

LME Responsible Sourcing

Reflection and key updates from 2023

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October 2023



SETTING THE GLOBAL STANDARD



LME responsible sourcing publications

Revised policy and compliance documents February 2023

Policy

- Formal incorporation of Track D
- Definitions added for primary, secondary and input material

Red Flag Assessment template

- Workbook to standardise country-level reporting
- Expectations on management systems description, grievance mechanism, supplier red flags and CAHRA methodology clarified
- Adjusted EITI reporting requirements

Secondary Materials Attestation Form

- Condensed introduction and questions
- Standardised formatting

Track C Red Flag Assessment summary statistics March 2023

Summary statistics published for RFAs received in 2022; includes data on sourcing countries, descriptions of management systems, and the types of producers choosing Track C

Future years:

- 2024 summary statistics
- 2025-2026, anonymised versions of per-brand LME RFA
- 2027 and onwards, attributed versions of per-brand LME RFA

LME Responsible Sourcing Handbook May 2023

Handbook

Guidance Note on Track B Audits

Guidance Note on Supplier Red Flags

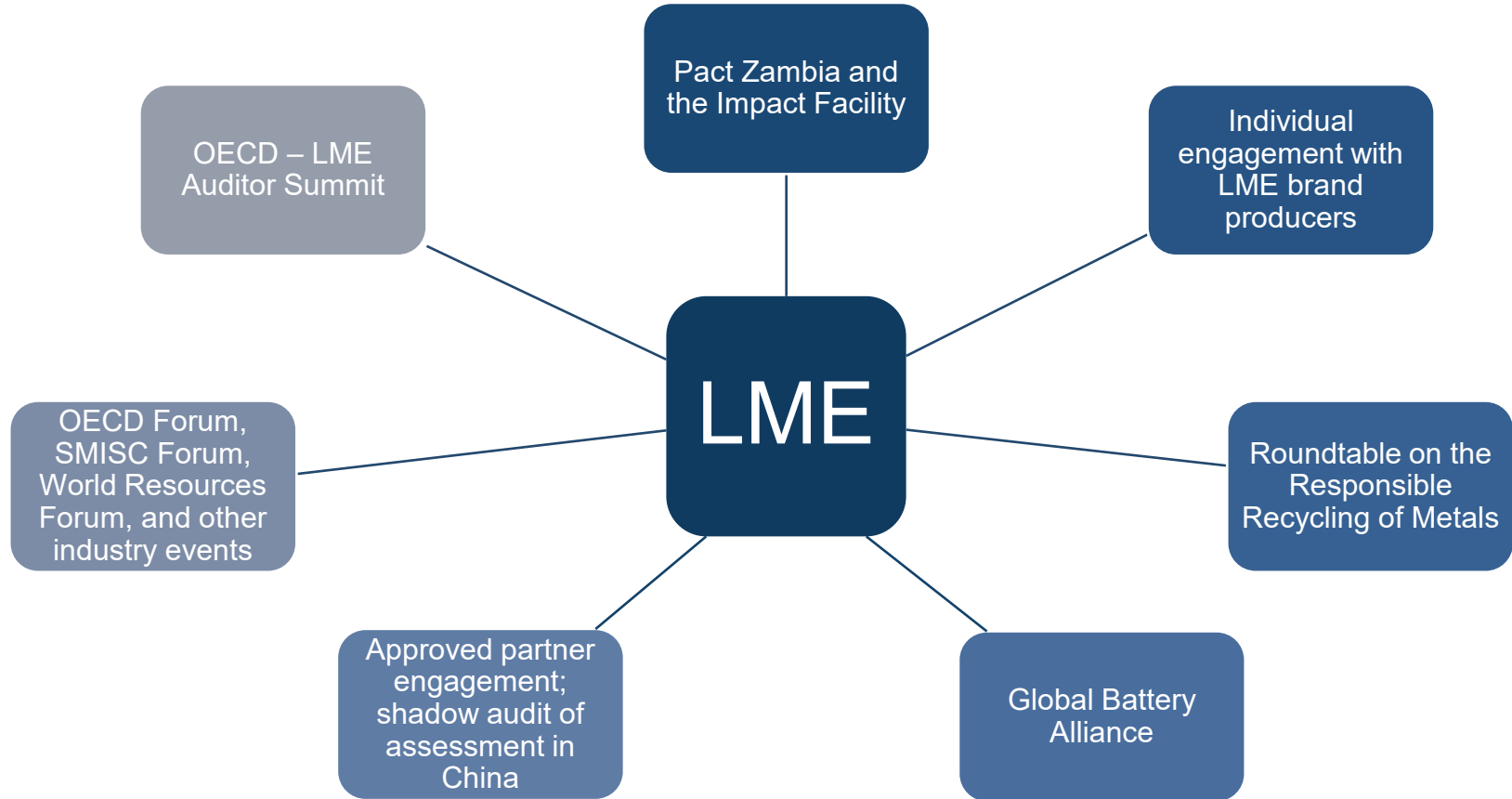
Guidance Note on Conflict-Affected and High-Risk Areas (“CAHRAs”)

