



LME Red Flag Assessment Template

Reporting template for LME-listed brands

LME RED FLAG ASSESSMENT TEMPLATE – OECD DUE DILIGENCE GUIDANCE FOR RESPONSIBLE SUPPLY CHAINS OF MINERALS FROM CONFLICT-AFFECTED AND HIGH-RISK AREAS

Directions

- This template constitutes the LME RFA Template for the purposes of the LME Policy on Responsible Sourcing of LME-Listed Brands (the “Policy”). Capitalised terms not defined herein have the meaning ascribed to them in the Policy
- This template is only required for Brands following the Audited LME RFA Track (when the completed template must be submitted to the auditor) and the Published LME RFA Track (when the completed template must be submitted to the LME)
- Producers should consult the Policy for information on reporting periods, submission deadlines and other information
- This template is based on the “Supplement on Tin, Tantalum and Tungsten” of the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas”. References to “OECD Guidance” in the context of this template should be interpreted accordingly

1) BRAND INFORMATION

Brand name:		LME Brand code:	
Producer name:		Producer address:	
Contact details:		Reporting Period:	
Date of submission:			

2) COMPANY MANAGEMENT SYSTEMS

- The LME believes it important that its listed Brands report (per A.1.1 of Step 5 of the OECD Guidance) on their company management systems (per Step 1A and Step 1B of the OECD Guidance). This is because this information is necessary to reassure market stakeholders that the analysis of the Red Flag Assessment has been correctly completed.
- a. **Company Management Systems:** In respect of the production of this Brand in this Reporting Period, set out the Producer’s supply chain due diligence policy; explain the management structure responsible for the Producer’s due diligence and who in the Producer is directly responsible; describe the control systems over the mineral supply chain put in place by the Producer, explaining how this operates and what data it has yielded that has strengthened the Producer’s due diligence efforts in this Reporting Period; describe the Producer’s database and record-keeping system

This question reflects those elements of item A.1.1 of the Step 5 Reporting which themselves relate to Step 1A and Step 1B. Note that the requirement to “disclose information on payments made to governments in line with EITI criteria and principles” is contained in Section 6) of this template, given the LME’s specific commitment to the combatting of financial crime and corruption risk.

3) LOCATIONS OF MINERAL ORIGIN AND TRANSIT

- An effective Red Flag Assessment will require a clear understanding of the countries (i) from which minerals have originated, and (ii) through which minerals have transited. For the purposes of this Red Flag Assessment, the terms “transited through” and “transported via” may be read as interchangeable.



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- a. On the basis of the Producer’s Company Management Systems for tracing the origin of materials from its operations and those of its suppliers, list the countries from which the minerals used for this Brand originated during the Reporting Period

This answer may be provided as a list of countries, and does not need to be disaggregated by supplier. However, the LME may request this information on a confidential basis in the event that further information in respect of the Red Flag Assessment is required.

- b. On the basis of the Producer’s Company Management Systems for tracing the transit of materials from its operations and those of its suppliers, list the countries through which minerals used for this Brand have transited during the Reporting Period

This answer may be provided as a list of countries, and does not need to be disaggregated by supplier. However, the LME may request this information on a confidential basis in the event that further information in respect of the Red Flag Assessment is required.

- c. Is any company in the supply chain for this Brand unable to determine the countries from which minerals used for this Brand either originated or transited during the Reporting Period?

4) SUPPLIERS

- a. On the basis of the Producer’s Company Management Systems for assessing suppliers and other known upstream companies, compile a list of companies (the “Relevant Companies”) in which the Producer’s suppliers and other upstream companies have had shareholder and other interests during the Reporting Period. List the countries from which the Relevant Companies supply minerals, and countries in which the Relevant Companies operate

This answer may be provided as a list of countries, and does not need to be disaggregated by Relevant Company. For the avoidance of doubt, the identities of the Relevant Companies do not need to be disclosed; however, the LME may request this information on a confidential basis in the event that further information in respect of the Red Flag Assessment is required.

For the purposes of this analysis, “shareholder interest” may be interpreted as a majority shareholder interest, and “other interest” may be interpreted as a controlling interest achieved through a route other than a shareholding.

- b. On the basis of the Producer’s Company Management Systems for assessing suppliers and other upstream companies, list the countries in which those suppliers and other upstream companies have sourced minerals during the Reporting Period

This answer may be provided as a list of countries, and does not need to be disaggregated by supplier/other upstream company. However, the LME may request this information on a confidential basis in the event that further information in respect of the Red Flag Assessment is required.

