



# LME consultation on responsible sourcing: Feedback analysis

October 2019

## **Contents**

1	INTRODUCTION	3
2	FEEDBACK TO THE CONSULTATION	4
	2.1 Proposed scope of the LME requirements	4
	2.1.1 Considerations around environmental standards	4
	2.1.2 Impact of the LME scope on ASM and LSM	5
	2.1.3 The applicability of the 3T and gold supplements to other metals	5
	2.1.4 Secondary materials	6
	2.1.5 Brand vs company-level implementation	6
	2.2 Considerations around red flag assessment	7
	2.2.1 Stigmatisation of higher-focus brands	7
	2.2.2 Identification of conflict-affected and high-risk areas (“CAHRA”)	8
	2.2.3 Clarifications within the RFA	9
	2.2.4 Reporting under EITI	9
	2.3 Considerations around responsible sourcing standards	10
	2.3.1 Availability, alignment assessment, equivalence and audit	10
	2.3.2 ISO 14001 and OHSAS 18001 / ISO 45001 certifications	11
	2.4 Timeline	11
	2.5 Other considerations	12
	2.5.1 Grievances	12
	2.5.2 Changes to policy	13
3	CONCLUSION	14

# 1 INTRODUCTION

Since 2017, the LME has been engaging with its market to explore the possibility of embedding responsible sourcing principles into LME requirements for its listed brands. This process began with a survey of all LME-listed brands to understand work already underway in respect of responsible sourcing, and this was followed, on 5 October 2018, by a market-wide position paper in which the LME outlined its proposals for the implementation of responsible sourcing requirements.

Most recently, and taking into account both the feedback received to the position paper, and the LME's own analysis, the LME launched a market-wide consultation (the "Consultation") on its proposed requirements for its listed brands. The consultation closed on 30 June 2019 and 33 responses were received. The LME would like to thank all the market participants who have engaged with the LME throughout this process, and those who have provided written comments, or the benefit of their experience through meetings and calls. The Exchange very much appreciates the time and effort taken by all those who have contributed.

At each stage of market engagement, the LME has taken all the feedback received into careful consideration, and has endeavoured to provide comprehensive transparency as to its analysis of the issues raised, the recommendations and suggestions it has incorporated into its proposals – and equally those which it has not – and provide a rationale for both. In line with this approach, this paper provides the LME's summary of the feedback received in respect of the Consultation, the LME's analysis of that feedback, and an outline of next steps where relevant.

Today, the LME has also published its final set of requirements in respect of responsible sourcing, and the changes it is making to the LME Rulebook to introduce those requirements for LME-listed brands.

Any market participant wishing to contact the LME regarding responsible sourcing is asked to email [responsiblesourcing@lme.com](mailto:responsiblesourcing@lme.com).



## 2 FEEDBACK TO THE CONSULTATION

### 2.1 Proposed scope of the LME requirements

The LME's Consultation on responsible sourcing, issued in April 2019, did not reiterate the LME's thinking in respect of the scope of its responsible sourcing requirements. However, the LME received feedback on a number of topics related to this scope, including (i) environmental standards, (ii) impact of the proposal on large-scale ("LSM") and artisanal/small-scale ("ASM") mining, (iii) the suitability of the Organisation for Economic Co-operation and Development ("OECD") Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ("OECD Guidance") Supplement on Tin, Tantalum and Tungsten ("3T supplement") compared to the OECD five-step framework for risk-based due diligence in the mineral supply chain as outlined in Annex 1 ("OECD five steps") for metals which are not specifically referenced in the 3T supplement, (iv) secondary materials, and (v) brand vs company level implementation. Respondents' feedback, and the LME's response on each of these themes, is summarised below.

#### 2.1.1 Considerations around environmental standards

As stated in the Consultation paper, the LME, when outlining environmental considerations in its responsible sourcing proposal, expects brands to work towards the ISO 14001 certification or equivalent. However, a broader scope incorporating more wide ranging environmental concerns was not included as it was understood that market demand was not yet sufficiently high. Respondents in this area tended to outline: firstly, why they believed the LME should consider expanding its environmental scope; secondly, examples of downstream demand for the inclusion of environmental considerations; and thirdly, examples as to what environmental requirements should be in place within the LME's responsible sourcing strategy.

