

# Responsible gold sourcing: the gold standard in bullion sourcing

Published 17 February 2021

## **Nitesh Shah**

Head of Commodities and Macroeconomic Research, WisdomTree Europe

We consider gold, with its unique behavioural traits, to be an important building block to consider for any portfolio. The metal can behave defensively which is typically very beneficial in times of economic shocks and the metal also tends to respond well to inflation which can be beneficial in times of economic growth. Like any core component of a portfolio, we must consider its responsible sourcing and environmental social and governance (ESG) factors.

## **LBMA Good Delivery Bars**

The vast majority of institutional investment in physical gold is through the London Bullion Metals Association's (LBMA's) Good Delivery Bars. Investors of all shapes and sizes are now able to invest in gold with the highest ethical standards, once the preserve of large institutions, through financial instruments such as exchange traded products (ETPs). The LBMA's good delivery system sets the standard in terms of metal quality, ethical trading and responsible sourcing. Investors buying LBMA good delivery bars are assured that a common standard has been met. Moreover, the organisation is continually pushing for higher standards to be met each year. LBMA good delivery bars are used to back all of WisdomTree's physically backed gold exchange traded products (ETPs).

## **Responsible sourcing**

The LBMA first introduced a Responsible Sourcing Programme for gold in 2012, setting a common standard across all refiners, even though many of the standards were already being met by members. The initial focus was on the following areas: human rights, conflict and governance. Their standards assured due diligence to avoid serious human rights abuses associated with extraction, transport, or trade of gold. Gold production should avoid supporting conflict whether it be direct or indirect support of non-state armed groups. In terms of governance, the standards set procedures to avoid bribery, fraud and money laundering.

The LBMA's members are mainly gold refiners. Not only do the refiners have to demonstrate their adherence to the standards, but they must undertake a due diligence process to make sure that the material that they are using from either miners or recycled sources also adhere to the standards. The LBMA has a network of auditors that are specially trained by the LBMA.

Over the years, the LBMA's responsible sourcing standards have tightened. In 2019, its enhanced standards were implemented and ESG assessments were first introduced. There are two ways that a gold refiner can demonstrate its ESG responsibilities:

1. Through its operations as a refiner; or
2. Its responsible sourcing practices with the upstream supply chain

Refiners are encouraged to strengthen corporate engagement with gold supplying miners and recyclers, and where possible, should assist gold supplying counterparties in building their own due diligence capacities. Refiners must assess the risk throughout the supply chain including the environmental policies and practices of the miners.

### **Maximise responsible sourcing through WisdomTree**

At WisdomTree, we recognise the phased implementation of LBMA's high standards today. 2012 set the marker for when responsible sourcing became a feature of the gold market and in 2019 ESG became a formal standard in the gold market. WisdomTree's entire physically backed gold ETP range is backed by responsibly sourced, LBMA good delivery bars produced after 2012. We are now increasingly shifting to post-2019 bars across our gold ETP range.

We expect future versions of the LBMA's responsible sourcing guidance to continue to strengthen ESG requirements. There may also be strengthening in the standards of recycled gold. WisdomTree's goal is to provide clients with exposure to the highest ethical standards that are practically possible, factoring in liquidity and availability of the latest bar vintages.

To learn more about investing in gold, please visit: [wisdomtree.eu/gold](https://www.wisdomtree.eu/gold)

### **Related blogs**

+ [To have your cake and eat it A case for currency hedging gold exposure](#)

### **Related products**

+ [Gold Bullion Securities](#)

+ [WisdomTree Physical Gold](#)

+ [WisdomTree Physical Swiss Gold](#)

+ [WisdomTree Core Physical Gold](#)

## Important Risks Related to this Article

### Important Information

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

**For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.**

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.