Guidance Note on ISO 14001 and ISO 45001 compliance

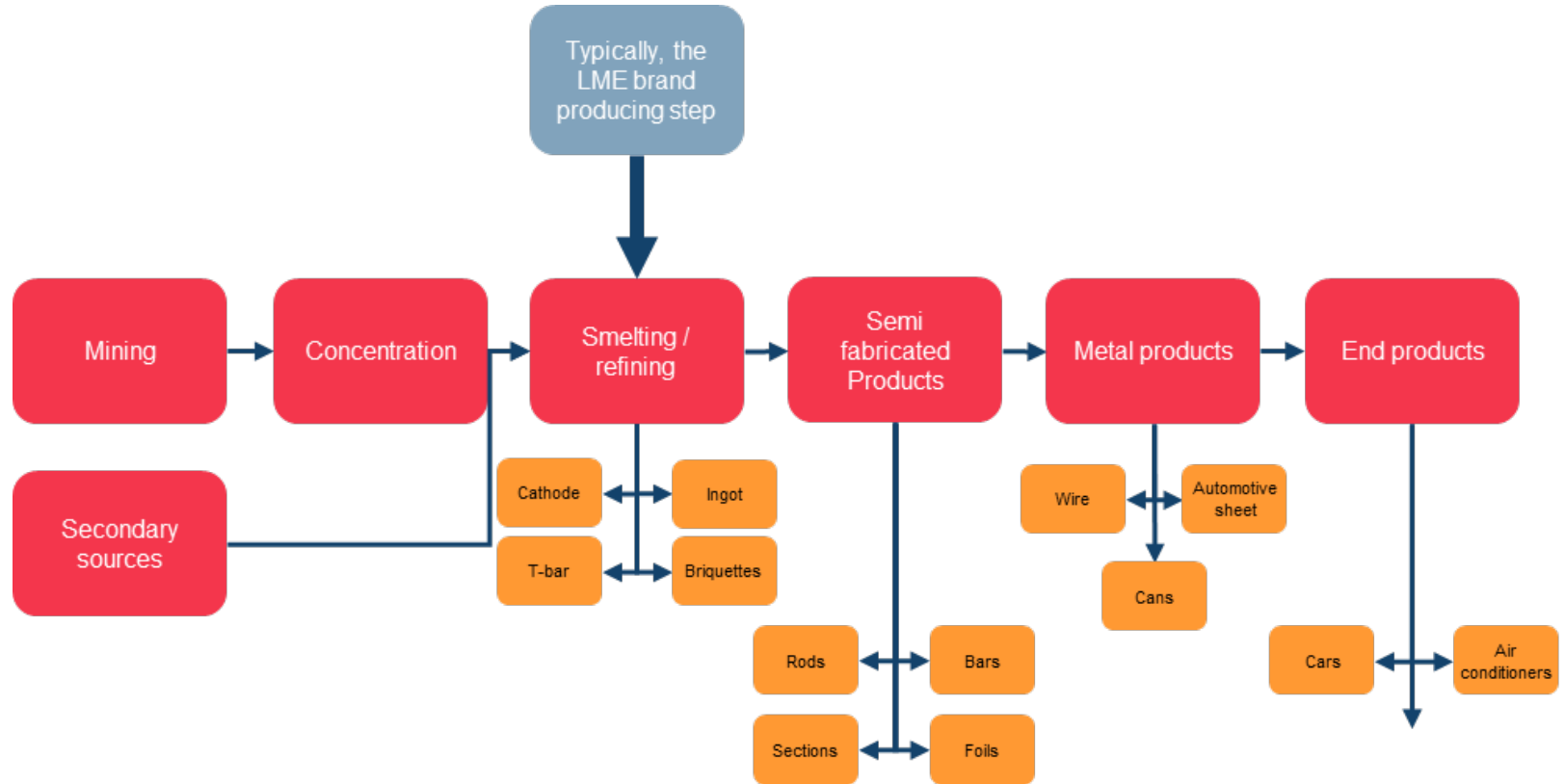
Assurance summary table



Responsible sourcing external engagement snapshot 2023



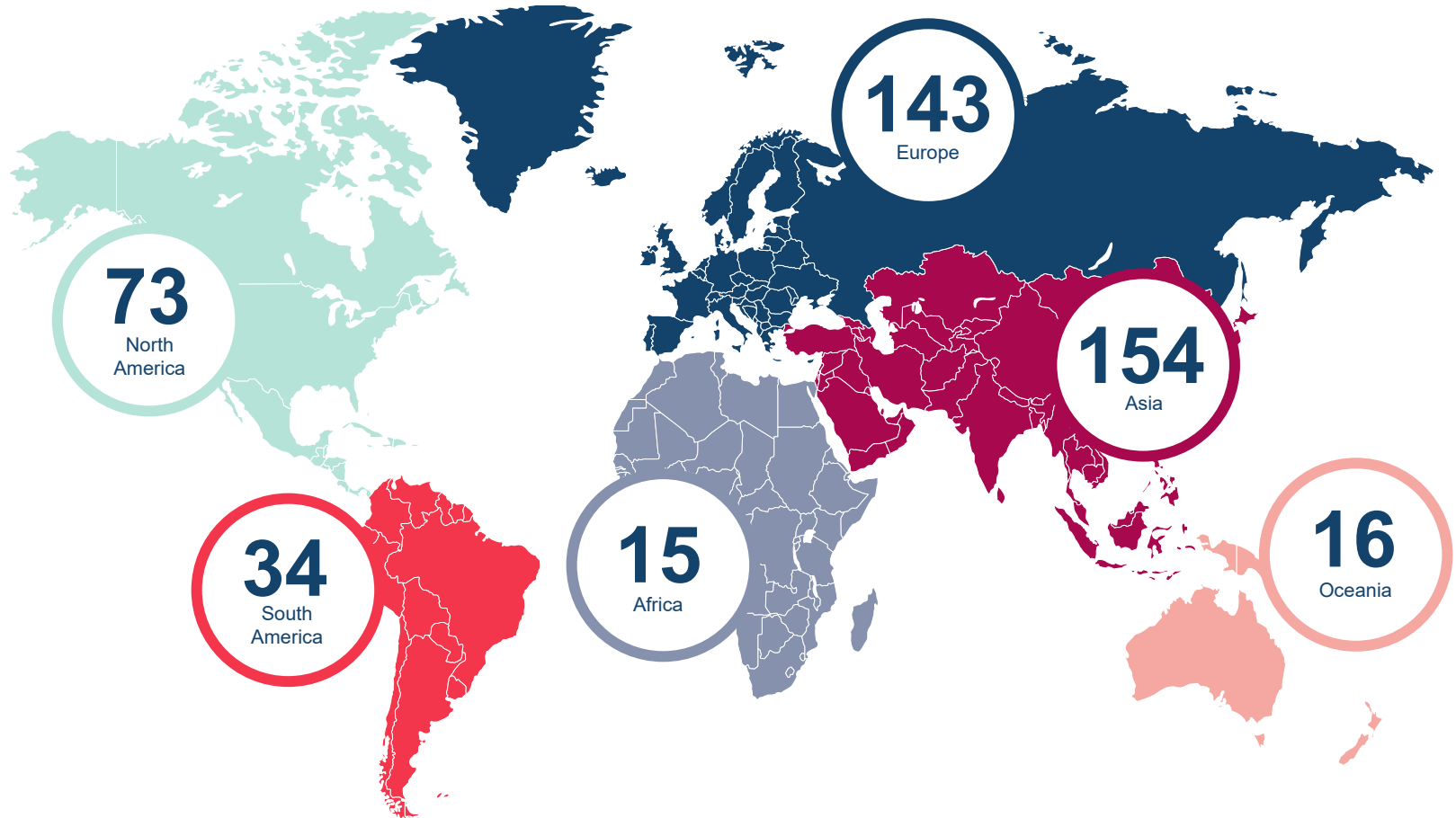
Metals value chain



LME-listed brands breakdown by metals



LME-listed brand producer locations



Responsible sourcing requirements for LME-listed brands

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

ISO 14001: Environmental Management System or equivalent

