

To: All members, warehouse companies and their London agents and other interested parties

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Subject: **LME SUSTAINABLE METAL PREMIUM PRICING METHODOLOGY:
DISCUSSION PAPER RESPONSE**

Summary

1. This Notice attaches the LME's response to feedback received from market participants on the Sustainable Metal Premium Pricing Methodology Discussion Paper (LME Notice 25/186).

Background and updates

2. The LME received responses from 23 organisations. Respondents were broadly supportive of the initiative and provided constructive feedback on eligibility, sustainability thresholds, pricing methodology, governance and publication practices.
3. This feedback has informed refinements to the methodology, which has now been finalised and published on LME Insight, and is also attached to this Notice for reference.

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cc: Board directors
All committees
Sustainability distribution list

Appendices

Appendix A: LME Sustainable Metal Premium Pricing Methodology: Discussion Paper Response
Appendix B: Sustainable Metal Premium Pricing Methodology (Administered by Commodity Pricing and Analysis Limited)



LME Sustainable Metal Premium Pricing Methodology: Discussion Paper Response

5 February 2026

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1 Executive summary

On 13 October 2025, the London Metal Exchange (“LME”) published a Discussion Paper outlining its proposed methodology for sustainable metal premium pricing (the “Discussion Paper”), intended for use by the HKEX Group subsidiary Commodity Pricing and Analysis Limited (“CPAL”). The Discussion Paper invited feedback on key elements, including eligibility criteria, pricing methodology, governance, and publication practices.

The LME thanks the 23 organisations that provided responses. This feedback has been carefully reviewed and informs the amendments set out in this response document. Overall, respondents were supportive of the initiative and provided constructive input to ensure transparency, credibility, and practicality in the methodology framework. Key updates include revised carbon thresholds, refinements to the data hierarchy to incorporate securely reported bilateral transactions and long-term contract executions, and strengthened governance measures to reinforce independence and transparency.

For a summary of the updated sustainability thresholds, and future updates to the methodology, readers should visit [LME Insight](#). This serves as the central hub for ongoing developments and guidance related to pricing sustainable metal premiums.

Any market participant wishing to discuss this document should contact spmdevelopment@lme.com.



2 Feedback to the Discussion Paper

This section summarises key themes and observations from market responses to the Discussion Paper. Feedback was received across all major topics, including eligibility criteria, sustainability thresholds, pricing methodology, normalisation, governance, and publication practices. While views varied on certain details, respondents were supportive and provided constructive input to ensure transparency, credibility, and practicality in the proposed framework.

2.1 LME brand listing as the basis for eligibility

Respondents broadly agreed that eligibility should be limited to LME-listed brands, citing the established credibility of the LME brand-listing process and its role in ensuring quality and responsible sourcing. Several stakeholders supported this approach as a practical foundation for sustainable premium discovery, noting that it provides consistency and avoids introducing non-LME brands that could undermine comparability. A minority suggested that, in future, the scope could be expanded to additional metals once robust standards and verification frameworks are in place.

2.2 Premium sustainability thresholds

While this section was not open for formal questions during the Discussion Paper process, the feedback received on this topic has provided valuable insight and an opportunity for deeper engagement with stakeholders.

Many respondents noted that certain proposed thresholds remain higher than the market expectations and do not sufficiently differentiate the product for the purposes of the sustainable metal premium.

In response, the LME has revised two of the carbon thresholds (aluminium and copper); the updated thresholds are set out in Section 3. The LME will also continue to explore glide paths aligned with decarbonisation targets and will notify the market in advance if they are adopted.

2.3 Pricing methodology and data hierarchy

Respondents broadly supported the three-tier hierarchy for price discovery and the primacy of executed transactions; however, they cautioned against reliance on a single spot platform, given liquidity and market assessment constraints in nascent sustainability markets. Many respondents requested the methodology not specify one transaction platform in its initial framework and, additionally, recognise executed bilateral transactions to LME Insight within Category 1 of its pricing waterfall, alongside executions on approved spot trading platform(s). Multiple respondents also noted that pricing data inferred from long term contracts should also be considered and could be particularly relevant where spot activity is sparse.

Respondents highlighting liquidity and representativeness concerns recommended enhanced safeguards, including counterparty diversity requirements, clearer eligibility tests and sufficiency thresholds to strengthen price representativeness. Some feedback also encouraged dynamic use of expert judgement, including withholding publication or carrying forward the prior month's assessment when inputs are insufficient.

Feedback on fallback mechanisms focused on weighting and governance. While most agreed with the proposed 70/20/10 weighting across Categories 1-3, some advocated dynamic adjustments based on liquidity. Respondents also called for prioritising binding over non-binding bids and offers, and ensuring clear eligibility criteria to maintain integrity and prevent manipulation.



Participants agreed that executed transactions must remain the foundation for sustainability-linked premium discovery, but several cautioned that *de facto* exclusivity for any single venue may not fully reflect broader physical market activity.