One respondent outlined its belief that the LME should take a progressive stance on both the long-term negative externalities caused by the mining industry on the climate, as well as the immediate damage. It was argued that the LME's proposal was not sufficiently ambitious in respect to environmental performance, and did not adequately reflect expectations of downstream market participants. Moreover, one respondent argued that, given the long implementation timeframe, the LME should revisit expanding the original scope into the environmental arena in light of how market expectations are likely to evolve.

Respondents asserted that pressure from downstream could be evidenced by the climate-related financial and non-financial risk disclosures that are increasingly being sought by investors. The metals sector, a respondent argued, would do well to get ahead of the curve. Another respondent cited evidence of regulatory pressure in the form of the EU's recently agreed new rules for investors to undertake due diligence on environmental risks and impacts, and referred to international studies that demonstrated that companies with strong environmental, social and governance ("ESG") policies outperform those that do not take these risks into account. Furthermore, one respondent contended that the recent surge in consumer demand for products with low carbon emissions (such as electric vehicles), demonstrated the will of consumers to reduce their carbon footprint, and the LME should take this under consideration. On the practical side, one respondent argued that the LME must require companies to report on environmental and climate risk as well as conflict risk.

The LME is aware that effective environmental work has been accomplished by various companies and standards, and acknowledges that environmental sustainability is swiftly becoming a central



global issue. However, the LME believes that this topic can be addressed via parallel activity and is exploring other projects that can assist producers in respect of environmental performance.

### **2.1.2 Impact of the LME scope on ASM and LSM**

In the Consultation, the LME outlined its view that artisanal / small-scale mining, properly governed, can bring great development opportunities to disadvantaged communities. Similarly, large-scale mining, properly governed, can bring significant economic benefit to the countries from which resources are extracted – which, appropriately distributed, can equally deliver economic empowerment. Consequently, the LME scope was designed not to discriminate between large scale and artisanal/small scale mining.

Some respondents argued that the LME's responsible sourcing proposals were discriminatory, with one contending that the LME's requirements will favour LSM since these companies, due to their scale, are more able to carry the administrative burden compared to the much smaller ASM companies (or collectives).

Moreover, some respondents argued that the chosen LME scope was designed based on considerations relevant to companies that operate in regions with significant ASM interests and would therefore have minimal direct impact on LSM. It was claimed by one respondent that the chosen scope would lead to a *de-facto* embargo of ASM suppliers from the supply chain due to the impact that the resulting due diligence would have on ASM-associated sourcing costs. Furthermore, one respondent asked the LME to ensure that analysis and business planning is carried out in preparation for the impact there is likely to be on LME prices from the resulting exclusion of ASM.

Finally, one respondent expressed its concern that the LME proposal did not expressly deal with the specific risks that ASM mining represents to women in particular. However, although the LME acknowledges that its proposal does not specifically stress the importance of women's rights in mining, in requiring due diligence over both ASM and LSM mining, it does capture the human risks for both men and women equally. As such, the LME believes that its proposals provide the potential for meaningful progress for women's rights in mining.

Further, the LME's proposal is grounded in the OECD Guidance which, the LME and the OECD maintain, is applicable to both ASM and LSM. The OECD Guidance explains that risks may result from a company's own activities or its relationships with third parties and not just its own mining practices. Part of the LME's aims in implementing responsible sourcing requirements is to deliver economic empowerment to ASM communities, and it is the LME's belief that a successful responsible sourcing initiative will encourage, rather than discourage, sourcing from responsible ASM. Furthermore, the LME is committed to ensuring that the LME price reflects the value of responsibly sourced metal, and is not artificially depressed by metal which is not sourced in such a manner.

