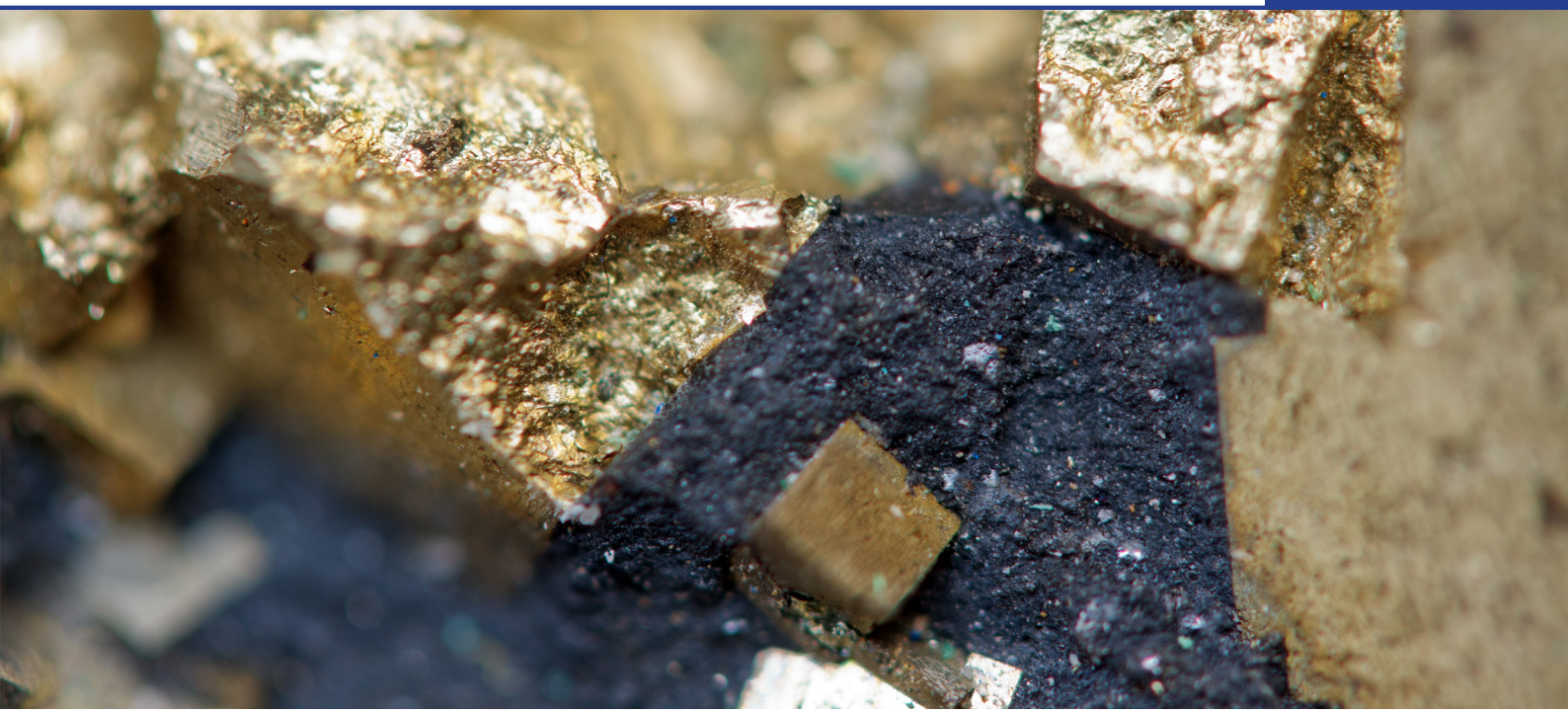
OCIM

INSIGHT



What is responsible gold?