Finally, respondents stressed the relevance of long-term contracts in today's low carbon metals markets. Given continued relevance, respondents highlighted that long term contractual data can provide meaningful insight into sustainable metals premium discovery and should therefore remain an important supplementary input. The need for transparent governance, including anonymised input summaries, documented expert judgment, and independent review of decisions was also reemphasised. These measures were viewed as essential to building confidence in the methodology and ensuring that published premium reflect genuine market value.

2.4 Normalisation and outlier management

Respondents expressed strong support for the LME's proposed approach to normalisation, recognising its importance for ensuring comparability across transactions. Stakeholders agreed that adjustments should cover regional premiums, Incoterms, delivery periods, other logistics costs, tariffs, taxes and payment terms, as outlined in the Discussion Paper. There was also broad consensus on the need to review and update these adjustments regularly to reflect prevailing market conditions.

On outlier management, respondents welcomed the safeguards proposed by the LME and emphasised the importance of transparency in their application. While some supported automated percentage-based triggers, most favoured a structured approach combining expert judgment with documented rationale and independent review. Stakeholders agreed that a clear audit trail for all inclusions and exclusions will be critical to building confidence in the methodology and to ensuring that published premium prices reflect genuine market value rather than isolated or unrepresentative transactions.

2.5 Pricing administrator's role and governance

Respondents were generally supportive of the establishment of CPAL as an independent pricing administrator and emphasised that robust governance is critical to market confidence. There was broad agreement on the need for transparency measures, such as publishing anonymised input summaries and maintaining a clear audit trail for all data and decisions involving expert judgment. Many stakeholders recommended periodic independent audits, at least annually, and public reporting of outcomes, alongside a formal mechanism for complaints and regular methodology reviews.

While most accepted the proposed 28-day consultation period for material changes, a number of responses that addressed this question suggested extending this to two months, with at least three months' notice before implementation. Additional recommendations included forming an external advisory committee, enhancing disclosure of compliance practices, and ensuring CPAL prices adhere to (or have a clear pathway to achieving) IOSCO Principles for Financial Benchmarks. Respondents also highlighted the importance of separating LME Insight's operations from LME commercial functions and using third-party oversight to reinforce independence. These measures were viewed as essential to building long-term trust in the sustainability premium methodology.

2.6 Publication and objection window

Most respondents agreed that monthly publication is acceptable at launch but noted that premium prices can move quickly and suggested weekly or daily updates as liquidity improves. Regarding the publication of a price intended to represent global market, feedback indicated that regional differences make a single global premium less meaningful, with strong support for introducing regional premiums when sustained regional divergence and data quality support it. Respondents supported the objection window but called for a clearer scope, including grounds for objection, evidentiary requirements and decision timelines.



3 LME consideration and outcomes

LME Insight has published the finalised methodology on the LME Insight website. The methodology reflects updates informed by market feedback and serves as the foundation for sustainable premium price discovery.

3.1 LME brand listing as the basis for eligibility

Eligibility remains restricted to LME-listed brands to ensure consistency and credibility.

3.2 Sustainability thresholds

The LME has updated the carbon thresholds based on new data and stakeholder input.

The LME balances market liquidity with the level of ambition that participants expect from a sustainability threshold. Following a detailed review of emissions-intensity distributions and respondent feedback, the LME has adjusted the thresholds for copper and aluminium to ensure they deliver meaningful differentiation while remaining achievable and incentivise decarbonisation within current market conditions.

For copper, the previously proposed threshold of 5 tCO₂ per tonne was identified as being above the global average for LME copper brands, offering limited distinction between conventional production and genuinely lower-carbon material. The threshold has therefore been reduced to 4 tCO₂/t.

For aluminium, a number of respondents noted that the initial 10 tCO₂/t threshold did not sufficiently incentivise decarbonisation. The threshold has been revised to 8 tCO₂/t, to provide clearer sustainable differentiation while preserving sufficient eligible volumes to support robust price assessment. This places greater emphasis on emissions performance at the smelter level, reflecting emissions intensity as a greater decision-relevant sustainability metric for aluminium relative to the other metals in scope.

Metal	Emissions threshold (tCO ₂ e/t) and methodology	Third-party sustainability assurance
Aluminium	≤ 8.0 International Aluminium Institute	Aluminium Stewardship Initiative Performance Standard
Copper	≤ 4.0 International Copper Association	The Copper Mark
Nickel	≤ 20.0 Nickel Institute	N/A (transitioning to The Nickel Mark)
Zinc	≤ 3.5 International Zinc Association	The Zinc Mark (Letter of Commitment accepted on an initial basis)

Table 1 – Sustainability thresholds

Glide paths aligned to decarbonisation targets remain under active review. As market liquidity and data depth increase, the LME will calibrate thresholds where appropriate to strengthen differentiation, and communicate via LME Insight.

3.3 Pricing methodology and data hierarchy

3.3.1 Category 1 update

The data hierarchy has been refined to recognise transactions on alternative spot trading platform i.e. allowing for flexibility beyond solely relying on the Metalshub platform, and bilateral transactions reporting to LME



Insight within Category 1, including executed long-term contracts that fall within the Observation Window. Within Category 1 a 70% weighting is assigned to transactions on the Approved Spot Trading Platform(s) and 30% to transactions reports to LME Insight. When Category 1 is sufficient, the sustainable metal premium equals the Category 1 assessment (VWAP of qualifying executed transactions after normalisation).

