

LME Responsible Sourcing

Molde, Norway
5 June 2019



SETTING THE GLOBAL STANDARD



Responsible sourcing plans announced

1. Ethical responsibilities



- The LME believes the industry has an ethical imperative to embrace principles of responsible sourcing
- The LME is a seller's option market, which means that a buyer of metal on the LME may be delivered metal of any LME brand. The LME cannot accept a situation where consumers are required to take delivery of metal which is not responsibly sourced

2. Commercial



- The fundamental service of the LME is to price metals and the LME price will generally be the price of the least valuable brand in its brand lists
- The LME must act to ensure its price reflects the value of responsibly sourced metal, and is not artificially depressed by metal which is not

3. Providing leadership



- The LME has listened to calls to take a leading role. These calls arose because the LME can most efficiently promote a centralised process
- The LME will provide leadership in a way that leverages its knowledge of the market, respects logistical challenges, builds on existing work, and provides appropriate support to producers

Progress so far

Responsible sourcing survey

Released in Nov-17

55% responses overall

Overall, strong
indication that majority
of brands are already
taking action

Position paper

Open from 5-Oct-18 –
30-Nov-18

39 responses

Where we are now...

What guidance are we utilising?

3T principles

We embrace the “red flag” assessment process for all base metals brands. The “red flag” process is defined in the OECD Supplement on Tin, Tantalum and Tungsten (“3T”) – but we believe this can and should apply to all base metals.

Broad assessment of CAHRAs

Key element of the “red flag” assessment is the identification of conflict-affected and high-risk areas (“CAHRAs”). We believe that we should take a broad definition of CAHRAs, so as to ensure that the widest range of possible risks is captured

