Responsible sourcing: LME position paper

ICA and IWCC workshop
London, 5 October 2018
Core drivers for action

1. Meet consumer demand – increasing requirement for downstream stakeholders, LME members and clients to be able to diligence the sourcing of physically held metal

2. Potential for one brand not confirming to market expectations on responsible sourcing to have negative reputational impact on all LME-listed brands

3. Preferable for industry to define its own route forwards rather than waiting for government legislation – LME best placed to deliver a framework informed by, and acceptable to, market stakeholders
LME analysis of responsible sourcing environment
…underpinning its principles for action

- Risk-based and proportionate
- Pragmatic with respect to timing and existing initiatives
- Holistic across the various dimensions of responsible sourcing
LME proposed framework

Designed to enhance and support existing initiatives rather than complicate
LME process

Engagement and disclosure

Brand classification

Brand compliance
LME process

- Engagement and disclosure
- Brand classification
- Brand compliance
Ongoing engagement through LME-led survey

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Listed brands</td>
<td>92</td>
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<tr>
<td>Unique producers</td>
<td>49</td>
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<td>Unique producer respondents</td>
<td>36</td>
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<td>% response</td>
<td>73%</td>
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<td>External standard</td>
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LME process

Engagement and disclosure

Brand classification

Brand compliance
Per-brand risk classification

LME-listed brands

Potentially Higher-Focus Metals
- Aluminium + both alloys, copper, lead, molybdenum, nickel and zinc
- OECD Red Flag risk self-assessment
- LME review of risk assessment results

Lower-Focus Brands
- Annual red flag assessment to confirm classification + LME review

Automatic Higher-Focus Metals
- Cobalt and tin

Higher-Focus Brands
- Audited compliance with aligned standard + LME review
LME process

- Engagement and disclosure
- Brand classification
- Brand compliance
Defined process for higher-focus brands

Alignment assessment

1. Proposed standard
2. Internal or external standard alignment assessment by accredited assessor
3. Review and validation of alignment assessment findings by LME
4. Standard approved

Brands compliance (for Higher-Focus Brands)

5. Standard implemented at LME brand
6. Audit of compliance with standard
7. Review and validation of audit findings by LME

- Alignment assessment re-performed if either guidance or standards change
- Alignment assessor not permitted to conduct standards audit for minimum of two years following alignment assessment

Standard published on LME website if requested by standard owner
Proposed LME framework

Designed to enhance and support existing initiatives rather than complicate
## Timeline for implementation and compliance

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<th>Cobalt</th>
<th>Tin</th>
<th>Copper and others</th>
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