3.3.2 Fallback formula

If Category 1 is insufficient, LME Insight will apply the fallback: Sustainable metal premium = (Category 1 × 70%) + (Category 2 × 20%) + (Category 3 × 10%). Category 2 (executable bids/offers) remains at 20% in the fallback; Category 3 is limited to other corroborated market assessments at 10% (with bilateral executions now recognised in Category 1).

3.3.3 Additional safeguards

Sufficiency safeguards are strengthened to require ≥2 distinct buyers and ≥2 distinct sellers within the Observation Window, ≥3 qualifying executed transactions, and minimum total volumes per metal. Minimum trade sizes per transaction are also specified.

Metal	Tonnes
Aluminium	400
Copper	100
Nickel	50
Zinc	100

Table 2 – Transaction volume thresholds

3.3.4 Normalisation and outlier management

Normalisation and outlier management will follow the approach originally stated in the Discussion Paper and are elaborated operationally (e.g. regional premia, commercial terms, tariffs/taxes, logistics, 90-day delivery standard, automated flagging and expert review). However, this remains a dynamic area and will be subject to ongoing review as market conditions evolve.

3.3.5 Publication and objection window

LME Insight will publish a global price at launch but intends to move rapidly to regional premia as liquidity supports this transition. Decisions on regionalisation will be made by LME Insight based on market evidence. A formal 7-calendar-day Objection Window applies after publication; objections must be written, evidenced, and reviewed without altering the published price during the window. Corrections for material errors may be issued with clear rationale.



4 Conclusion

One of the primary aims of the Discussion Paper was to facilitate meaningful dialogue and ensure the LME could incorporate a broad range of perspectives into the development of its sustainable metal premium pricing methodology. Market participants provided thoughtful, detailed feedback that has shaped key elements of the finalised approach, including clarifying eligibility thresholds, refining the data hierarchy from a Metalshub-only model to one that allows recognition of alternative platforms and transaction reporting to LME Insight for Category 1, and strengthening governance and auditability processes.

The LME is grateful for the time and expertise invested by stakeholders in this process. This collaboration reflects a shared commitment to transparency and innovation as the industry navigates the transition to more sustainable practices. Looking ahead, prices will be published monthly with a clear path to regional premia as liquidity supports this evolution, and a formal seven-day objection window will provide a structured mechanism for market input after publication. LME Insight will continue to engage with stakeholders and, where material changes are contemplated, conduct public consultations of no fewer than 30 calendar days to ensure the methodology remains current, credible and responsive to market needs.

Sustainable Metal Premium Pricing Methodology

Administered by Commodity Pricing and Analysis Limited

5 February 2026

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1. Introduction

This methodology details the process for discovering sustainable metal premium prices for aluminium, copper, nickel and zinc, and is administered by Commodity Pricing and Analysis Limited (“CPAL”) via its LME Insight brand. These prices are published on the [LME Insight](#) website.

1.1 Utilising LME brand requirements and LMEpassport sustainability disclosures

The sustainable metal premium is grounded in verifiable, comparable and auditable disclosures provided by trusted sources. Therefore, this methodology relates solely to metal of LME-listed brands that have been assessed as meeting the London Metal Exchange’s (“LME”) existing quality and responsible sourcing standards, as outlined in Section 3. Additionally, LME Insight price assessments will utilise sustainability data published on LMEpassport, the LME’s digital credentials register, outlined in Section 4.

1.2 Price discovery grounded in executed market transactions

To enable effective price discovery LME Insight incorporates executed transactions facilitated through Approved Spot Trading Platform(s) (see definitions in Section 9.2), alongside Secure Bilateral Transaction Reporting (see definitions in Section 9.2) to LME Insight. These transactions form a core part of the assessment process, with structured fallbacks to bids, offers, and other verifiable market indications when transactional activity is limited, as outlined in Section 5.

1.3 Pricing administration and operational independence

LME Insight is a CPAL operated brand. CPAL is a sister company of the LME that has been established within the HKEX Group, and acts as an operationally independent pricing administrator. LME Insight pricing administrators will follow this methodology to publish sustainable metal premium pricing on a regular basis.

2. Summary of the sustainable metal premium pricing methodology

The assessment of sustainable metals premium prices blends the LME-listed brand requirements, the disclosure transparency provided by LMEpassport and appropriate sustainability thresholds. LME Insight price administrators will leverage this existing framework (including executed transactions from Approved Spot Trading Platform(s), and Secure Bilateral Transaction Reporting to LME Insight, combined with market intelligence, as depicted in Figure 1, and further outlined in Section 5.