### **2.1.3 The applicability of the 3T and gold supplements to other metals**

The Consultation paper asserted that the LME's responsible sourcing initiative was based on the OECD Guidance; in particular the 3T supplement, with a key element of the red flag assessment – that is, the definition of conflict-affected and high-risk areas ("CAHRAs") – taken from OECD Supplement on Gold (the "gold supplement").

However, some respondents argued that the 3T supplement was only applicable to the metals for which it was explicitly designed and not for other base metals where predominant supply chain risks are not premised on significant operations in regions with significant ASM interests. One respondent used the example of copper, and asserted that many copper producers already have had policies and procedures in place that are designed to avoid the conditions that the 3T supplement is designed to prevent. That respondent argued that the proposed use of the 3T supplement would result in a significant amount of paperwork for very little return. Another respondent argued that the 3T supplement, while useful in countries such as the Democratic Republic of Congo (“DRC”), was not easy to retrofit to other countries. This respondent cited a recent example in Uganda where auditors trained to use the 3T supplement in the DRC had failed to identify corruption and conflict risks. Moreover, some respondents requested further clarification as to which parts of the 3T and gold supplements were applicable as they believed it was not clear, with one respondent asserting that the application of the 3T principles should only be used where clearly appropriate for all LME brands.

The LME recognises and accepts the concerns associated with applying the 3T supplement to all metals, and agrees that the OECD five steps would be more appropriate for a broader application; it has amended its requirements accordingly. However, the LME maintains that both the 3T and gold supplements contain valuable information and guidance to assist all producers in identifying risks for their brands. Further, the LME will continue to use specific elements of the 3T and gold supplements where it believes they remain applicable. The LME has clarified such uses in the final set of requirements published today.

#### **2.1.4 Secondary materials**

The LME’s responsible sourcing proposal excludes secondary and recycled materials from its scope. Some respondents requested that the LME more explicitly confirm that secondary materials are excluded. Some respondents agreed that such materials should remain out of scope until there is more definition around identifying and disclosing the sources of secondary materials.

However, a small number of respondents disagreed, and argued that the LME should include secondary or recycled metal in its requirements for responsible sourcing.

The LME has reiterated that secondary metals are excluded from its scope at present, but that it intends to continue working with the market to offer support and input where that would be of use. Further, the LME would welcome voluntary reporting on the part of producers of secondary or recycled metals, and the potential transparency that this engenders.

#### **2.1.5 Brand vs company-level implementation**

One respondent argued that OECD Guidance was designed for company-level implementation and not for individual brand assessments and that the LME responsible sourcing proposals should reflect this. This respondent contended that it was often normal practice for there to be interchangeability of source minerals between brands owned by the same producer, and this meant it would be appropriate to classify all brands of the same producer as incurring the same level of risk due to the consequent potential contamination of those minerals.

It is the LME’s contention that should brands begin to source feedstock from CAHRAs, then that brand should undertake due diligence in line the OECD Guidance for such sourcing practice. The LME believes that this is consistent with its requirements published today.



## 2.2 Considerations around red flag assessment

The key area of feedback received in response to the Consultation focused on the LME's template for completion of a Red Flag Assessment ("RFA"), which delineates the information which the LME would expect to receive as part of an RFA. Within this broad topic, feedback can be grouped as per the following categories:

- (i) Stigmatisation of higher-focus brands;
- (ii) Identification of CAHRAs;
- (iii) Clarifications within the RFA; and
- (iv) Reporting under the Extractive Industries Transparency Initiative ("EITI").

### 2.2.1 Stigmatisation of higher-focus brands

Feedback received by respondents on brand classification tended to represent the view that classification of brands as "higher-focus" would likely lead to stigmatisation. An additional number of responses held a neutral opinion and/or indicated support for the LME's current proposal for brand classification within the RFA.

Respondents asserted that placing a label of higher-focus upon a brand could lead to an unjustified market premium for lower-focus brands, and render companies unwilling to complete additional due diligence work and submit to the increased exposure that the higher-focus classification would bring. In this respect, some respondents believed that the LME classification would unfairly stigmatise brands which operate successfully in higher focus jurisdictions.

