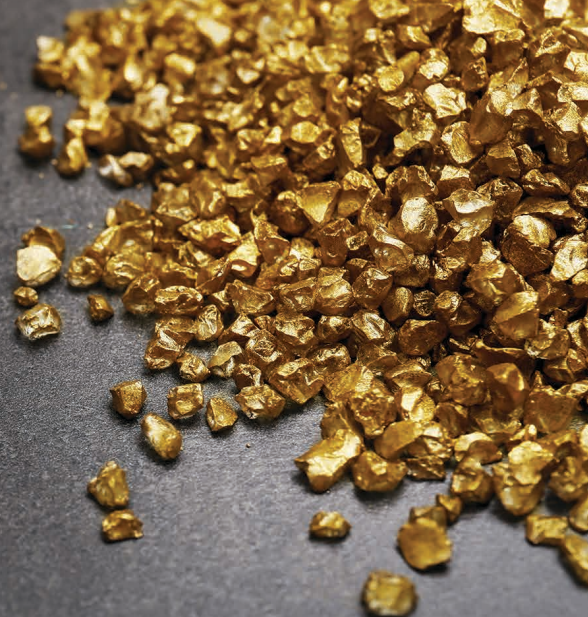# Insights into mining

Implementing the WGC Responsible Gold Mining Principles

Collaboration and planning – the key to success

The World Gold Council (WGC) recently produced the Responsible Gold Mining Principles (RGMPs), a framework that outlines the Council's expectations as to what constitutes responsible gold mining and consolidates existing standards and instruments under a single framework.[1] The RGMPs are grouped into environmental, social and governance (ESG) related topics that are increasingly important to a broad range of stakeholders including investors, customers, governments and communities.

Understanding the scope of implementation

The full implementation of systems, policies, procedures and performance levels for the RGMPs will require a significant commitment of time and resources, demanding a comprehensive and ongoing effort that spans multiple functions and involves a high level of collaboration, governance and project management. Deep subject matter expertise will need to be sourced across the company or externally in alignment with the RGMP's core areas of commitment (i.e. health and safety, human rights, labour rights, anti-bribery and corruption, environment, supply chain management and other related topics).

Some companies may achieve implementation more quickly than others, but by the third year after initiating adoption, all implementing companies' internal systems and processes should conform to the RGMPs and this, as well as their underlying performance, will need to be independently assured annually at both corporate and site-level. In addition, implementing companies will need to issue an annual public report on RGMP implementation (prepared by the company) and the annual Independent Assurance Report (prepared by the assurance provider). During the first and second years, companies will report on their progress toward achieving conformance, and the assurance providers' work in these years will be adjusted accordingly.

Risks and challenges for implementing companies

The principles provide a demanding framework. We see the following major risks and challenges associated with the RGMPs:

1. Establishing the supply chain compliance framework

The RGMPs include a requirement to ensure that suppliers conduct their businesses ethically and responsibly. Implementation of the RGMPs will require the establishment of a supply chain compliance framework to ensure that parties with which the company engages through the value chain adhere to the principles in conducting their business. This may require inclusion of RGMP topics in supply chain and procurement policies, screening and onboarding processes. It could also require a review of existing agreements and consideration as to whether changes to certain agreements are required (eg: periodic audit or conformance declarations). Such changes could require a considerable amount of time and effort, especially if contract renegotiations are deemed necessary.

2. Establishing "auditable" internal systems and processes

Management and reporting on the various topics relevant to the RGMPs may not have undergone audit-level testing in the past. Companies will need to review their existing systems and controls to ensure that they are sufficiently robust to satisfy public disclosure and third party assurance requirements. Given the cross-functional and comprehensive nature of the RGMPs, this may require a significant degree of time and effort, project management and collaboration, across all functions and processes.

3. Scoping and materiality

Because the RGMPs touch many areas within the organization for which significance, from the perspective of reporting and disclosure, can vary considerably, qualitative consideration is essential in making such decisions. Common challenges that we see with this process include incorporating and prioritizing stakeholder views, involving senior management, and extending the significance assessment beyond the company's own operations, across the value chain.

Implementing companies are expected to maintain systems that identify, prevent or manage both the risks related to their operations and those risks that their activities may pose to others.

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[1] https://www.gold.org/about-gold/gold-supply/responsible-gold/responsible-gold-mining-RGMPs

Best practices

To assist companies in developing a successful strategy for achieving and reporting on conformance with the RGMPs, we have identified the following best practices and considerations:

1. Governance

In line with the needs of the company and the complexity of operations, companies need to consider an appropriate governance structure to ensure effective oversight of processes to achieve and maintain RGMP conformance. This starts with the assignment of an owner or owners within the organization and encompasses the roles and responsibilities of all management and staff members across functions and business entities. In addition, Board involvement early on is essential, as is the assignment of Board-level oversight responsibility.

2. Project management and planning

Key internal stakeholders need to be identified and their buy-in should be secured at the outset. Working with internal stakeholders as well as external associates and suppliers, these stakeholders need to develop a project management framework that includes a comprehensive timeline, milestones, and the regular review and adjustment of implementation goals. In addition, effective project management needs to give consideration to the deep subject matter expertise required by the RGMPs, and whether such expertise exists internally, or if assistance from third party advisors may be necessary.

3. Processes and controls

Companies must design and implement appropriate processes and controls to capture, compile and analyze relevant information. These efforts need to be part of a repeatable and auditable process applied consistently across the organization, from mine sites to the corporate level. Companies need to consider and develop tools and resources to assist with the collection of information throughout the operation, such as process flowcharts and Risk and Control Matrices.

4. Audit trail and evidence

Critical to implementation is the creation and retention of audit trails and evidence to support reporting and proof of conformance. Equally important is the ability to demonstrate compliance across supply chains. This will require an assessment of existing systems, processes and audit trails, and an analysis of where changes need to be made. Companies should consider working with their assurance providers early in the process to determine the level of evidence necessary, and how this evidence will be retained.

5. Training and communication

As with governance, socialization of the RGMPs through training and communication involves an enterprise-wide effort to ensure implementation. Everyone needs to be aware of the RGMPs' potential impact on their job, how they work with others, and the direction of the company as a whole. Changes to policies, procedures, roles and responsibilities need to be clearly communicated to all employees on a regular basis.

6. Existing sustainability reporting

Companies will have to determine how the RGMPs will be supplemented, replaced or modified by their existing reporting structure. Some companies will be able to leverage a significant degree of their reports while others will have to develop a more granular and frequent reporting processes.

Three questions boards and companies should be asking about implementation of the RGMPs:

1. Does the organization have the right resources and subject matter expertise in the areas covered by the RGMPs?

2. Are the organization's existing processes and procedures sufficient to appropriately report on the RGMPs or are changes required?

3. What, if any, additional risks would conformance introduce to the organization and what measures are being implemented to mitigate such risks?

The key to successful implementation is successful planning. Please contact your local KPMG Professional for more information.

Let's do this.

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