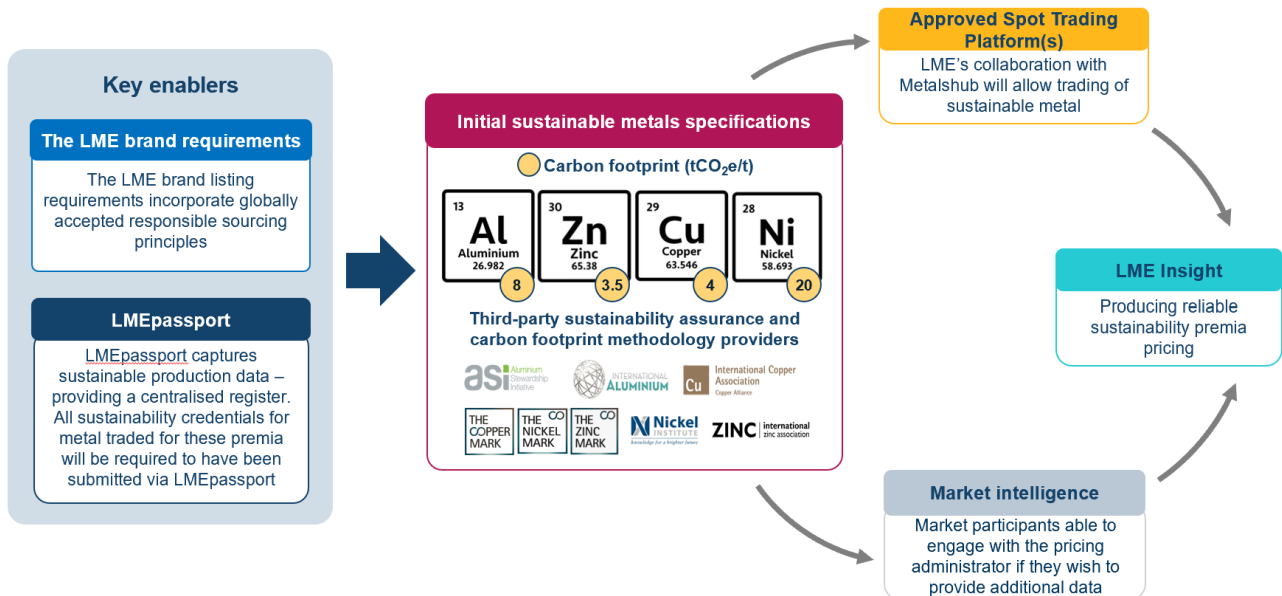


Figure 1: LME Insight pricing methodology – supporting the industry by leveraging key enablers and existing venues to deliver robust sustainable metals premiums

3. LME brand listing as the basis for eligibility

The LME brand listing process provides an established and globally recognised foundation for ensuring quality, consistency, and responsible sourcing. To become an LME-listed brand, producers must pass a rigorous, multi-stage approval process (as shown in Figure 2) involving independent sampling and assaying, ISO certification, compliance with the LME's responsible sourcing requirements, and review by both industry committees and the LME's Sustainability and Physical Markets team. This process underpins the credibility of the LME market and is widely accepted as a crucial indicator of metal quality and ethical thresholds. Therefore, limiting price discovery to data related to LME-listed brands is a cornerstone of this methodology.

By grounding the eligibility in the LME brand-listing framework, the methodology builds on a trusted process that already safeguards against non-compliant products entering the pricing process.

A full list of LME-approved brands is available at: <https://www.lme.com/en/sustainability-and-physical-markets/brands/approved-brands>



Figure 2: Summary of LME-brand listing requirements

4. Premium sustainability thresholds and verification

4.1 Qualification criteria

The transaction data related to metal is eligible for consideration in the price assessment if the underlying metal meets its applicable sustainability threshold. The threshold for each metal is defined by both maximum cradle-to-gate carbon footprints and third-party sustainability assurances (as shown in Table 1). The LME maintains these thresholds, which are based on internationally recognised industry standards, to ensure consistency with producer reporting and comparability across markets.

Full details of the sustainability thresholds are available on the LME's [Sustainable metals premium pricing page](#) on the LME website. All disclosures must be supported by their associated independent assurance reports and submitted directly by the LME brand producer via LMEpassport.

Metal	Emissions threshold ¹ (tCO ₂ e/t) and methodology	Third-party sustainability assurance
Aluminium	≤ 8.0 International Aluminium Institute ²	Aluminium Stewardship Initiative Performance Standard
Copper	≤ 4.0 International Copper Association ³	The Copper Mark ⁴
Nickel	≤ 20.0 Nickel Institute	N/A (transitioning to The Nickel Mark)
Zinc	≤ 3.5 ⁵ International Zinc Association ⁶	The Zinc Mark (Letter of Commitment accepted on an initial basis)

Table 1 – Sustainability thresholds

The selected emissions calculation methodologies represent robust, appropriate frameworks for harmonising measurement and reporting across the relevant metals. These thresholds will evolve as industry practices, data standards, and sustainability requirements advance.

4.2 Temporary acceptance

For zinc, the methodology temporarily allows Letters of Commitment (“LoCs”) from producers that have publicly declared their intent to complete the full assurance process within one year. This approach supports liquidity in the early stages of price discovery and incentivises broader industry adoption of The Zinc Mark.

For nickel, the emissions threshold is 20 tCO₂e/t, in line with the LME and Metalshub low carbon offering, reflecting market conditions at time of methodology publication. Once a broader base of LME-listed nickel brand producers meets this threshold, the threshold for nickel will include the requirement for third party sustainability assurance. At this point, qualifying LME-listed brands will be required to have The Nickel Mark, or have signed a Letter of Commitment to The Nickel Mark, in line with brands of copper, aluminium and zinc.