Respondents who disagreed with the higher- and lower-focus brand classification proposed various alternatives. One suggestion was to ask all LME brands to choose an OECD-aligned standard and use that to complete all the OECD five steps; if all brands completed all five steps, the differentiation between higher- and lower- focus would be minimised. It was argued that this revised approach would ensure that all brands, regardless of location, would be subject to an appropriate level of due diligence without stigmatisation.

One respondent suggested that wider stigmatisation of brands could be prevented by maintaining the LME's proposed RFA process, but without public disclosure of the brand classification. This way, it was contended, the LME would have sufficient information to review the brand without the need for the brand to publicly acknowledge its higher-focus categorisation.

A small number of respondents advocated for minimal change to the LME's proposed RFA process, indicating that few enhancements were required. Moreover, these responses contended that the RFA would be invaluable in providing consistency and transparency across the industry.

The LME acknowledges respondent feedback requesting amendments to the proposed RFA and brand categorisation process. As outlined in the final proposal document, the LME will provide producers of LME brands with three "tracks" through which they can achieve full OECD compliance. Therefore, producers can opt into a route that is compatible with their existing work on responsible sourcing, whilst retaining the option of choosing to complete all five steps of the OECD Guidance for all their brands, regardless of the identification of red flags. However, the LME will still permit the alternative route of completing the LME RFA, and completing either an audit by an approved third party, or through submission of the completed RFA to the LME and subsequent publication on the LME website.

## 2.2.2 Identification of conflict-affected and high-risk areas (“CAHRA”)

A concern highlighted by various consultation respondents was the intended CAHRA interpretation. As stated above, in the Consultation, the LME utilised the CAHRA definition outlined in the gold supplement. Similar to responses commenting on the use of the 3T supplement, several respondents indicated that the gold supplement CAHRA definition may not be appropriate to be used for metals other than gold. One respondent proposed that the LME should refer to more globally-applicable definitions for defining CAHRAs, including adopting the list of CAHRAs being developed by the EU once available.

Other respondents viewed the CAHRA definition as vague and open to interpretation, with one response commenting that this lack of definition would lead to inconsistencies in assessments and identifications of CAHRAs. The current approach, it was argued, meant that some producers would use a stricter interpretation than others, leading to a wide variation of CAHRA assessments. One respondent requested further clarification as to how the LME would compare definitions. One respondent also suggested that the LME should produce its own definition due to the perceived vagueness of the gold supplement.

Alternatively, another respondent argued that Dodd Frank legislation had so far not expanded the scope of its CAHRAs definition outside of the DRC (and adjoining countries) and therefore the LME should similarly limit its scope to this area. This respondent contended that, outside of those areas, the LME’s responsible sourcing initiative would not have the right structure to tackle issues.

There were also concerns raised, from another respondent, on the possibility of the malicious use of the CAHRA definition. This could be achieved, it was contended, by a producer identifying a country as a CAHRA to negatively impact a competitor operating there. Furthermore, one respondent argued that producers that were unaccustomed to thinking in terms of human rights risks may struggle to identify CAHRAs without guidance. As such, the respondent recommended that the LME require reporting on a minimum of at least three other specified indicators in order to assist in producers’ assessments.

The LME considers that the current broad definition of CAHRAs in the gold supplement means that it is possible for market participants to extrapolate a process that is applicable to a broader range of base metals than those envisaged in the original drafting. The LME reasserts that the determination of CAHRAs is ultimately for producers to undertake, and therefore does not consider requiring the use of additional, more tailored, indicators, as the gold supplement definition should allow producers enough leeway to determine their own risk profile. This is consistent with the OECD’s position that the responsibility for a CAHRA classification lies with the company making the assessment, rather than the OECD or the LME (or other bodies). Similarly, the LME is cognisant of the difficulties of one organisation making this assessment on behalf of others, and does not believe that it is appropriate that the LME should be the arbiter of such decisions. However, the LME has recognised that for standards which have already been alignment-assessed with an alternative definition, the LME’s proposal could cause difficulties. Consequently, the LME has carved out some exceptions in its requirements for such standards. The LME has also included exceptions for producers who wish to use standards that have been alignment-assessed with the standards of another standard-setting body applying the relevant OECD alignment assessment methodology, such as the list of CAHRAs which is expected to be published under the EU Conflict Minerals Regulation (“CMR”).