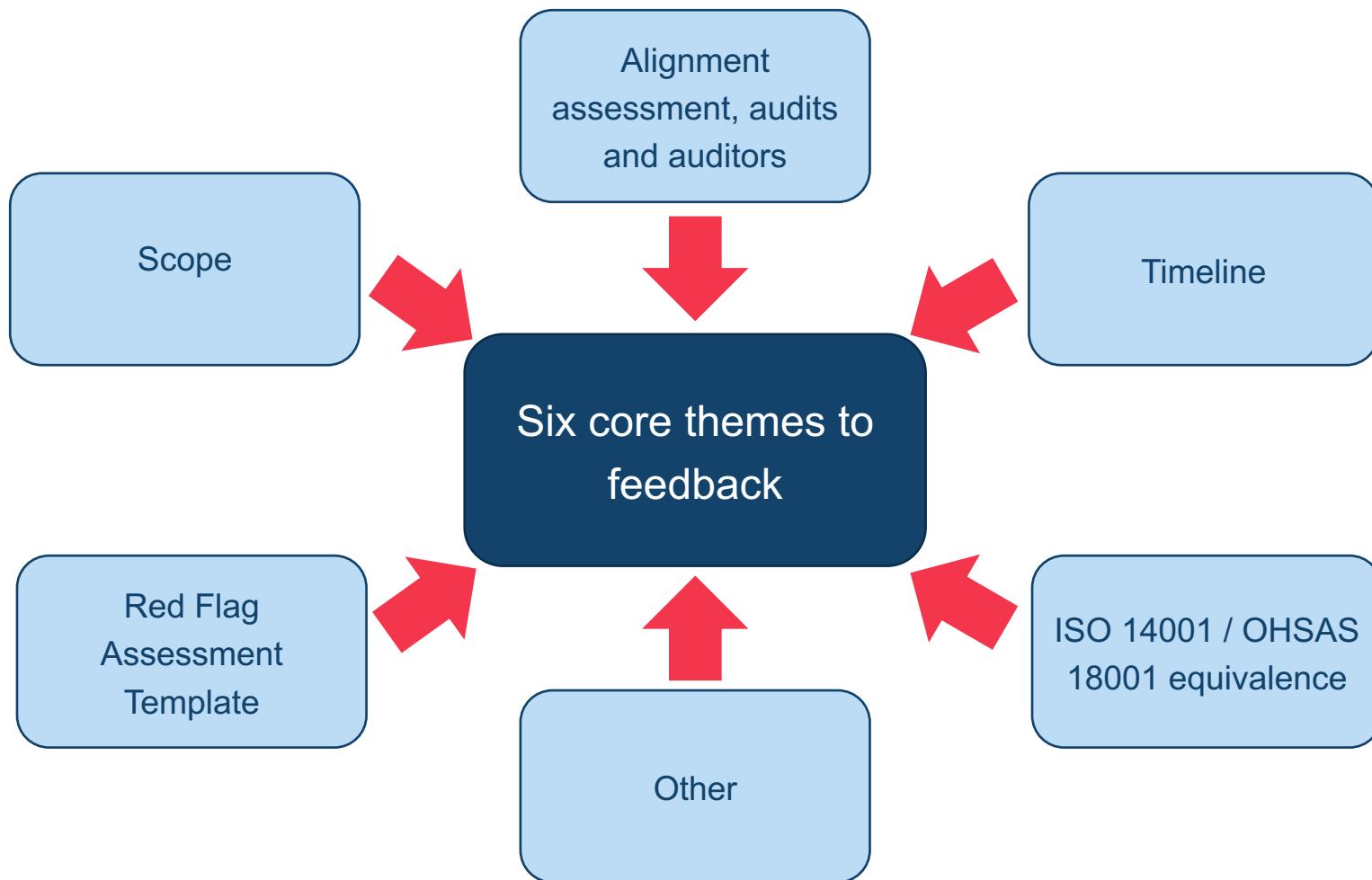
Transparency for all brands

OECD Guidance suggests that transparency is only required when the red flags are engaged. But we believe that all LME brands should provide this, in the form of publishing their LME standard-form Red Flag Assessment on a phased timeline

Environmental and workplace health and safety

In the first instance, we expect brands to work towards ISO 14001 and OHSAS 18001 standards, or equivalent.

Position paper feedback invaluable...



Core features of LME approach



Utilising twin tools of transparency and standards

- Transparency allowing consumers to understand the steps brands take but also utilised fairly in a phased approach so producers are not disadvantaged
- Use of standards, that alone could lead to “greenwashing” but combined with transparency represents an optimised toolbox to protect consumers



No discrimination between large-scale and artisanal/small-scale mining

- Both LSM and ASM carry differing risks. In acknowledging these risks, we do not favour any specific form
- Risk assessment must be tailored to circumstances, therefore we set out to provide equally meaningful protections



Building on well-established work in the sector

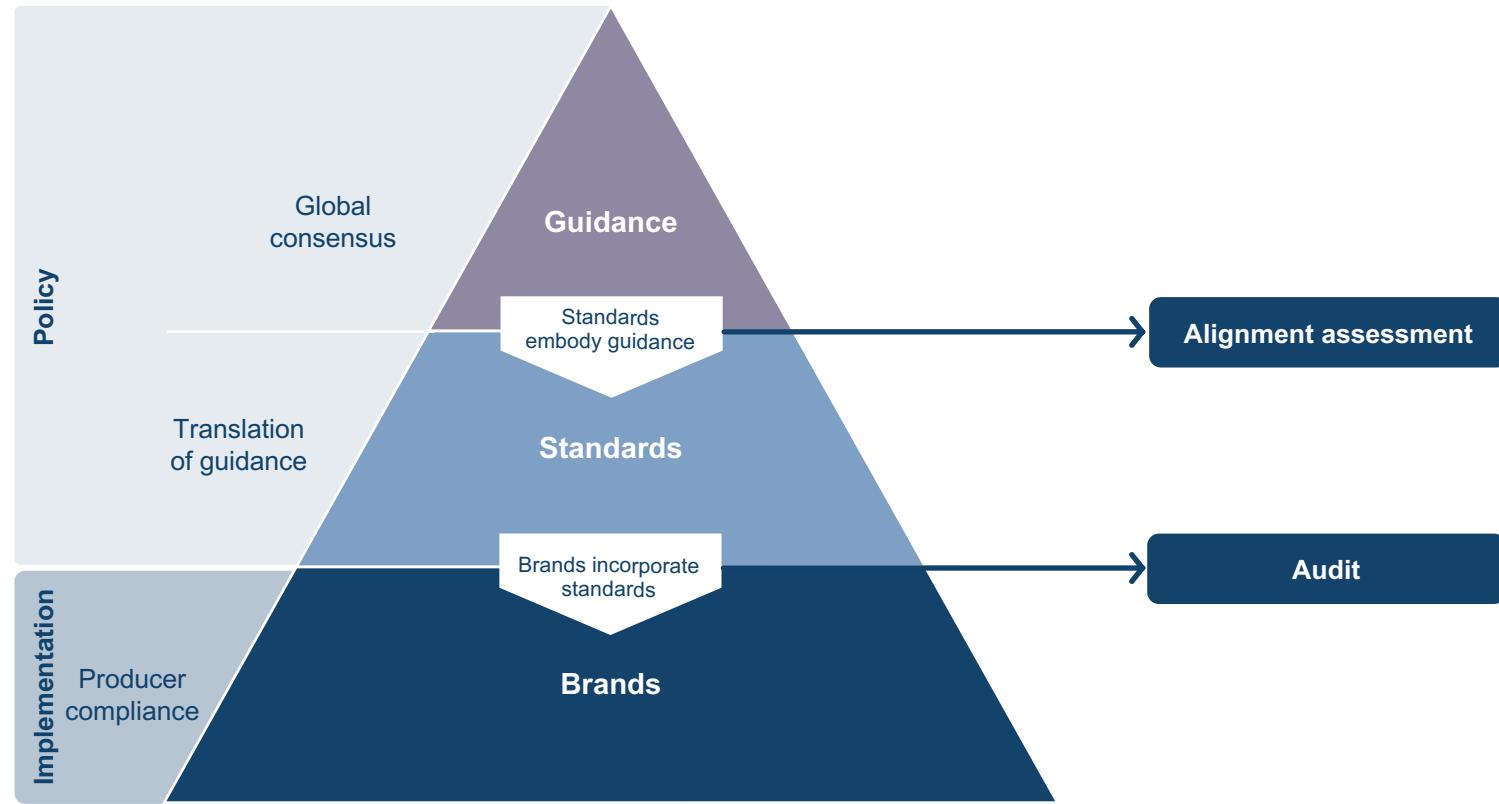
- Approach is grounded in the globally relevant OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and allows brands to make use of existing standards