4.3 Emissions methodology and standardisation

All emissions thresholds are defined on a cradle-to-gate basis and expressed in tCO₂e per tonne (tCO₂e/t). While some methodological nuance remains across metals, the selected frameworks represent the best

¹ The carbon footprint figures in the table below relate to cradle-to-gate emissions assessments. For the avoidance of doubt, carbon offsets will not be recognised – reported emissions must reflect actual operational performance.

² See: [Aluminium Carbon Footprint Methodology - International Aluminium Institute](#).

³ See: [International Copper Association carbon footprint methodology](#).

⁴ See: [Copper, Nickel and Zinc Marks](#).

⁵ The current average was published in 2023 by [IZA](#); updates may result in subsequent annual changes.

⁶ See: [International Zinc Association Guidance on calculating the carbon footprint](#) for SHG zinc, following ISO 14040, ISO 14044, and Product Life Cycle Accounting and Reporting Standards by Greenhouse Gas Protocol.

available standards for harmonising measurement and reporting. The LME Sustainability and Physical Markets team will review these periodically and work with framework providers and LME Insight to ensure the methodology remains appropriate.

5. Price discovery – categories, inclusion rules, and methodology

5.1 Overview

Established prices use a clear data hierarchy, strict eligibility rules, and a documented audit trail. Only metals from an LME-listed brand with verifiable sustainability disclosures on LMEpassport are eligible, and the methodology will prioritise executed transactions, traded between independent counterparties.

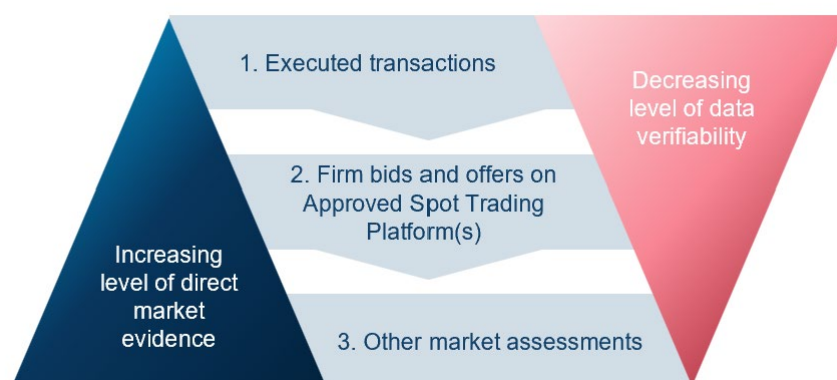


Figure 3 – Sustainable metals premium pricing hierarchy

Hierarchy summary

- Category 1 (Executed transactions): Executed trades from Approved Spot Trading Platform(s) and Secure Bilateral Transaction Reporting to LME Insight (see Section 5.2)
- Category 2 (Executable bids/offers): Executable, visible bids/offers on Approved Spot Trading Platform(s) when Category 1 is insufficient (see Section 5.3)
- Category 3 (Other market assessments): Corroborated, auditable assessments when Categories 1 and 2 are insufficient (see Section 5.4)

Observation Window and controls

Prices are produced monthly (see Section 8). The Observation Window (see definitions in Section 9.2) is the one month prior to the price publication. All data is timestamp validated, screened for eligibility, normalised for commercial differences (see Section 6), and stored in an audit log. Unless otherwise specified, the cut-off for inclusion will be 5pm Dubai time on the final business day of the Observation Window. Late submissions will roll forward to the next window and will not trigger revisions.

Sufficiency threshold

Category 1 is sufficient when, within the Observation Window, there are ≥ 3 qualifying executed transactions involving ≥ 2 distinct buyers and ≥ 2 distinct sellers meeting the minimum trade size and total volume thresholds below.

Metal	Minimum trade size, tonnes	Total volume per Observation Window, tonnes
Aluminium	100	400
Copper	25	100
Nickel	12	50
Zinc	25	100

Table 2 – Trade volume thresholds

Quality controls overview

- LME Insight pricing administrators undertake cross-checks against platform transaction logs, relevant LMEpassport disclosures and the latest LME brands list
- Exclusions are recorded with written rationale if documentation is incomplete or thresholds not met
- Any transaction deviating materially from contemporaneous Category 1 indications is flagged for editorial review with justified trades retained or otherwise excluded with rationale

5.2 Category 1 – Executed transactions**Definition and data paths**

Category 1 comprises executed transactions from two sources: (i) Approved Spot Trading Platform(s); and (ii) Secure Bilateral Transaction Reporting to LME Insight. Category 1 reflects the most transparent, verifiable, and trade-reflective market activity and is therefore the primary input to the assessment.

