

Responsible gold sourcing: the gold standard in bullion sourcing

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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)

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