ISO 45001: Occupational Health & Safety Management System or equivalent



Requirements introduced
25 October 2019



First deadline for
OECD Submission
30 June 2022



Today

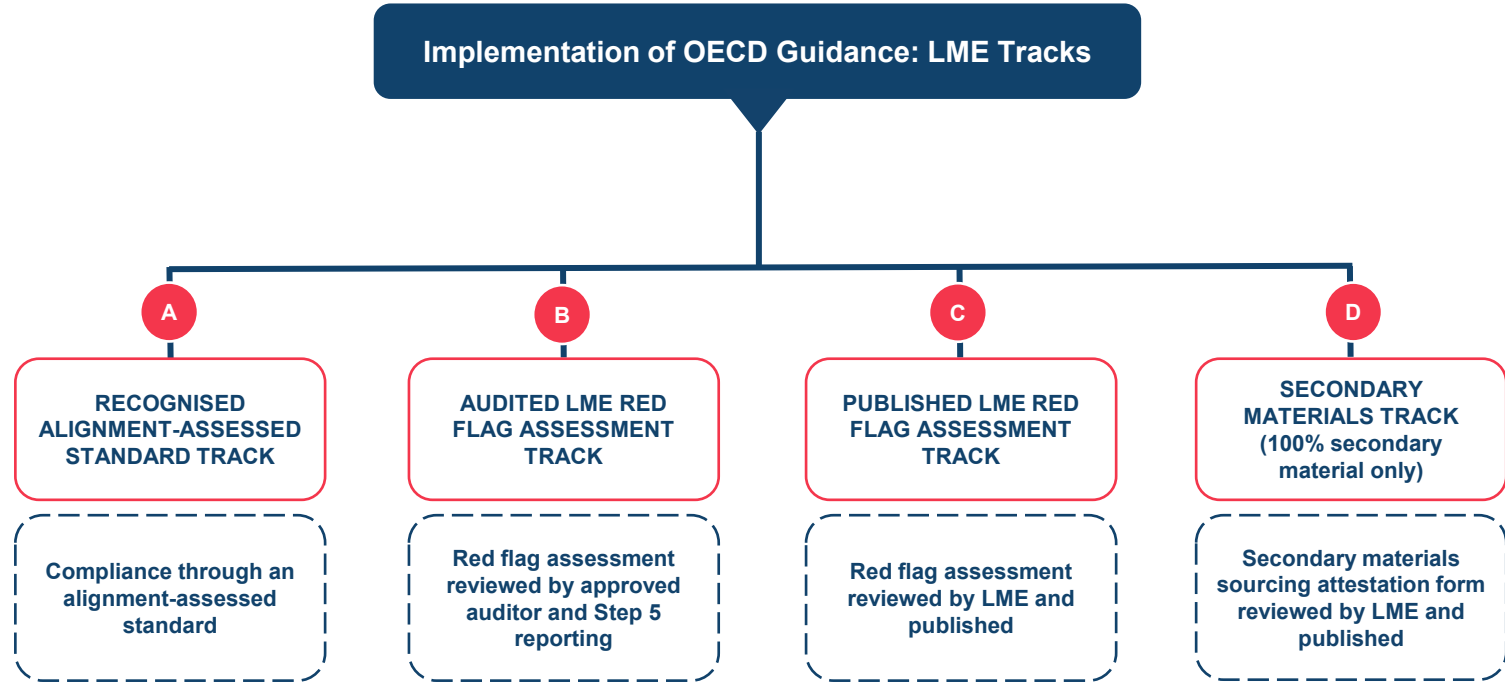


First deadline for ISO compliance
and Track A proof points
31 December 2023

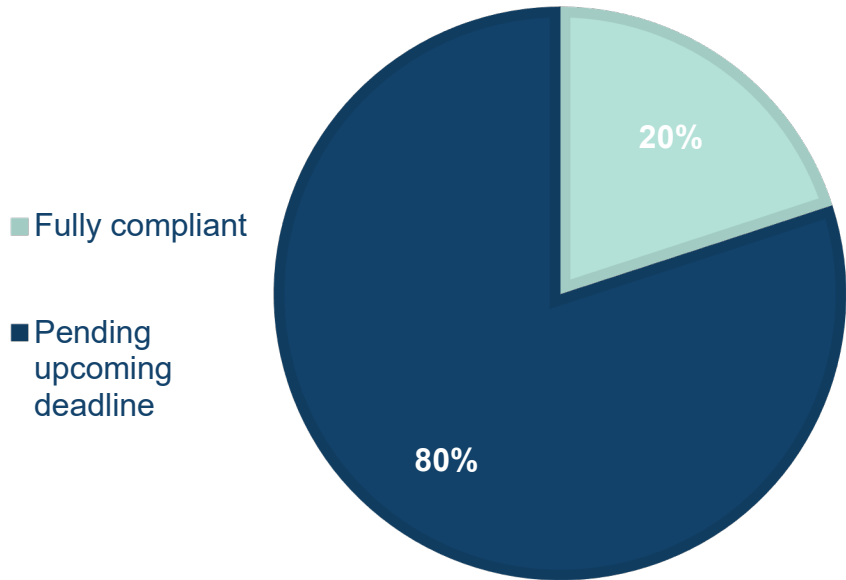
1. Requirements apply to all LME-listed producers of physically settled contracts. For details, please refer to the LME policy found on our website: <https://www.lme.com/en/Company/Responsibility/Responsible-sourcing>