Weighting within Category 1

Executed trades on Approved Spot Trading Platform(s) are given greater weight due to higher transparency and automated audit trails. Securely reported executed bilateral trades to LME Insight are also included and verified.

$$\begin{aligned} \text{Category 1} = & (\text{Approved Spot Trading Platform(s)} \times 70\%) \\ & + (\text{Secure Bilateral Transaction Reporting to LME Insight} \times 30\%) \end{aligned}$$

Long Term Contract transactions

Where spot activity is insufficient, executed transactions under Long Term Contracts (see definitions in Section 9.2) that occur within the Observation Window may be included as Category 1 provided they are fully documented, Arm's Length (see definitions in Section 9.2), timestamped, and normalised; all inclusions are logged with rationale.

Eligibility requirements

- Arm's Length between independent counterparties
- Executed and timestamped within the Observation Window
- Meets minimum trade size and contributes to total volume thresholds for the relevant metal (see Table 2)
- Metal is an LME-listed brand and the producer has submitted verified sustainability disclosures to LMEpassport (ie no third-party sustainability submissions)
- Provided via two sources: (i) Approved Spot Trading Platform(s); or (ii) Secure Bilateral Transaction Reporting to LME Insight

Sufficiency threshold

Category 1 is sufficient when, within the Observation Window, there are at least three qualifying executed transactions involving at least two buyers and two sellers, and the metal-specific volume thresholds are met (see Table 2). When sufficient, the sustainable metal premium price equals the Category 1 assessment.

Price calculation (when Category 1 is sufficient)

The assessment is a Volume-Weighted Average Price ("VWAP", see definitions in Section 9.2) of qualifying Category 1 executed transactions after normalisation (see Section 6).

Quality controls and data integrity

- LME Insight pricing administrators undertake cross-checks against approved platform trade logs and relevant LMEpassport records; bilateral submissions may require additional documentation on request

- Trades reported via more than one channel are identified and counted once (unique trade IDs, counterparty attestations) to avoid duplication
- Any transaction deemed by the LME Insight pricing administrator to be evidently deviating from the provisional normalised VWAP is flagged for editorial review; and either retained or excluded with written rationale in the audit log
- Incomplete/invalid records are excluded with documented rationale
- All records are stored in an audit log for a minimum period in line with governance policy

Normalisation scope

All Category 1 transactions are normalised for commercial differences before inclusion in VWAP, including regional premiums, commercial terms, tariffs, taxes, logistics, and delivery periods (see Section 6).

5.3 Category 2 – Executable bids/offers

Definition

Category 2 comprises executable, openly visible bids/offers on Approved Spot Trading Platform(s) for eligible LME-listed brands with verified LMEpassport sustainability disclosures. Category 2 is used only when Category 1 is insufficient.

Eligibility criteria

- Executable according to the platform's rules and openly visible within the Observation Window
- Priced within a reasonable deviation of the last verified Category 1 transaction (or, if none in the window, the previous published assessment), subject to LME Insight pricing administrator's editorial judgement
- Meets metal-specific minimum trade size and contributes to total volume thresholds (see Table 2)
- LME-listed brand verification and LMEpassport sustainability disclosures verified by the LME Insight pricing administrator

Treatment of binding vs non-binding bids and offers

Both binding and non-binding offers are treated as executable indications, subject to platform rules, visibility, timestamp validation, and verification. The pricing administrator may request supporting details. Offers that fail verification are excluded with written rationale.

Use in assessment (when Category 1 is insufficient)

- Category 2 contributes 20% of the fallback assessment
- The LME Insight pricing administrator derives a normalised, time-weighted indicative price from qualifying executable bids/offers
- All inclusions/exclusions are logged with rationale by the LME Insight pricing administrator eg de-duplication application where the same indication appears via multiple channels

Quality controls overview

- LME Insight pricing administrators undertakes platform log checks (timestamps, visibility, executable status)
- Audit trail retained in line with governance policy

Normalisation scope

The normalisation and outlier management process are covered in Section 6.

5.4 Category 3 – Other market assessments

Definition

Category 3 comprises corroborated, auditable market evidence used only when Categories 1 and 2 are insufficient to establish a robust price.

Eligible inputs (examples, not exhaustive)

- The LME Insight pricing administrator is permitted to use published tender results and procurement awards with clear pricing terms
- Publicly disclosed transactions or bilateral disclosures that do not qualify for Category 1 (eg incomplete execution evidence) but meet sustainability eligibility and can be independently verified
- Independent market intelligence that is documented and timestamped

Use in assessment criteria (when Categories 1 and 2 are insufficient)

- Category 3 contributes 10% of the fallback assessment
- The LME Insight pricing administrator applies structured Expert Judgement (see definitions in Section 9.2) to derive a normalised indicative level from multiple corroborated sources

If no credible inputs are available

- The LME Insight pricing administrator may carry forward the previous assessment unchanged or withhold publication for that Observation Window, with a published rationale

Quality controls and governance

- The LME Insight pricing administrator undertakes consistency checks vs prior observations and known market drivers
- Outlier management (see Section 6) ensures that any exceptional reliance on a single source requires additional corroboration or is excluded

Normalisation scope

The normalisation and outlier management process are covered in Section 6.