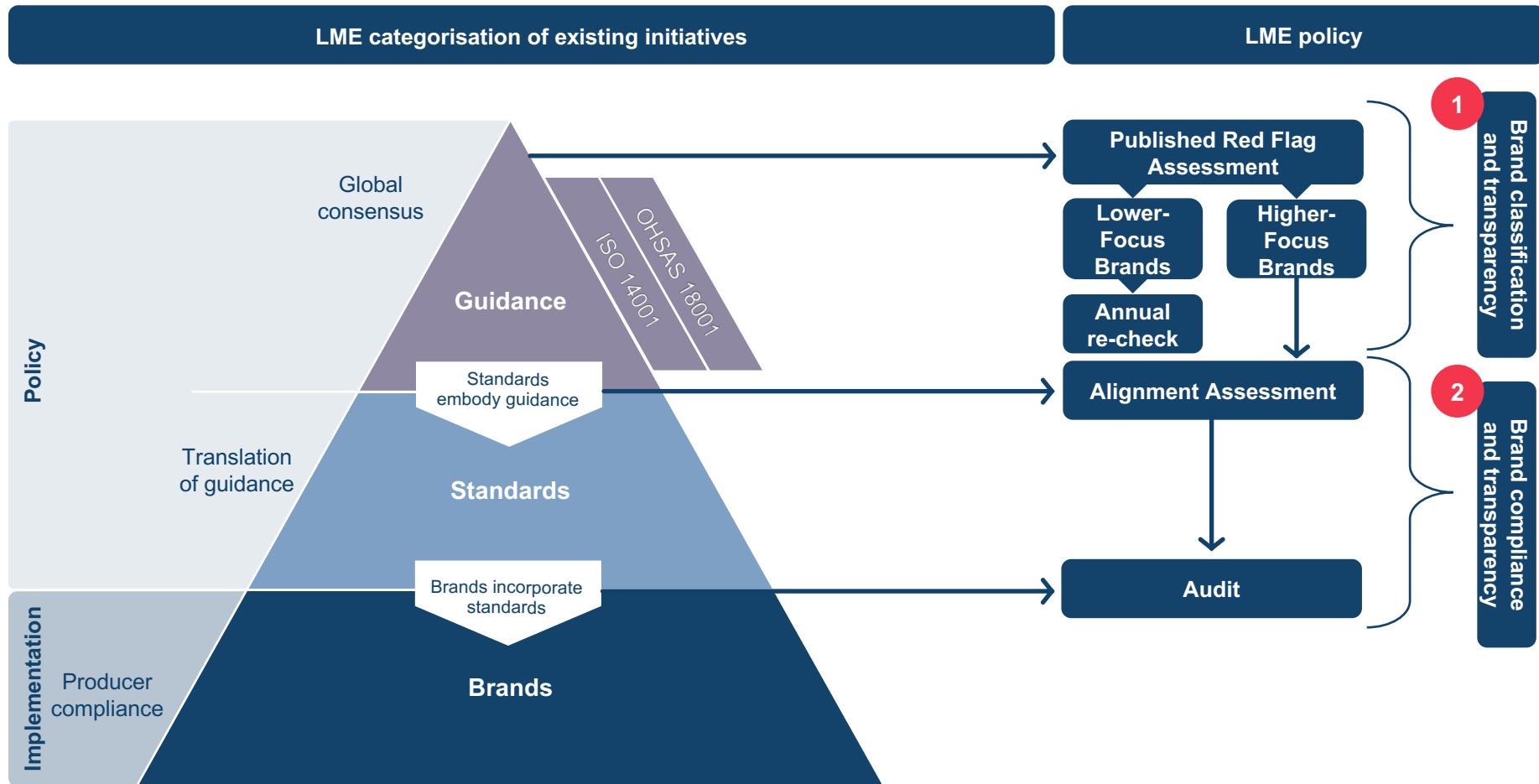
Defining a pragmatic and clear process

- Approach aimed at feasibility for global producers of all metals, ensuring that requirements (in respect of both transparency and standards) are clear and achievable

LME analysis of responsible sourcing environment...



...underpins proposed framework...



| ...and defines next steps

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Consultation

LME has published:
feedback, consultation and Red Flag Template
Feedback on these are open until the end of June

Contacting the LME

If you would like to chat to the LME directly about responsible sourcing, or any topic, we are available to help

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