A definition for the artisanal and small-scale gold chain

About OCIM

Founded in Paris in 1961, the OCIM Group is fully owned and managed by the holding company OCIM Finance. Having started as a real estate developer and asset manager OCIM has a long experience of managing complex projects and tangible assets. OCIM is now fully dedicated to the precious metals sector, producing and trading gold and silver and sourcing strategic platinum grade metals, including platinum, palladium and rhodium. OCIM carries out a dual and complementary activity as a trader and financier. As a trader, OCIM buys and sells throughout the value chain of the assets concerned, from producers to end users. As a financier, OCIM funds the operations of the value chain, mainly through short term prepayment contracts. OCIM also operates two integrated gold processing plants in Peru and produces responsible gold out of ore purchased from local Artisanal & Small Scale Miners.
OCIM has teams based in Paris, Geneva and Lima.

Responsible ASM gold is gold for which every link in the chain (extraction practices, commercial relationship with producers, processing and refining) satisfies requirements that are verifiable and demonstrable through an evidence mechanism combining compliance and physical traceability. Progressive in nature, such a standard is by definition non-negotiable. It implies a floor of rules to be respected at entry, an audited trajectory over time and a measurable effect on the ground.

More than 20% of global gold production now comes from artisanal and small-scale mining (Artisanal and Small-Scale Mining or ASM). This proportion has increased fivefold in thirty years. Yet, 85% of this production remains outside formal supply chains and the associated illicit economy is estimated at between 80 and 120 billion dollars per year depending on the sources. In practice, the ASM chain has become the dominant vector for the use of gold as a laundering vehicle through material substitution in otherwise documented chains.

It is therefore logically within this type of chain that the question of responsible gold arises most acutely, because this is where the greatest concentration of externalities to eliminate, producers to formalize, and criminal pressures to counter are found. But it is also paradoxically where the definition remains the least stabilized. This document sets out what

the main sectoral frameworks currently cover under the expression "responsible gold" for the ASM segment and proposes a global definition of the requirements that ASM gold must satisfy in order to be genuinely responsible.

I. A PROGRESSIVE STANDARDIZATION OF RESPONSIBLE GOLD

The definition of responsible gold has been under construction for twenty years, each new stage filling a real gap while leaving the next one open. The starting point is defensive: in the context of the conflict minerals scandal, the OECD published its due diligence framework in 2011 and the LBMA translated it into concrete obligations for its accredited refiners. Responsibility was then defined by what it excludes, namely financing conflicts, laundering money or fueling human rights violations. The refiner became the central actor, at the risk of leaving what happens upstream outside the scope.

Swiss Better Gold and Fairmined then shifted the focus toward the source: the objective was no longer only to certify the diligence of buyers, but the practices of ASM producers themselves. Two structuring innovations accompanied this shift. First, the premium, which reinjects upstream part of the value created downstream in order to finance the improvement of practices. Second, differentiation by level of requirements, which recognizes that an actor often deprived of access to formal markets cannot instantly comply with a complete standard.

In March 2024, the LBMA ASM Taskforce published its Toolkit, a sectoral reference document that formalizes the concept of progressive improvement for artisanal gold: a non-negotiable floor at entry (minimum KYC, legality of the mining title) and a documented trajectory for the other requirements. The LBMA Responsible Sourcing Programme and the ASM Toolkit have become the common grammar upon which sector actors now align their own mechanisms.

The movement therefore goes from procedural due diligence toward certification of practices, then toward documented progressivity and now toward technological verification of origin.

2. REDISTRIBUTE OR TRANSFORM: A DISTINCTION THAT CHANGES EVERYTHING

Let us begin by clarifying a central distinction between the models at hand.

A redistributive model buys gold while allowing, explicitly or by omission, negative externalities to occur at the source: mercury, informality, dangerous working conditions, or risk of conflict financing. It compensates for these externalities afterward through community development funds, social programmes or certifications applied downstream of a chain that it does not control upstream. This compensation has real value. It improves living conditions, finances concrete projects and creates incentives to improve. But while it is necessary, it is not sufficient: the harm occurs before being partially monetized, and only for part of those affected. The resulting gold therefore cannot be qualified as responsible gold in the full sense of the term. It is, at best, gold whose damages inherent to production have been partially compensated.