### 2.2.3 Clarifications within the RFA

Several respondents requested further clarification from the LME on various parts of the RFA template. The recurrent theme and focus amongst respondents was the need for further detail, and increased guidance and understanding of equivalent or alternative initiatives.

One respondent questioned the need for the LME to have a full list of sourcing and transit countries for a brand, as required in the LME RFA. An exhaustive list of all sourcing countries, it was maintained, rather than just from those countries that indicated red flags, risked giving away competitive information. Moreover, one respondent asserted that should the LME have suspicions that the list of red flag countries provided was inaccurate, the LME could receive – on request – a review of the red flag process from the brand.

Respondents also cited section 3 of the RFA template in their responses, particularly the requirements of the template that required brands to give a clear understanding of the countries through which minerals have transited. One respondent argued that the use of the word “transit” was too broad in this context, would establish an impossible level for brands to adhere to, and additionally would be difficult to police. It was suggested that the requirement to account for the “in transit” situation of minerals did not take into account the complexity of logistics (e.g. role of traders and mixing of concentrates). According to this respondent, it was easy to envision a situation in which most companies would not be able to ascertain that at least part of their input material had not been at some point transported through a region that was considered a CAHRA.

A number of respondents requested various other clarifications from the LME around the LME RFA, including requests to understand if a producer would be required to visit each mining operation or the management unit responsible for the information it receives. Additionally, one respondent requested clarification as to what additional paperwork (e.g. declaration or letters from a supplier) would be considered sufficient for adherence to LME RFA requirements. A number of respondents also requested further definition of the word “suppliers” in Section 4 of the template.

In reply to respondents who were concerned with the publication of potentially commercially sensitive information, the LME has (as stated above) allowed alternative routes to achieve LME compliance that will not require the completion of the RFA template, but that will allow for producers to conform with a standard, and meet transparency requirements by complying with that standard’s OECD step 5 reporting requirements. Furthermore, under the LME’s final requirements, there is also the option for producers to choose to complete the LME RFA. However, instead of full publication of results on the LME website, an approved auditor would instead be permitted to review and approve the LME RFA (subject to the LME’s final review). In response to the further clarifications requested on the LME RFA, the LME has also provided clarity where it believes it appropriate.

### 2.2.4 Reporting under EITI

In Section 6 of the RFA template, the LME set out its requirements in respect of the Extractive Industries Transparency Initiative (“EITI”) disclosure. Some respondents welcomed increased market transparency. However, others opposed the proposed extension of EITI reporting requirements to companies in non-EITI member countries. One respondent described the approach as a significant extension of the scope of the initiative. Respondents who were not in favour of the proposal noted the requirements set by EITI to qualify for inclusion within its

transparency programme and argued that there are good reasons for the EITI to have such a careful and controlled approach.

A respondent also articulated that reporting under EITI for member countries would generally be straightforward as country EITI reports are publicly available. However, for non-EITI countries, information (for example revenues paid to governments) would not readily be available and therefore completing Section 4 of the RFA template would potentially be challenging. As a result, the respondent suggested that these reporting requirements for non-EITI countries should instead be “in the spirit” of EITI criteria and principles.

Another respondent argued that EITI is only applicable to the mining stage (extractives). Therefore, unless the brand is vertically integrated, the brand would not be directly responsible for EITI information and subsequently reporting will be difficult.

The LME recognises the difficulties outlined above and has amended the RFA template to address these concerns. However, the LME remains committed to the transparency that EITI reporting engenders and will continue to work with its brands to ensure that those reporting under both the RFA template, and through Step 5 reporting, endeavour to meet the standards expected of the metals industry in respect of transparency.

