requirement for management to assert their position on conformance with the Conflict-Free Gold Standard and gain external assurance on this assertion.

Less prescription of required disclosures puts onus onto management to understand the intent of the Conflict-Free Gold Standard and the needs of their stakeholders on disclosure. The standard of reporting is likely to be one of the most high profile indicators of the success of the Conflict-Free Gold Standard and the Gold Supplement. It will be an area which will be watched with interest to see the extent and nature of disclosures made by adopters of the Conflict-Free Gold Standard to support their assertion on conformance. The outcomes of reporting under the Conflict-Free Gold Standard will help

illustrate the relative impact of prescriptive reporting frameworks versus creating Director accountability for determining relevant disclosures to support mandated assertions.

Focusing attention where it matters: dialogue

The Conflict-Free Gold Standard's emphasis on the importance of stakeholder engagement, grievance mechanisms and whistle-blowing arrangements reflects the importance of having the right processes for dialogue, reflecting the nature of the risks at the first stage of the supply chain for which mining companies have direct responsibility.

Focusing attention where it matters: clarifying the boundaries of responsibility

The Conflict-Free Gold Standard is designed to complement the Gold Supplement. It is specific about which areas gold mining companies can control and influence, making the Gold Supplement implementable by providing the practical guidance needed. It references the OECD Due Diligence Guidance and other key initiatives to make sure links are clear, in particular in defining an area as conflict-affected or high risk. It also provides more specific guidance with regards to mine security. In this way, the Conflict-Free Gold Standard clearly sets the boundaries of responsibility.

Mandating assurance to achieve enforcement

External assurance on conformance is mandated by the Conflict-Free Gold Standard. Recognising that assurance processes need consistency and a defined basis to be comparable and worthwhile, the Conflict-Free Standard is accompanied by Guidance for Assurance Providers providing clarity and transparency on what is required. Setting this out is a substantial point of progress as it creates opportunity for assurance to be consistent and meaningful.

The use of external, publicly reported, standards-based assurance as the enforcement mechanism maintains the themes of management accountability and tailoring to business needs. Management of each organisation has an individual duty to deliver to its stakeholders. There is self interest, created through a legal contract between the company and the assurance provider, to ensure the assurance conclusion is valid and reliable.

The World Gold Council has chosen assurance for the independence,

integrity and consistency that it should bring. While no single method is perfect, alternatives show significant limitations when operating at this level. For example, self representation exercises lack independence and rigour while global compliance audit and certification programmes are shown to lack depth and influence as well as being difficult and costly to administer and sustain.

The Conflict-Free Gold Standard has enabled industry to set out what it believes implementation should comprise to meet the Gold Supplement's expectations. The onus is on boards and management to take accountability for adding the detail through embedding the Conflict-Free Gold Standard's requirements into their governance and internal control processes, focusing attention where it matters.



Disclosure

Corporate statutory reporting obligations differ by country, for example the SEC Rule in the US, the UK and European disclosure rules and the King III requirements in South Africa. Nevertheless it is the company's responsibility to determine what needs to be disclosed to help its stakeholders to make good decisions. In particular this means a company has the responsibility to determine its principal risks and material content; and then to communicate strategy, its supporting risk and corporate governance model and performance. Although this principle is known, corporate reporting is being challenged by many for not delivering what it needs to. There is an inherent tension between mandating specific disclosures and leaving accountability with companies to determine what to report. The former creates a more compliance-based reporting model which can drive comparability but may lead to less complete and insightful reporting. It also risks substituting the key management decision and accountability for reporting relevant content. The Conflict-Free Gold Standard requires disclosure but does not provide a similar level of detail of expected content as the Gold Supplement, for example:

- *description of the specific elements of the company's management systems;*
- *describing risk assessment methodologies; and*
- *the procedures for information collection and maintenance.*

The stipulation of content does still not guarantee sufficient or balanced content or reliability. There is still an ultimate dependence on management and, to an extent, their assurance provider.



Explanation of the alignment between the Conflict-Free Gold Standard and the Gold Supplement

The OECD Due Diligence Guidance and the World Gold Council’s Conflict-Free Gold Standard have been designed to be complementary. They are not intended to be a perfect fit. Not all of the demands of the Due Diligence Guidance are applicable to mining companies. The World Gold Council has been conscious not to mandate additional procedures which could deliver little value for implementing companies. In broad terms the two documents are aligned in expectation, particularly in the following areas:

- public commitments and the policies they seek from companies;
- how companies determine whether an area is conflict-affected or high-risk;
- requirements for management systems and the information that needs to be generated;
- requirements regarding transport and security arrangements; and
- assigning accountability.

This demonstrates that the Conflict-Free Gold Standard and Due Diligence Guidance share common key concepts and are both driving towards a consistent goal – conflict-free gold. The critical difference in the approach taken by the two documents is that the Conflict-Free Gold Standard places accountability on companies to decide what needs to be done to meet its criteria, particularly in:

- determining the structure of processes and organisation;
- supply chain collaboration; and
- disclosure content.

Focus on alignment of content

The diagram below summarises areas where the Gold Supplement goes further than the Conflict-Free Gold Standard, commonalities between the two, and areas where the Conflict-Free Gold Standard goes further than the Gold Supplement.