5) ASSESSMENT OF GEOGRAPHIES (ORIGINATION AND CHAIN OF CUSTODY)

- Core to the Red Flag Assessment is the determination of Conflict-Affected and High-Risk Areas (“CAHRAs”)



- The LME believes that the determination of CAHRAs is ultimately for producers to undertake
 - The LME has determined that the CAHRA definition relevant to LME-listed brands should be the expanded scope set out in the “Definitions” section of the “Supplement on gold” in the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas”. In particular, this incorporates the abuses from Paragraph 1 of Annex II of the OECD Guidance into the CAHRA definition
 - The LME further recognises that the definition of CAHRA does not map precisely onto national boundaries, and it appears possible under the OECD Guidance that certain sub-divisions of a state would be a CAHRA, and other sub-divisions not a CAHRA. This possibility is reflected in the methodology below
- a. For each of the countries identified in the answers to items 3)a, 3)b, 4)a and 4)b, classify that country (based on the Producer’s analysis during the Reporting Period) into:
- (i) A country of which no area falls into the CAHRA definition;
 - (ii) A country of which all areas fall into the CAHRA definition; or
 - (iii) A country of which some, but not all, areas fall into the CAHRA definition. In this case, indicate whether the areas to which the answers to items 3)a, 3)b, 4)a and 4)b relate fall within the CAHRA definition

Countries falling into the CAHRA definition per (ii), and regions of countries falling into the CAHRA definition per (iii), shall be referred to as “CAHRA areas”.

- b. For each of the countries identified in the answers to items 3)a, 3)b, 4)a and 4)b, indicate whether or not (based on the Producer’s risk identification during the Reporting Period) minerals from CAHRAs are known to transit through that country
- c. For each of the countries identified in the answers to items 3)a, 3)b, 4)a and 4)b, indicate whether or not (based on the Producer’s risk identification during the Reporting Period) that country (in respect of the contribution of minerals from that country to production of the Brand) has limited known resources, likely resources or expected production levels (i.e. whether the declared volumes of mineral from that country for use in producing the Brand are out of keeping with that country’s known reserves or expected production levels)

6) FINANCIAL CRIME AND CORRUPTION RISK

- The LME believes that financial crime and corruption risk represent important concerns for industry stakeholders. Accordingly, the LME is particularly keen to ensure that the principles of the Extractive Industries Transparency Initiative (“EITI”), as referenced in the OECD Guidance, are embedded into global supply chains. As such, this template references the specific wording of the OECD Guidance in respect of EITI, but further requires that Producers explain broader disclosure on a per-country basis.

- a. **Payments made to governments:** Confirm that the Producer discloses information in respect of this Brand in this Reporting Period on payments made to governments in line with EITI criteria and principles, and provide the details of where such reporting may be found

This question partially reflects item A.1.1 of the Step 5 Reporting.

- b. **Per-country EITI transparency:** For each of the countries identified in the answers to items 3)a, 3)b, 4)a and 4)b, set out:



- (i) Whether the country is an EITI member country;
- (ii) If the country is an EITI member country, whether the Producer, its suppliers and/or other upstream companies are in compliance with the EITI reporting requirements of that country. Where relevant (and where such disclosure would not require the disclosure of commercially confidential information), provide links to the latest EITI report, or the relevant company's submission for the purpose of EITI reporting; or
- (iii) If the country is not an EITI member country, whether the Producer, its suppliers and/or other upstream companies undertake other steps to provide transparency on payments and other matters in line with the aims of EITI

7) RED FLAG ASSESSMENT

- a. Do any of the countries identified in 3)a (origin of minerals) or 3)b (transit of minerals) fall into the CAHRA areas identified in 5)a?

This provides coverage of the first OECD Red Flag.

- b. Do any of the countries identified in 3)a (origin of minerals) fall into the list of limited resource countries identified in 5)c?

This provides coverage of the second OECD Red Flag.

- c. Do any of the countries identified in 3)a (origin of minerals) fall into the list of transit counties identified in 5)b?

This provides coverage of the third OECD Red Flag.

- d. Do any of the countries identified in 4)a (shareholder and other interests) fall into the CAHRA areas identified in 5)a, or the list of transit counties identified in 5)b?

This provides coverage of the fourth OECD Red Flag.

- e. Do any of the countries identified in 4)b (supplier operations) fall into the CAHRA areas identified in 5)a, or the list of transit counties identified in 5)b?

This provides coverage of the fifth OECD Red Flag.

- f. Is the answer to 3)c (unknown source of minerals) positive?

This provides coverage of the OECD Red Flag instruction that "if a company in the supply chain is unable to determine whether the minerals in the company's possession come from a 'red flag location of mineral origin or transit', it should proceed to Step 1 of the Guidance". For the purposes of this Red Flag Assessment, this is understood as being equivalent to triggering an OECD Red Flag.

- g. Does the producer fail to undertake required EITI reporting pursuant to 6)a?

This reflects the stated focus of the LME on financial crime and corruption risk.



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- h. Is the answer to any of 7)a – 7)g positive?

If so, then it should be assumed that one or more OECD Red Flags are engaged, and the must hence follow the Recognised Alignment Assessed Standard Track.

If not, then it should be assumed that Red Flags are not engaged, and the Brand may hence choose any of the Recognised Alignment Assessed Standard Track, the Audited LME RFA Track, or the Published LME RFA Track.

- i. Does the Producer believe that the Red Flag Assessment should result in a different outcome than indicated in 7)h)? If so, then a full explanation must be given.

If this is the case, it is expected that the Producer will have discussed this with the LME in advance of submission of this template (either to the LME or auditor).