Summary of tracks to OECD Guidance implementation



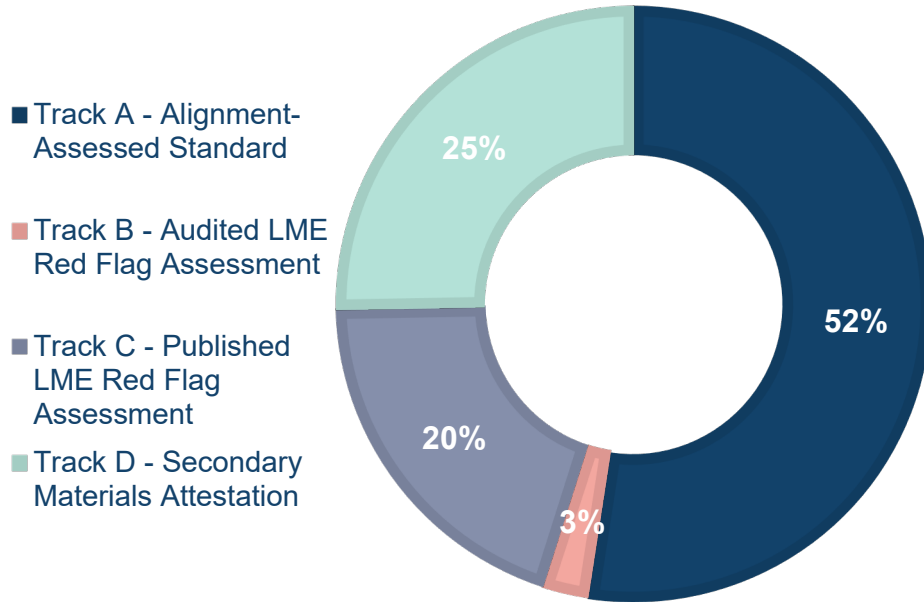
LME responsible sourcing compliance update



- To date, 20% of LME brands are fully compliant to all three responsible sourcing requirements
- The majority of Track A and ISO submissions are pending submission ahead of the 31 December 2023 deadline



Track selection breakdown 2023

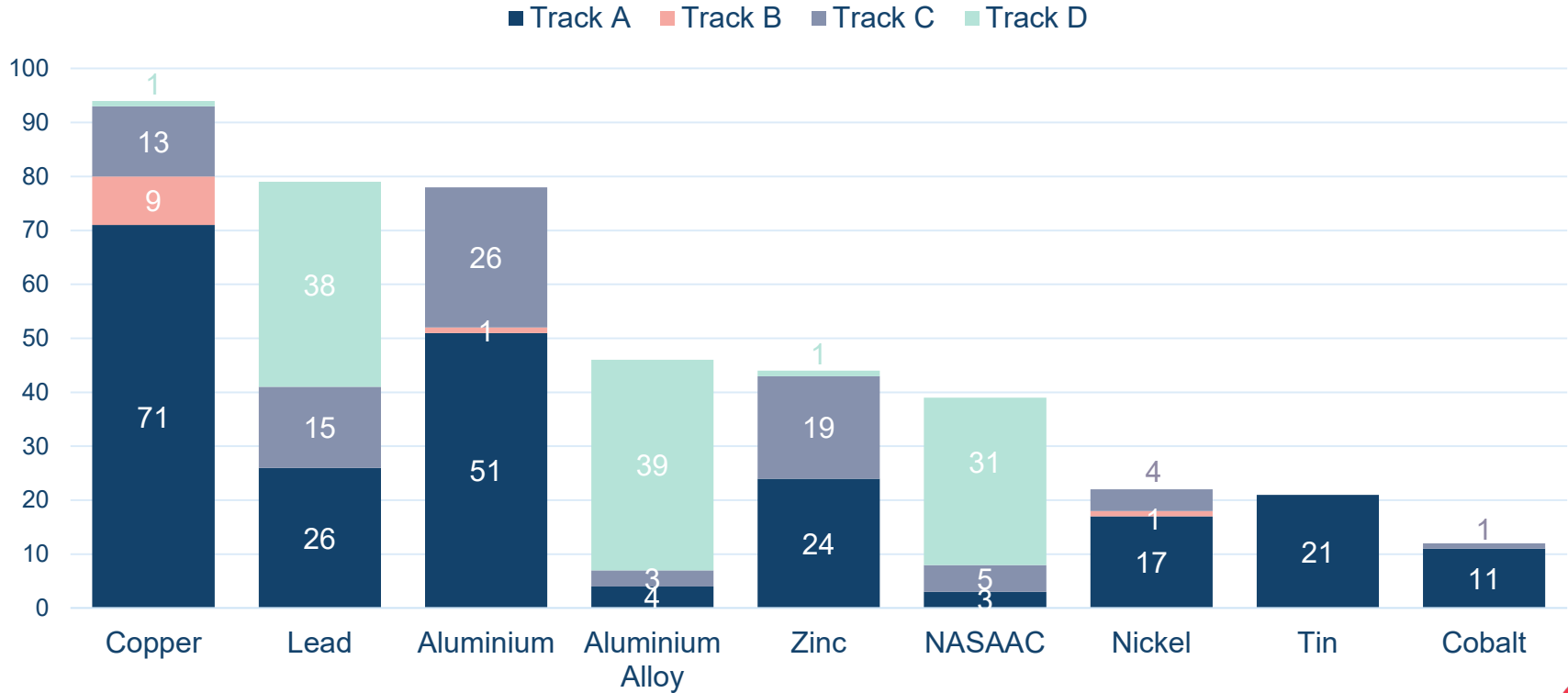


- Track A remains the most selected
- $\frac{1}{4}$ of LME listed brands are produced with 100% secondary material