## **2.3 Considerations around responsible sourcing standards**

### **2.3.1 Availability, alignment assessment, equivalence and audit**

The LME’s approach is grounded in the OECD Guidance and this allows brands to make use of existing standards. Because standards define audit approaches, the LME believes the most appropriate auditors to assess compliance would be those appointed by the relevant standard owner. Feedback to the LME’s equivalence and auditing position tended to be supportive on the proposal to make use of existing industry standards, provided that these appropriately embed OECD Guidance.

However, some respondents asserted that there was a lack of industry-accepted responsible sourcing standards available in some metals (particularly zinc and nickel) which would meet LME requirements. Consequently, one respondent cautioned that the development time and effort required to produce new standards may be extensive.

In reference to audits, one respondent commented that for some metals it was not clear at which point audits should take place, and that the LME should define more clearly the supply chain points for these. This respondent cited aluminium as an example, in that clarity was required as to whether the audit should occur at the alumina or aluminium smelting stage (or both).

Further, more direction was requested on the auditing and equivalence process from a number of respondents. These respondents asserted that the LME should provide the process and criteria for conducting an equivalence assessment. This was because they considered the OECD alignment assessment to be lengthy and burdensome and they suggested that a more pragmatic approach should be considered.

Another respondent requested that an auditor already approved by a standard (which in turn had been OECD aligned) should automatically become an LME recognised auditor, rather than needing

any additional review process. One respondent clarified that auditors should be qualified and free of any conflict of interest.

In response, the LME refers respondents to both the OECD Guidance and to its associated methodology for the Alignment Assessment of Industry Programmes with the OECD Minerals Guidance, which provides the alignment guidance. As stated in the Consultation paper, the LME is aware that alignment assessment and auditing is not a “binary” process and acknowledges that the results of such processes will be qualified in places. Accordingly, there will always be an element of discretion which must be applied by a relevant authority. The LME accepts its responsibility to make these judgement calls (advised by market experts if required) in determining whether to accept as “successful” the outcome of a particular alignment assessment or audit process. The LME intends to work with producers and standard bodies to ensure the best way forward is chosen.

### **2.3.2 ISO 14001 and OHSAS 18001 / ISO 45001 certifications**

As set out in the Consultation, the LME believes that should a brand wish to use a certification programme they consider equivalent to ISO14001 or OHSAS 18001 / ISO 45001, the brand should submit an independent, third party audit to confirm such equivalence.

Some respondents asserted that the LME should have taken more of a lead in facilitating the equivalence determination of other certifications. One respondent raised the concern that scenarios could emerge where one producer pays for an equivalence audit, and upon approval, other producers use that equivalence programme without incurring any costs themselves.

Similar to feedback on alignment and auditing, a number of respondents reasoned that more procedural information was needed on ISO 14001 and OHSAS 18001 / ISO 45001 equivalence assessments including; the equivalence assessment process and criteria, assessor criteria and a list of assessors. Further to this, a couple of respondents argued that the LME process fails to acknowledge other industry standards and best practice. To demonstrate this, one respondent gave the example of the Waste Electrical and Electronic Equipment Directive which, although widely regarded as best practice, would not be directly recognised by the LME. By not taking these alternative approaches into account, it was argued, this creates an unnecessary burden, which would not drive performance. One respondent argued that the certifications were not enough, and that the LME should require additional information and set performance targets to achieve greater industry value.

As stated above, the LME acknowledges that some producers go further than the ISO 14001 and OHSAS 18001 / ISO 45001 certifications in performance in these areas, but believes that any standards which can provide evidence as such will be recognised by the LME. It remains important to the LME’s responsible sourcing strategy that all of its listed brands are able to meet a minimum environmental and occupational health and safety standards. Consequently, while the LME encourages companies to go further in these areas, it remains insistent that these certificates or equivalent are obtained at a minimum. The LME will work with the market to ensure that equivalence and the process is fair and appropriate, and has provided further clarity in its requirements where applicable.