5.5 Data analysis processes

The LME Insight pricing administrator ensures that all qualifying data follows a structured workflow to ensure consistency, integrity, and auditability:

- **Intake and timestamp validation** – data received during the Observation Window is timestamped and securely captured
- **Eligibility screening** – confirm Arm's Length, executed vs indicative (Category 1 vs 2/3), LME-listed brand, and producer-submitted LMEpassport sustainability disclosures
- **De-duplication** – identify duplicates across sources (eg platform and bilateral transaction) using unique trade IDs and counterparty attestations
- **Normalisation** – apply commercial adjustments (regional premiums, commercial terms, tariffs, taxes, logistics, delivery period as per Section 6)
- **Outlier screening** – flag observations considerably deviating (subject to Expert Judgement) from the provisional normalised Category 1 VWAP and review and retain or exclude with written rationale (see Section 6)
- **Calculation** – when Category 1 is sufficient, calculate the VWAP of qualifying Category 1 executed transactions after normalisation; when insufficient, apply the 70/20/10 fallback weighting
- **Editorial review and sign off** – an LME Insight pricing administrator conducts a documented editorial review; decisions are approved by a senior manager not involved in initial data collection

- **Archiving** – all inclusions/exclusions, calculations, and rationale are stored in the audit log for the required retention period

6. Normalisation and outlier management

To ensure comparability and robustness across transactions, LME Insight applies a transparent framework for normalisation (commercial adjustments) and outlier management (addressing data points that materially deviate from prevailing market levels). Section 5 explains where these steps sit in the overall methodology; this section sets out the operational rules.

6.1 Regional premium

Where price references include a regional premium over the LME price, the administrator will determine the regional premium component and adjust accordingly. Judgement will draw on LME regional premium references and other relevant market evidence, applied consistently.

6.2 Commercial terms

Adjustments are applied, where relevant, to reflect comparable commercial conditions across transactions.

6.3 Tariffs, taxes and related charges

Adjustments account for applicable tariffs, transaction-related levies, and other regulatory obligations that influence transaction pricing.

6.4 Logistics

Adjustments reflect transport-related costs using the most recent available market data, including trucking and inland transport where relevant.

6.5 Delivery period

Unless otherwise specified, all transactions are normalised to a standard 90-day delivery period. All normalisation adjustments are documented and retained in the audit log in line with governance policy.

6.6 Outlier management

A structured approach is applied to ensure that individual observations do not unduly influence the assessment.

6.6.1 Automated flagging

- Any observation (trade or executable indication) deviating by a considerable level (as determined by the LME Insight pricing administrator for that Observation Window) is automatically flagged
- If no Category 1 data exists in the Observation Window, the flag is tested against the previous published assessment (normalised for current commercial differences)

6.6.2 Expert review

Flagged observations undergo LME Insight pricing administrator review considering:

- Market context (liquidity, timing, event risk)
- Transaction details (size, terms, delivery, counterparty type)
- Supporting documentation (contracts, confirmations, platform logs)

6.7 Editorial oversight and outcomes

- LME Insight pricing administrator decisions are approved by a senior manager not involved in initial data collection
- Each flagged observation is either retained (with justification) or excluded (with rationale)
- All decisions, evidence, and rationale are logged and retained

6.8 Interaction with pricing calculation

Normalisation precedes outlier screening. Outlier outcomes are applied before calculating the Category 1 VWAP or the 70/20/10 fallback where applicable (see Section 5).

7. Pricing administrator's role and governance

7.1 Transparency and audit trail

LME Insight maintains a full and auditable record of all qualifying transactions, bids/offers, and other eligible market assessments used in each calculation.

- Timestamp validation and secure storage in an audit log for a minimum of five years
- A comprehensive audit trail available for review during internal and external audits, ensuring compliance with governance and quality assurance standards

7.2 Editorial independence

Price assessments are conducted independently of commercial or strategic influence. Independence is safeguarded by:

- Operationally independent LME Insight pricing administrators
- A dedicated compliance function overseeing adherence to independence requirements
- Formal documentation and periodic review of editorial independence at CPAL Board level

7.3 Code of Conduct ("CoC")

All staff involved in the assessment process will be bound by a CoC, tailored to reflect these editorial responsibilities, covering:

- Confidentiality, anti-trust compliance, conflict of interest management, and data protection
- Regular compliance training for analysts
- Disciplinary action for breaches of the CoC

7.4 Governance oversight

LME Insight will maintain oversight of its methodology through formal governance structures. Oversight responsibilities will include:

- Ongoing engagement with advisors to ensure alignment with accepted best practice and evolving market expectations
- Periodic review to ensure continued alignment with stakeholder needs
- LME Insight retains full discretion to change the Approved Spot Trading Platform(s) used for price assessments should any platform become unfit for purpose (eg unreasonable fees, governance concerns, or limitations in data quality or transparency)
- Material changes to the methodology follow transparent procedures and are communicated with rationale (see Section 7.6)

7.5 Internal governance meetings

LME Insight conducts regular governance meetings to review methodology and data integrity.

- Annual formal reviews led by compliance and editorial leadership
- Interim reviews triggered by material changes in market conditions, liquidity, or sustainability disclosure practices
- Formal documentation and market communication of all decisions, including methodological updates

7.6 Proposed consultation process regarding future methodology amendments

Proposed material changes to the methodology activate a stakeholder consultation including:

- Public consultations of no fewer than 30 calendar days
- Anonymised summaries of stakeholder comments published within a reasonable timeframe
- Revised methodology accompanied by a clear rationale where feedback results in material changes

This approach ensures that the methodology remains robust, transparent, and aligned with evolving market practices, while providing stakeholders with meaningful opportunities to influence future developments.