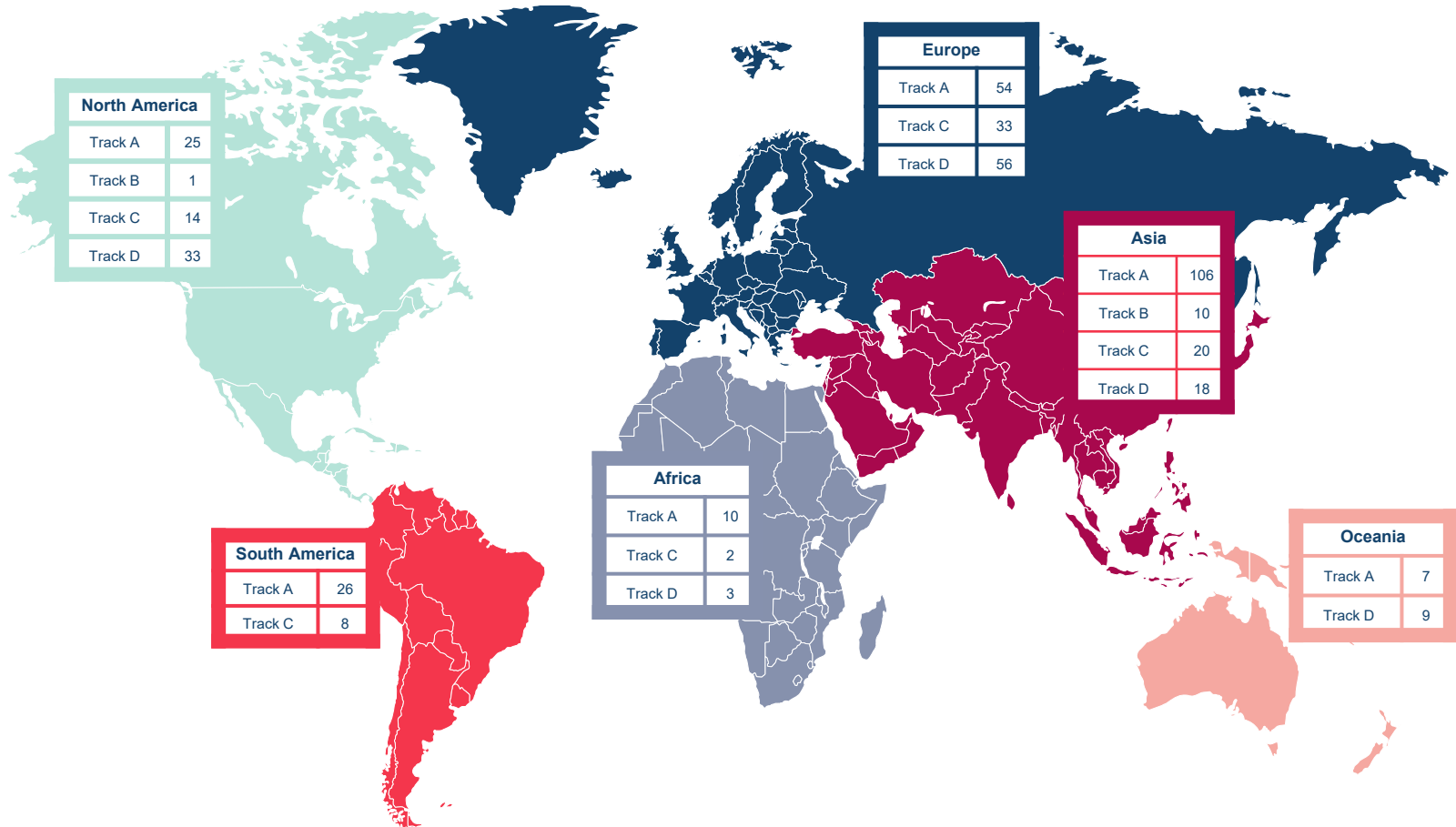


Tracks selected by metal

435 brands listed on the LME as of October 2023

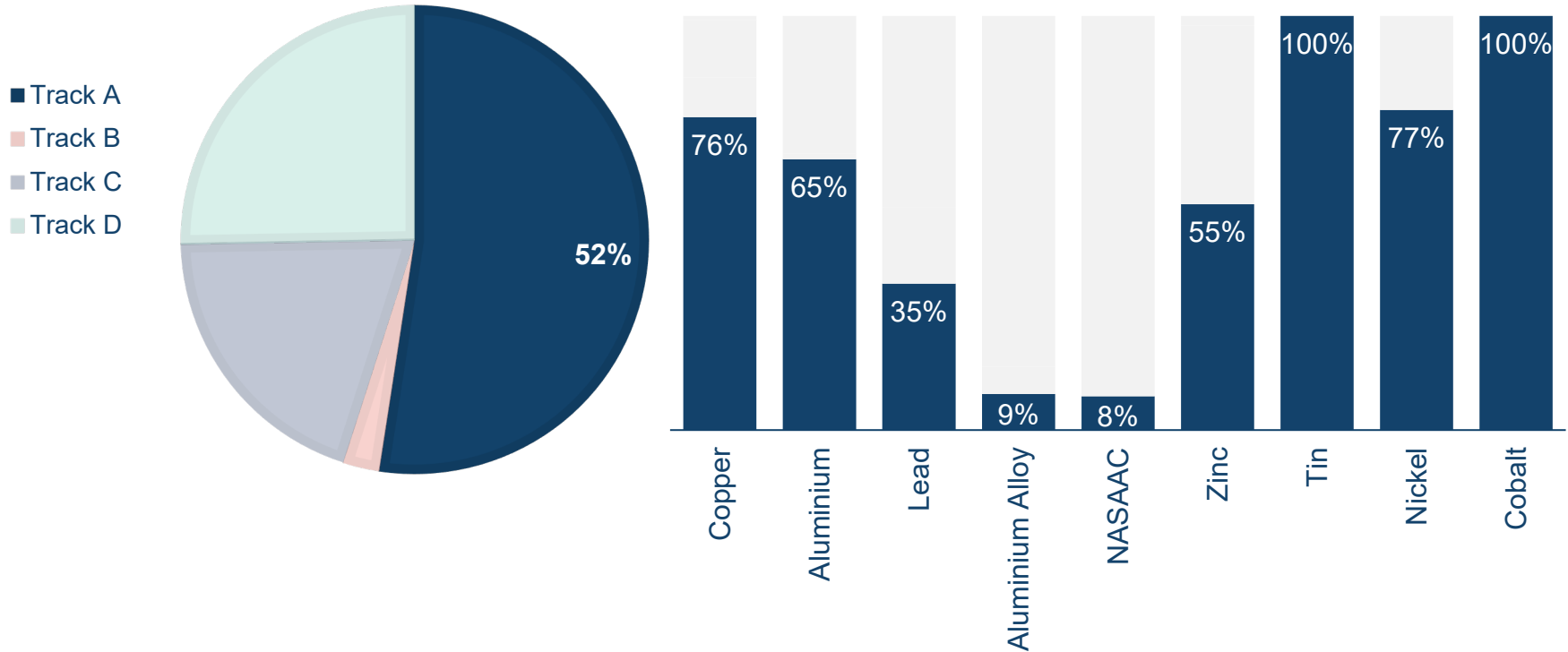


Track selection breakdown by locations 2023

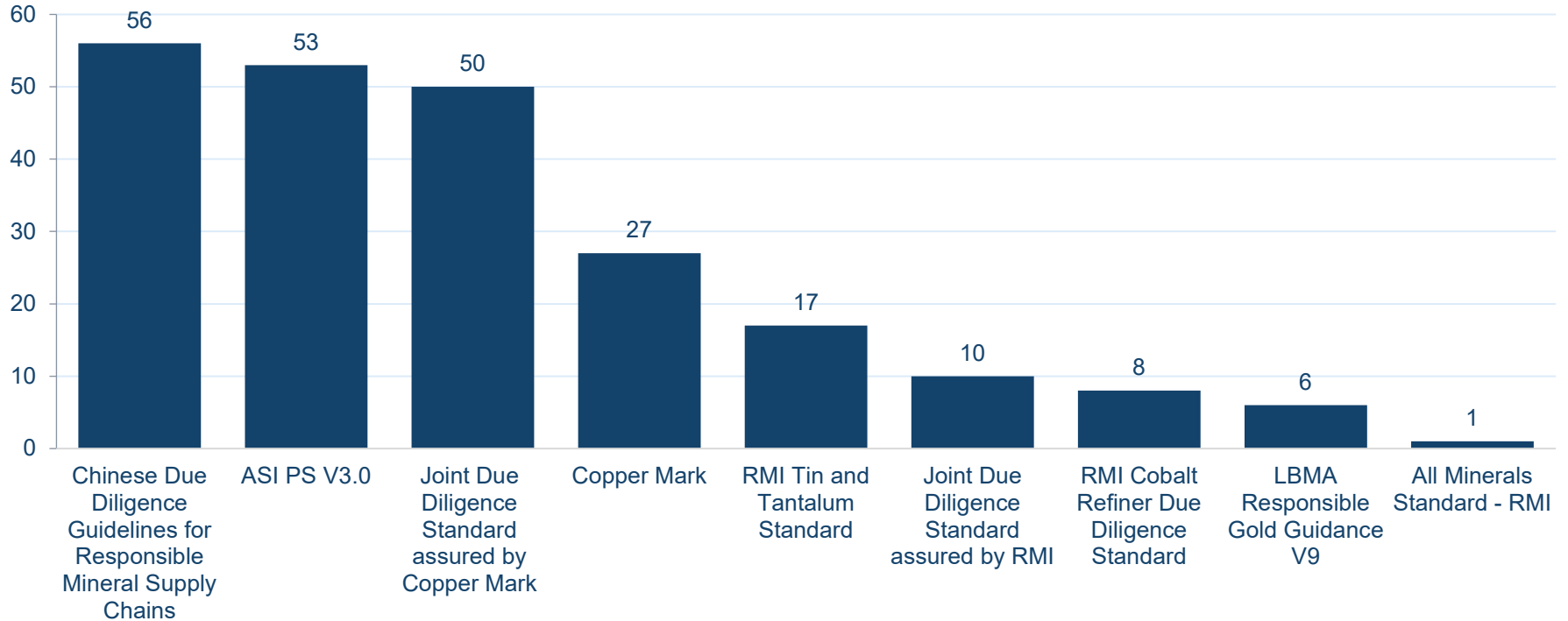


Track A brand submissions by metal

228 LME-listed brands chose Track A – Alignment-Assessed Standard Track (52%)