The Gold Supplement	Commonalities	The Conflict-Free Gold Standard
<ul style="list-style-type: none">• Duties to other supply chain parties to support their assurance requirements• More prescriptive management systems requirements• Higher levels of detail in expected disclosure	<ul style="list-style-type: none">• Ultimate desired outcome• Definitions of key concepts• Identification of conflict• Management systems• Information requirements• Transport practices• Accountability	<ul style="list-style-type: none">• Assessment of conflict• Corporate procedures• Mine security requirements• Whistle blowing and stakeholder engagement• Assurance requirements

The following table expands on the diagram, providing examples of where the Gold Supplement and the Conflict-Free Gold Standard differ. Further information on these items can be found in our comparison study on PwC’s website. The page references are to the Gold Supplement or the Conflict-Free Gold Standard.

The Gold Supplement		The Conflict-Free Gold Standard
<i>Areas common to both, but different in approach</i>		
Corporate procedures	The Gold Supplement, consistent with most compliance based standards, puts its focus on ‘existence’ of procedures rather than their content or quality.	The Conflict-Free Gold Standard places greater attention on emphasising the importance of quality and rigour of corporate procedures, in particular risk assessment and assurance to help reach consistent standards. For example, the Conflict-Free Gold Standard specifies that companies should primarily use the Conflict Barometer produced by the Heidelberg Institute for International Conflict Research to assess whether an area should be considered conflict-affected or high-risk (p.14).
Public disclosures	The Gold Supplement’s level of detail in expected disclosures exceeds that of the Conflict-Free Gold Standard. Among other disclosure demands, the Gold Supplement asks for specific disclosures covering companies’ internal information systems, databases and record-keeping systems, as well as their methods for sharing information about due diligence throughout the supply chain (p.45).	The Conflict-Free Gold Standard requires the production of a Conflict-Free Gold Report providing a management assertion on the company’s overall conformance (p.4).
Management systems	The Gold Supplement is more prescriptive than the Conflict-Free Gold Standard regarding the information that management systems should generate, for example, asking for information regarding: form, type, and physical description of gold, weight and assay of gold, unique reference numbers, dates of input and output, purchases and sales (p.14).	<p>The Conflict-Free Gold Standard includes less detail on the basis that these are established core business processes, but sets criteria that companies’ management systems should be able to ‘(i) track the flow of gold and gold-bearing material within the mine’s area of control and (ii) minimise the risk or incidence of illegal addition or theft of gold and gold-bearing material’ (p.29).</p> <p>For example, part of the Commodity Assessment in the Conflict-Free Gold Standard is dependent on ‘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’ (p.29).</p>

Differences arising due to different scope and approach of the two documents

Role of external assurance

The Conflict-Free Gold Standard mandates mining companies to obtain independent assurance of their adherence to its requirements. While the Gold Supplement requires refiner audits as part of the due diligence process, assurance on adherence with the Due Diligence Guidance and Gold Supplement is not stipulated.

Supply chain collaboration

The Gold Supplement puts significant emphasis on explaining expected collaboration between supply chain parties. The Gold Supplement explicitly asks companies to share information and to cooperate and coordinate the efforts of other parties in the gold supply chain.

Stakeholder engagement

The Conflict-Free Gold Standard places greater emphasis on stakeholder dialogue and grievance mechanisms and mandates that whistle-blowing arrangements are in place (p.25), all of which go further than the Gold Supplement. The Conflict-Free Gold Standard makes direct reference to adopting the OECD Due Diligence Guidance for supply chain collaboration. The development of the Conflict-Free Gold Standard supports and assists this collaboration by complementing the OECD Due Diligence demands and ‘operationalising’ them for gold mining companies.

Security requirements

The Conflict-Free Gold Standard goes further in its expectations relating to security, with different requirements for security providers and clear guidance as to what constitutes conformance with the Conflict-Free Gold Standard. For example, it specifically uses the occurrence of formal proceedings or investigations and credible allegations of human rights abuses as an indicator of how well a mining company respects human rights (p.20).

Areas of difference are explained in more detail and with examples in our comparative study presented on our website.

Conclusion

As a framework for gold producers to demonstrate that their gold has been produced without funding, or contributing to, armed conflict, the World Gold Council's Conflict-Free Gold Standard fulfils an important function. And it does so at the right time. The introduction of the OECD's Due Diligence Guidance and Gold Supplement, followed by the adoption of the SEC's rule for disclosing use of conflict minerals, mean that gold producers are under mounting pressure to improve the quality and consistency of their due diligence in this area.

Principles-based with practical guidance, rather than prescription, the World Gold Council's Conflict-Free Gold Standard drives the boards and management of gold producers to decide on the detail of their approach. Provided organisations take responsibility for the systems and processes to ensure thorough and consistent implementation, conformance to the Conflict-Free Gold Standard is designed to take gold producers a long way towards operationalising the expectations of the OECD's Gold Supplement and, by extension, provide supply chain information to users of gold who are required to comply with the SEC's rule.

Assurance requirements enforce honesty and transparency.

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