A transformative model eliminates negative externalities at the source, as a prerequisite for purchase and not as an after-the-fact correction. It does not buy gold despite its production conditions : it restructures those conditions as prerequisites to the commercial relationship. It can then deploy redistributive mechanisms (premiums, technical

assistance funds, social projects) to accelerate and consolidate this transformation. This is precisely what the most advanced sectoral programmes have understood. Swiss Better Gold is the best documented example: a floor of twenty-seven criteria verified at entry, complemented by a premium reinvested at 88% into continuous improvement and technical assistance projects.

The difference is therefore not between redistribution and transformation. It is between redistribution that accompanies structural transformation and redistribution that substitutes for it. Put differently, what disqualifies a model is not that it redistributes, but that it redistributes without requiring anything in return regarding upstream practices: no defined floor, no documented trajectory and no entry condition. It is this minimum foundation that must make the word "responsible" enforceable.

3. THE THREE REQUIREMENT LINKS

This transformation at the source only becomes enforceable if it translates into verifiable requirements for every link in the chain. Three requirement links structure the ASM chain, from the extraction site to the refined bar. Each carries its own risks and calls for distinct commitments. Responsible ASM gold is gold that satisfies them cumulatively. Conversely, the absence of one disqualifies the whole.

Level 1. Extraction practices

A first level covers two distinct families of requirements. The first targets the direct externalities of the extraction site: documented and audited mercury phase-out trajectory with a deadline, workplace safety measured through published and comparable incident data and strict absence of child labour, which is a binary condition that allows no progressivity.

The second targets the broader environmental footprint: greenhouse gas emissions (scopes 1 and 2) measured and committed to a reduction trajectory, water consumption, and biodiversity protection and restoration within the operational perimeter.

Responsible ASM gold is measured through compliance with these commitments, but also through their tangible effect: tonnes of mercury eliminated, accidents avoided, hectares restored, carbon and water intensity per ounce produced. The regular publication of these impact indicators forms an integral part of the evidence mechanism and of what any credible framework must be auditable against.

Level 2. The commercial relationship with producers

The second level concerns the transformation of the commercial relationship into a lever for formalization. It is through this relationship that the artisanal and small-scale producer exits informality and enters a documented, audited and enforceable chain. Without this shift, the extraction requirements of Level 1 remain inaccessible to the majority of the producers concerned, because they alone possess neither the technical capacities nor the economic means.

Two dimensions structure this transformation.

First, tangible economic commitment: fair and transparent pricing, without excessive discount on the international reference price. This is the condition for formalization to translate into real value for the producer.

Second, structured support for the transformation of practices: access to concrete services (training, accident insurance coverage, etc.) and above all, active technical assistance formalized in joint action plans covering administrative formalization (operating contracts with con-

cession holders, permits for explosive use…), health and safety and environmental practices.

The impact of this level is measured through the number of formalized producers integrated into the chain, the volume of premium redistributed upstream, the number of beneficiaries of technical assistance and the progression of suppliers' compliance rate with Level 1 requirements. These indicators are published and auditable, in the same way as those of Level 1.

The operator's commitment also concerns the coverage of this transformation: a credible framework includes a documented growth plan.

Level 3. Processing and refining

This final level takes place in two distinct industrial phases.

Processing converts ore delivered by producers into doré, through closed-circuit cyanidation. It carries three inseparable requirements. Regarding the process: any ore showing traces of mercury is rejected upon reception, which excludes the purchase of potentially amalgamated tailings and guarantees the absence of mercury in the cyanidation chain. Regarding segregation: no mixing with non-verified material, strict separation of batches by producer, continuous reconciliation of volumes and doré identifiable by origin. Regarding ESG practices: the categories of Level 1 are entirely transposed here (scope 1 and 2 greenhouse gases, cyanidation tailings management, water consumption, biodiversity, workplace safety), with regular publication of impact indicators.