Track A standard selection by number of brands 2023

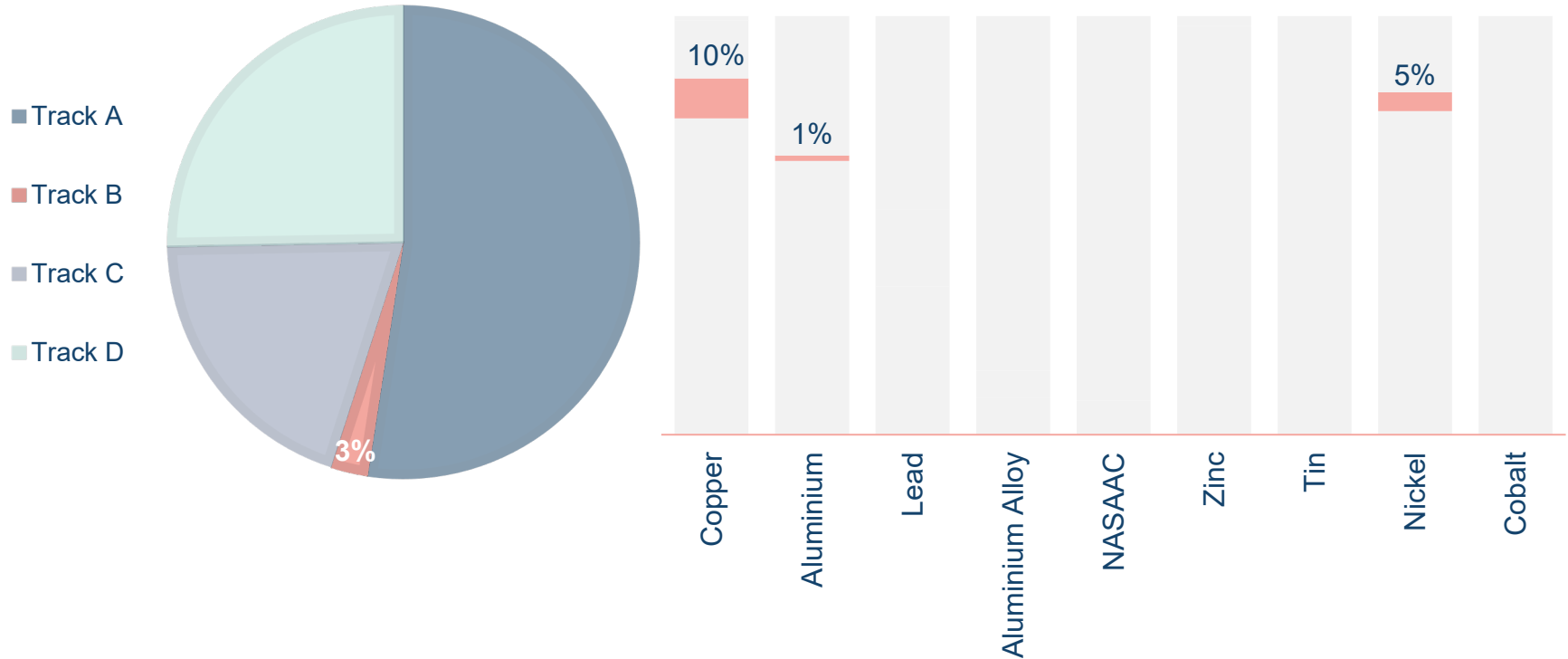


ASI PS: Aluminium Stewardship Initiative Performance Standard
RMI: Responsible Minerals Initiative
LBMA: London Bullion Market Association
All Minerals Standard: Global Responsible Sourcing Due Diligence Standard for Mineral Supply Chains – All Minerals



