

# Track A standard alignment assessment update to market

September 2024



# 1 Introduction

This memo provides an update to the alignment assessment process for LME's Track A standards. Credibility of sustainability certifications, standards, industry schemes and rating agencies relating to metals, especially those essential for the energy transition, is a much-debated topic with new evaluations and rankings being released frequently. The LME monitors developments in standards and encourages stakeholders to review some of our previous publications related to the LME's wider sustainability strategy, as well as the [taxonomy](#) of disclosures available on LMEpassport.

This memo is specific to section 5.2 of the LME Policy on Responsible Sourcing of LME-Listed Brands, which outlines the LME's process for recognising standards that may be used to demonstrate implementation of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Minerals Guidance). In order to be recognised by the LME, standards must undergo an alignment assessment, following the OECD Methodology for the Alignment Assessment of Industry Programmes with the OECD Minerals Guidance<sup>1</sup>. An independent alignment assessor approved by the LME must conduct the alignment assessment. The OECD Secretariat was consulted on the way the LME uses the alignment assessment methodology and on two specific pilot alignment assessments conducted in relation to the LME's recognition process. However, the conclusions of the assessments rest entirely with the alignment assessor and the decision to approve or not approve the standard for the LME's purposes sits entirely with the LME.

## 2 Basics of an alignment assessment

Following the OECD approach, an alignment assessment comprises two primary parts:

- Standards assessment: evaluates the extent to which the initiative's written policies and standards for companies, and any due diligence activities the initiative itself conducts align with the OECD Minerals Guidance
- Implementation assessment: evaluates the adequacy of the initiative's implementation of its written policies and standards and, where relevant, its own due diligence activities. This typically includes evaluating the adequacy of the initiative's monitoring and oversight systems including its annual performance checks or other assessments, and the adequacy of a grievance mechanism or traceability system that an initiative provides.

The alignment assessment also includes a governance assessment, which evaluates the extent to which the initiative's systems meet credibility criteria in relation to assurance mechanisms (where relevant), claims rules, stakeholder engagement, transparency, and conflicts of interest.

While the recommendations set out in the OECD Minerals Guidance are addressed to enterprises, alignment assessments focus on the standards, activities, processes, and systems of due diligence programmes. As such, alignment assessments do not evaluate or draw conclusions about the adequacy of due diligence conducted by individual enterprises that participate in or are members of the initiative under assessment.

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<sup>1</sup> The methodology can be accessed here: <https://mneguidelines.oecd.org/OECD-Due-Diligence-Alignment-Assessment-Methodology.pdf>. Please note that the OECD plans to release an updated version of the methodology that will be applicable across all sectors in October 2024 under the title **Methodology for OECD alignment assessments of multi-stakeholder, government and industry initiatives**.



### 3 Applying the OECD Alignment Assessment methodology to base metals

When LME announced the responsible sourcing policy in 2019, a question arose about whether the OECD Minerals Guidance and alignment assessment methodology references to tin, tantalum, tungsten, and gold (3TG) posed a challenge to conducting alignment assessments of initiatives that apply to the supply chains of other metals. Some stakeholders pointed to difference between 3TG and other supply chains, including:

- variance in the number of production steps,
- volumes of production being much larger in metals such as copper and aluminium,
- increased involvement of traders,
- relevance of certain environmental, social, and governance risks, and
- differing regions where materials are produced.

Recognising these concerns, the LME and OECD agreed to jointly launch the first alignment assessments for metals beyond the 3TG with the standard bodies. This meant that for the first two pilot assessments, the LME and OECD would be more heavily involved in the alignment assessments and be able to make a judgement if the alignment assessment methodology was fit for purpose when being applied to standards relating to non-3TG metals.

This pilot process ran from 2020 through to 2024 for standards relating to copper and cobalt. The conclusion from all parties is that the methodology may be used for standards that apply to non-3TG metals. This conclusion is a logical outcome of the process since, while the supplements of the OECD Minerals Guidance and alignment assessment methodology refer to 3TG metals, the 3<sup>rd</sup> Edition of the Guidance clarifies that it applies to all minerals. Though some questions arose regarding commodity-specific issues during the alignment assessment process, the overall outcome of the pilot is that the LME will continue to rely on the alignment assessment methodology to assess standards that may be used for Track A of the responsible sourcing policy.