8. Publication

8.1 Cadence and roadmap

From the date of the launch of the first price, publication of sustainable metal premiums is monthly. As liquidity develops, LME Insight may increase publication frequency, subject to governance review and published rationale. Frequency changes will be communicated through a public notice and a change-log published on the LME Insight website.

8.2 Inputs and timing

Each publication reflects data from the Observation Window (the one-month period prior to publication), with all inputs timestamp validated, eligibility-screened, normalised (see Section 6), and archived in the audit log.

8.3 Objection Window

Following publication, LME Insight provides a formal Objection Window (see definitions in Section 9.2) for market participants to raise objections regarding inputs, treatment and calculation outcomes.

- Objections must be submitted via email and include supporting rationale and relevant evidence
- Objections must be received within seven calendar days from publication
- Objections are reviewed by the LME Insight pricing administrator and signed-off by a senior manager not involved in initial data collection, with outcomes documented in the audit log
- No changes are made to the published price during an Objection Window. After review, the finalised price is confirmed and published
- Objections submitted verbally or outside the defined timeframe will not be considered

8.4 Corrections and restatements (material errors)

If a material error is identified outside an Objection Window, a correction notice may be issued and published on the LME Insight website and (if necessary) a restatement with clear rationale.

8.5 Disclosures and versioning

Each publication includes a Version ID, timestamp, and Observation Window dates.

9. Appendices

9.1 Appendix A – Data categories table

This table outlines the data categories, eligibility, verification, weighting in the assessment, and illustrative examples.

Category	Data source	Eligibility requirements	Verification
1. Executed transactions	<ul style="list-style-type: none"> Executed trades on Approved Spot Trading Platform(s) Secure Bilateral Transaction Reporting to LME Insight Executed Long Term Contract trades 	<ul style="list-style-type: none"> Arm's Length between independent counterparties Executed and timestamped within the Observation Window Related to LME-listed brands Producer-submitted verified sustainability disclosures on LMEpassport (ie no third-party submissions) Meets minimum trade size and contributes to total volume thresholds Passes de-duplication (ie unique trade ID/counterparty attestation) 	<ul style="list-style-type: none"> Platform trade logs (eg execution, timestamps) LME Insight secure reporting record/ID for bilateral executions Counterparty attestation LMEpassport link to producer submitted disclosures Cross-checks recorded in audit log
2. Executable bids/offers	<ul style="list-style-type: none"> Executable, openly visible bids/offers on Approved Spot Trading Platform(s) 	<ul style="list-style-type: none"> Executable per platform rules and openly visible within the Observation Window Within appropriate range of the last verified Category 1 transaction; if none in window, within appropriate range of the previous published assessment (subject to editorial judgement) Meets minimum trade size / contributes to total volume Related to LME-listed brands Producer-submitted verified sustainability disclosures on LMEpassport (ie no third-party submissions) 	<ul style="list-style-type: none"> Timestamp and visibility checks from platform logs Executable status per Approved Spot Trading Platform(s) rules Brand and sustainability verification against LMEpassport Documentation of inclusions/exclusions in audit log
3. Other market assessments	<ul style="list-style-type: none"> Published tenders and procurement awards Publicly or bilaterally disclosed transactions that do not qualify as Category 1 but can be verified Independent market intelligence that is documented and corroborated 	<ul style="list-style-type: none"> Clear audit trail (timestamped contracts, tender docs, assurance records) Evidence corroborated where possible from multiple sources 	<ul style="list-style-type: none"> Source documents filed in audit log Corroboration checks Explanatory rationale for inclusions/exclusions

9.2 Appendix B – Key Definitions

Approved Spot Trading Platform(s) – Digital transaction venue(s), approved by LME Insight, that meet appropriate criteria (eg governance, data quality, transparency, access/fees, auditability, and technical compatibility).

Arm's Length Transactions – A deal between two or more unaffiliated and unrelated parties, each acting in their own self-interest, without pressure or relationships that could distort price or terms.

Expert Judgement – An informed assessment made by a qualified specialist, based on their professional experience, domain knowledge and verifiable evidence, applied to reflect underlying market conditions. Its use must be documented, justified, and subject to editorial review.

Long Term Contract – Multi period supply agreement between two or more parties that extends beyond spot or short term delivery period and typically covers multiple delivery cycles over an extended period.

Objection Window – The period immediately following publication during which eligible users may submit written objections, with supporting evidence. This window is seven calendar days from publication.

Observation Window – The defined period used for data collection and review prior to publication.

Secure Bilateral Transaction Reporting – A secure, authenticated reporting process for executed bilateral trades, providing unique trade identifiers, counterparty attestations, timestamps, and documentation sufficient for verification, de-duplication, and audit.

Volume-Weighted Average Price (“VWAP”) – means the volume weighted average price which is calculated using input data retrieved from the executed transactions during the defined price assessment period.