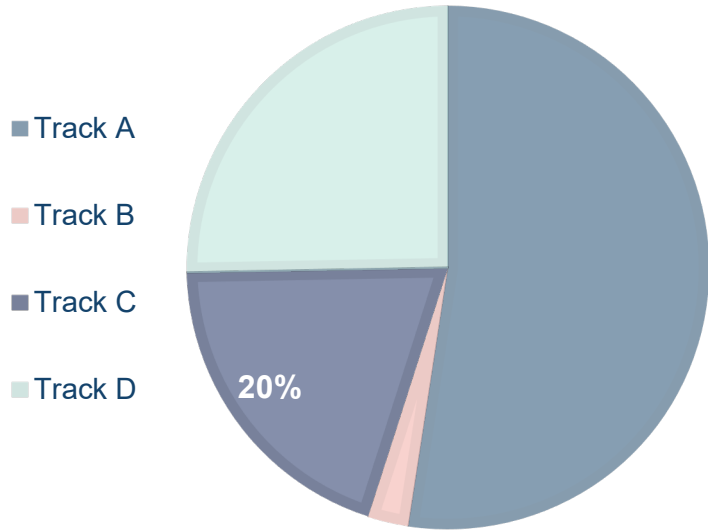
Track B brand submissions by metal

11 LME-listed brands chose Track B – Audited LME Red Flag Assessment Track (3%)

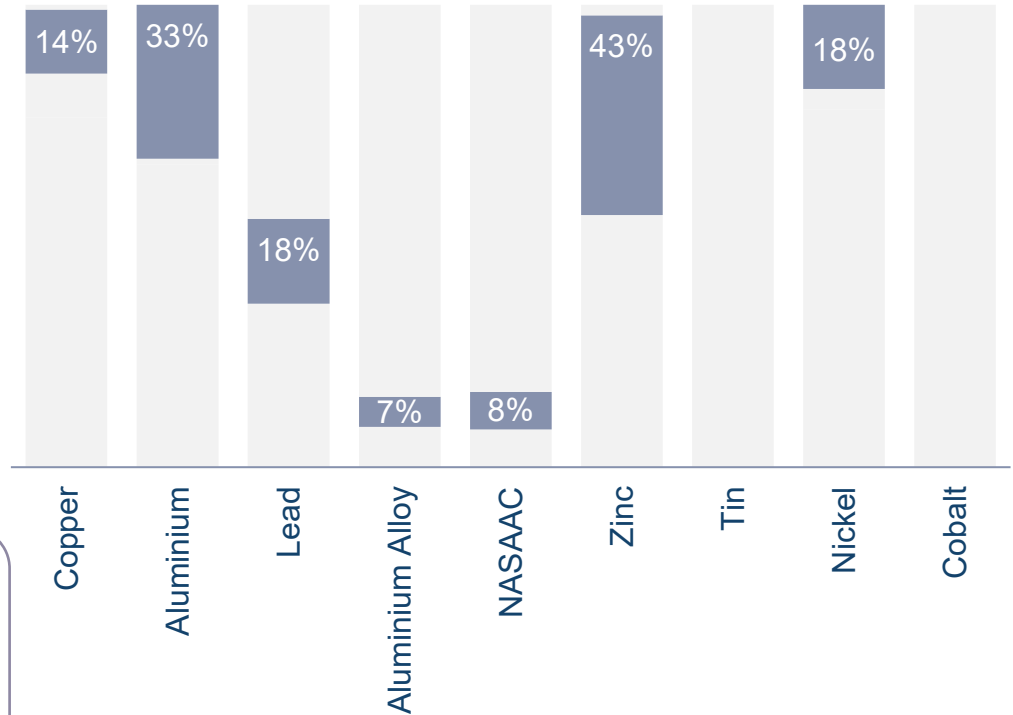


Track C brand submissions by metal

86 LME-listed brands chose Track C – Published LME Red Flag Assessment Track (20%)

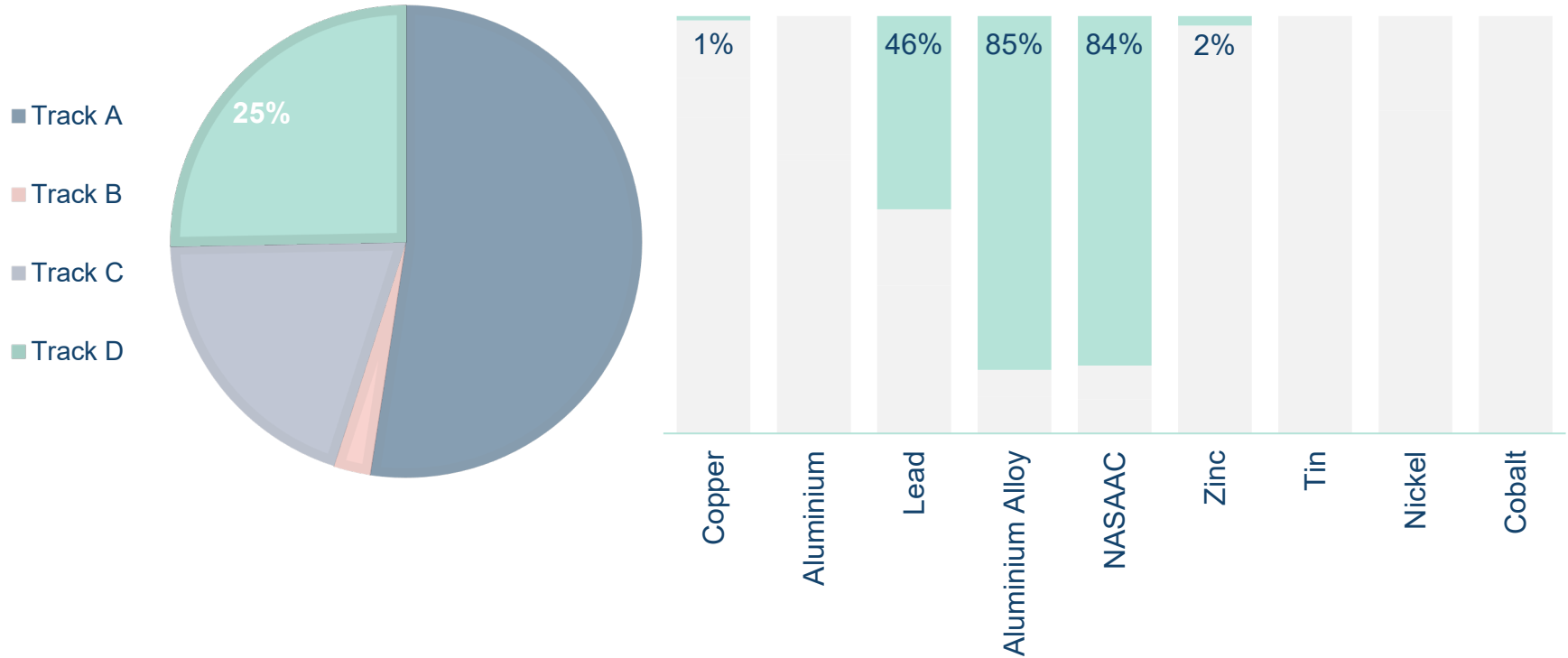


See summary statistics from the Red Flag Assessments received in 2022 published [here](#)! Similar statistics will be published in early 2024 for the 2023 RFAs.



Track D submissions by metal

110 LME-listed brands submitted secondary material attestation forms (25%)



Track D summary

Secondary materials include pre-consumer and post-consumer scrap as defined in the LME responsible sourcing policy

1. Explain whether the brand producer is relying solely on assurances from suppliers regarding the sources of material or on objective evidence.

Most producers relied on a mixture of visits to their suppliers, inspection of deliveries, and quality testing. The responses to this question remain the same from 2022 to 2023.

2. List corporate level checks that brand producer conducts on its suppliers and if there is a management system in place with examples.

Responses varied from detailed procedures including Supplier Codes of Conduct, ISO certifications, unique KYC forms and audits, to reliance on regulation or established relationships.

Similarly to responses from 2022, producers relied on management systems for quality, such as ISO 9001, though some implemented a management system specifically for responsible sourcing of minerals.

Government regulations are still an important factor into brand producers' supplier due diligence (either at their location or their supplier location).



Responsible sourcing overview - challenges

Geopolitical factors	An increase in geopolitical tensions, combined with regulatory divergence across nations and regions, poses an increasing challenge to the industry to remain cohesive, define and deliver against internationally agreed responsible sourcing goals, and cross-recognise standards
CAHRA determination	Material inconsistencies remain in CAHRA determination methodologies across non-3TG metals; the LME has seen improvements since year 1 reporting, but more progress and greater standardisation is needed
EITI implementation	Implementation of the principles of EITI along the value chain -- especially in non-EITI implementing countries and beyond the mining stage -- remains a challenge; however, EITI remains the dominant framework in addressing financial transparency issues related to the mining sector and progress is being made