These requirements are rarely compatible with traditional in-situ processes, notably mercury amalgamation practiced by certain gold miners in French Guiana or West Africa, which makes the centralized site the dominant form of compliance implementation. An operator that owns and operates its own sites thus closes this loophole structurally.

Refining then converts doré into an LBMA Good Delivery bar. This phase is codified by the LBMA Responsible Gold Guidance (RGG, version 9 in force since January 2022), complemented by the RJC Code of Practices on the operational side. It allows no relaxation on two fronts. Regarding physical traceability: segregation during melting, meaning the prohibition on mixing traced doré with non-verified sources in the same crucible, ideally confirmed through chemical signature on incoming and outgoing material. Regarding ESG practices: the same categories as in Level 1 apply to the refining site, codified by the RGG, with the same discipline of impact publication.

4. THE EVIDENCE MECHANISM: WHAT MAKES THESE REQUIREMENTS ENFORCEABLE

The three levels above define what responsible ASM gold requires. But they only matter if their compliance is demonstrable, verifiable and enforceable. This demonstration operates through two distinct and complementary mechanisms: compliance, which establishes the legitimacy of actors and verifies the conformity of their practices with the minimum foundation of requirements of the standard and traceability, which establishes the physical integrity of the material. Neither is sufficient alone. It is their combination that closes the structural risks inherent to ASM chains and in practice prevents material substitution in an otherwise documented chain.

Compliance

Compliance fulfills two complementary and inseparable functions.

First, it establishes the legitimacy of the actors in the chain. Who are they? Who really controls them? What is the origin of their capital and funds? Is their activity free from links with illicit activities? Is their mining title legal? This first function relies on an Upstream KYC that transposes to the producer the customer knowledge standards applied by a bank to its counterparties.

Second, it verifies the conformity of their practices with the minimum foundation of requirements defined by the standard, namely the documented and auditable respect of the commitments undertaken. This second function relies on systematic due diligence based on the LBMA ASM Toolkit and complemented by regular site visits, certification by a recognized third-party body monitored over time and continuous monitoring.

Legitimacy and conformity do not overlap. A perfectly legitimate actor may drift away from the requirements of the standard over time, and an actor compliant in its practices at a given moment may present structural or control issues. It is therefore the continuous combination of both functions that makes compliance truly enforceable.

Traceability

Traceability answers a set of questions regarding the material. Does its physical identity correspond to its declared origin? Has its chain been maintained without rupture? Are the volumes reconciled between the links? Has it been mixed with other non-verified sources? Is its documentation auditable and tamper-proof? It specifically closes the risks left open by compliance alone, namely material substitution in an otherwise documented chain.

Without these two mechanisms, the requirements established at the three levels remain declarative. Conversely, together they make it possible to create an enforceable standard, that is, a standard that a buyer, regulator or investor can require on the basis of verifiable elements. This mechanism is itself complemented by the regular publication of the verifiable impact indicators mentioned in Levels 1, 2 and 3.

Still, responsible ASM gold is not a binary status. It is a documented commitment toward a defined state, with a non-negotiable floor at entry and an audited trajectory over time. Conversely, it is not honestly defensible to claim the quality of responsible gold in the absence of a defined floor, extended compliance, physical traceability of the material, and commitment to the elimination of externalities at the source.

Why this definition matters now

Three converging factors give this definition an urgent character. The historic rise in the gold price amplifies the attractiveness of informal mining and the expansion of illicit circuits. Regulatory tightening downstream shifts the burden of proof onto buyers: a refiner, a bank, or a jeweller can no longer simply claim not to know. The technological maturation of origin verification tools and blockchain-based data immutability makes operationally possible for the first time what until now belonged only to declaration.

The window in which a demanding and enforceable standard can establish itself as the sectoral reference is open. It will not remain so indefinitely.

Contact

Laurence Mathiot
Director of Communications

laurence.mathiot@ocim.com
+33 1 88 83 86 17
+33 6 48 79 38 95