## **2.4 Timeline**

Respondents who discussed timing indicated their desire for an extension to the current proposed timeline. The reasons behind these requests fell into three key areas:



**LME consultation on responsible sourcing:  
Feedback analysis**

- (i) That an additional transition period will be required to ensure participants have a chance to integrate any changes in their management and due diligence systems. The majority of feedback suggested that the current timeline would not allow for a sufficient transition period and that this would unfairly disadvantage smaller producers who do not have the necessary compliance and management systems already in existence.
- (ii) That the current timeline shows the first reporting period for a brand's RFA will have started before the LME has published its final responsible sourcing rules.
- (iii) That the process to become OECD aligned, comply with the selected approved standard and ensure relevant certifications (ISO 14001 and OHSAS 18001 / ISO 45001 certifications, or equivalent) have been achieved will take more time and effort than the LME has currently allowed in its initial timeline. This was particularly related to the fact that with a few exceptions, the majority of standards have yet to have been aligned to the OECD.

The LME acknowledges the above feedback and, additionally, recognises the complexity, effort and time that will be required in order to implement the new responsible sourcing requirements. As such the LME has adjusted the timeline to reflect this, as shown in its final requirements published today.

## **2.5 Other considerations**

### **2.5.1 Grievances**

In the Consultation paper, the LME proposed a “grievance procedure”, under which any market actor having concerns as to the responsible sourcing credentials of a particular brand may report these concerns to the LME on a confidential basis. Having received a submission of this nature, the LME would assess the stated grievance against the information provided by the brand. Furthermore, the LME in the paper stated that in the event of a grievance in respect of a brand's audit against an internal or external OECD-aligned standard, in the first instance the LME would expect to refer this back to the auditor or the standard body respectively.

A number of respondents requested further clarification on the process of how to submit a concern to the LME and more details around when an investigation is triggered. One respondent commented that the LME should provide guidelines on when an investigation can be triggered and what is to happen during such an investigation, including how confidentiality could be maintained during the process. The same respondent expressed concern that an investigation would involve significant time and cost on the part of the producer and could potentially have an impact on its ability to sell its products and the price of those products. A few respondents advised the LME to develop a separate grievance procedure document to accompany the responsible sourcing policy.

Another respondent requested further clarification as to the role that recognised standards would play in the grievance mechanism process. This respondent asserted that the standard owner would need to play a role when they have overseen the assurance of an audit which is later the subject of a grievance, and asked the LME to comment further.

Finally, one respondent offered wider caution to the LME and stated that there was a danger that the grievance procedure could easily become a matter that is “too hot to handle” for the LME. This respondent argued that producers will naturally demand the possibility of responding to concerns or accusations and, if the LME is going to be the final judge, it will have to assume new onerous and risky responsibilities foreign to its current commercial metal exchange nature.



**LME consultation on responsible sourcing:  
Feedback analysis**

The LME is comfortable with the grievance procedure as laid out in in the Consultation, although it does understand respondents' concerns that this process be misused. It is committed to running a fair process, based on its extensive experience of such processes. The LME is prepared to consider that further guidance could be provided in due course, and will communicate this to the market should it believe it to be necessary.

### **2.5.2 Changes to policy**

In section 15 of the Consultation, the LME presented its stance on its ability to modify or update its policies at any time. Some respondents recommended the LME should consult with market participants directly if major policy changes were required. One responded expressed that where major change was required, the opportunity to express opinions on those changes should be provided. Another participant echoed a similar view and suggested that the LME revises its approach to ensure material changes be subject to consultation before implementation.

The LME maintains the stance that it shall use reasonable endeavours to enter dialogue with producers of the LME-listed brands in respect of any material changes to policy that is likely to have substantial impact on the operational burden imposed on producers generally.



### 3 CONCLUSION

The LME remains committed to ensuring that its listed brands are consistent with globally accepted standards for responsible sourcing. The feedback received to the Consultation paper was, in the LME's view, very positive, and it is clear that the LME taking action in this area is important to stakeholders across the value chain. The LME has worked hard, in collaboration with its market, to leverage existing industry practices and expertise to develop robust processes that will ensure an enduring responsible sourcing framework for the metals industry. The LME remains hugely grateful to all those who have contributed so generously their time and experience to achieve this end.