Supply chain cooperation	Timely cooperation of all supply chain participants beyond LME brand producers -- including artisanal scale miners, small-to-medium enterprises, large-scale mines, and traders -- requires more capacity building, understanding, and efficiency
Monitoring and evaluation	Monitoring and evaluation of the OECD Guidance implementation exists, though sporadic and often tied to only one region or metal value chain; a comprehensive review of the impact of the implementation of the Guidance is needed to assess global progress in addressing the risks in the Guidance
Transparency	The OECD Guidance Step 5 requires transparency on the risks producers are finding in their supply chain and how they are addressing them; however, the content of these reports is still underdeveloped and inconsistent

1. CAHRA: Conflict-Affected and High-Risk Area
2. 3TG: tin, tantalum, tungsten, and gold
3. EITI: Extractive Industries Transparency Initiative
4. OECD Guidance: OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas



Responsible sourcing overview – positive developments

Continued producer support	LME brand producers are committed to implementing the OECD Guidance, resulting in a 100% submission rate for Track B and Track C in 2023; brand producers highlight that they are recognising the benefits of implementing a due diligence management system in its purpose to identify, prevent, and mitigate supply chain risks
Track C quality improvement	LME has seen significant improvement in the quality of Track C submissions in 2023 compared to 2022, though challenges still remain as highlighted on previous slide
Applicability to LME metals	The second year of implementation has continued to demonstrate that the OECD Guidance functions as a framework for responsible sourcing, even for non-3TG metals
Existing work in the sector	Recognition of existing industry initiatives through the OECD's alignment assessment methodology enables the LME to build on existing work in the sector
Joint auditor summit	LME and OECD coordinated an auditor summit, resulting in collaboration between approved partners to increase the availability and quality of auditors

1. OECD Guidance: OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

2. 3TG: tin, tantalum, tungsten, and gold



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