#### 3.1 Pilot 1: Joint Due Diligence Standard for Copper, Lead, Molybdenum, Nickel and Zinc

The Copper Mark provides an assurance framework for the Joint Due Diligence Standard for Copper, Lead, Molybdenum, Nickel, and Zinc. The Copper Mark assurance framework for this standard was chosen as one of the pilots for the alignment assessment of non-3TG metals.

The overall result for the Copper Mark's assurance of the Joint Due Diligence Standard is 'Fully Aligned' and the details are available [here](#). The initial results for the Copper Mark were 'Partially Aligned', however, after receiving these results, the Copper Mark worked with the alignment assessor to understand the one partially aligned criterion that was preventing a 'Fully Aligned' rating for the standard. This criterion related to auditor performance, specifically in how exhaustive auditors should be when reviewing the risk scope of a producer's policy and due diligence activities. Copper Mark created and delivered a training package to their auditors that was reviewed and deemed satisfactory for the alignment assessor. The assessment recommended continued monitoring of Joint Due Diligence Standard audits to ensure that the trainings lead to sustained improvement in their quality on this point. Following this corrective action and the updated report of the alignment assessor giving a 'Fully Aligned' rating, the LME fully approved the Joint Due Diligence Standard for Copper, Lead, Molybdenum, Nickel and Zinc assessed by the Copper Mark assurance framework.

The Copper Mark also provides assurance against the Copper Mark Criteria for Responsible Production that covers a wider array of performance expectations. LME-listed brand producers may use the full Copper Mark Criteria (which reference the Joint Due Diligence Standard) or the stand-alone Joint Due Diligence Standard to demonstrate their compliance with Track A.



### 3.2 Pilot 2: Cobalt Refiner Due Diligence Standard

The Responsible Minerals Initiative’s Cobalt Refiner Due Diligence Standard assessed with the Responsible Minerals Assurance Process was chosen as the second pilot.

The overall result was ‘Partially Aligned’ for the Responsible Minerals Assurance Process for the Cobalt Refiner Due Diligence Standard. While the standard assessment phase found the Cobalt Standard to be fully aligned, eight criteria relating to the overarching due diligence principles were found to be partially aligned during the implementation assessment. The RMI has addressed some of the findings, including creating new resources to curb overreliance on schemes, improving assessment cycle times, bolstering technical assistance, and putting in place policies aimed at avoiding repeat findings at the same site year to year. Other corrective actions are still underway and expected to be completed before the end of 2024. For details on the alignment assessment report and a covering memo describing the corrective actions, see [here](#). The LME continues to recognise the Cobalt Standard as conditionally approved while the RMI implements these changes.

The RMI also provides assurance against multiple standards for all minerals across the supply chain. The RMI ESG standard is considered as an Equivalent Certification Programme for the ISO 14001 and 45001 requirements of the LME, and the RMI’s other minerals standards are in the process of being assessed as shown in Table 1 below.

## 4 Status of alignment assessments

The LME has conditionally or fully approved the standards shown in Table 1. The LME actively promotes ongoing dialogue among supply chain stakeholders and encourages sharing of insights from practical due diligence efforts. Following the conclusion of the alignment assessments, the LME will provide appropriate updates and will continue to both monitor and collaborate with these programmes.

Standard	Status of alignment assessment	Status of LME approval
Aluminium Stewardship Initiative (ASI) Performance Standard V3	Standard assessment complete; implementation assessment in progress	Conditionally approved
Chinese Due Diligence Guidelines for Mineral Supply Chains (Second Edition)	Standard assessment complete; implementation assessment in progress	Conditionally approved
Joint Due Diligence Standard for Copper, Lead, Nickel and Zinc assessed with the Copper Mark Assurance Process	Alignment assessment complete; ‘Fully Aligned’ rating	Approved (published <a href="#">here</a> )
London Bullion Market Association (LBMA) Responsible Gold Guidance version 9, including additions required by LBMA - LME Guide version 2, 10 May 2023	Awaiting outcome of the Recognition of Equivalence of Supply Chain Due Diligence Schemes under the Regulation (EU) 2017/821 (Conflict Minerals)	Conditionally approved



Responsible Minerals Initiative (RMI) Cobalt Refiner Supply Chain Due Diligence Standard	Alignment assessment complete; Standard rating is 'Fully Aligned' and Implementation rating is 'Partially Aligned' with corrective actions underway to address findings	Conditionally approved (published <a href="#">here</a> )
RMI Global Responsible Sourcing Due Diligence Standard for Mineral Supply Chains All Minerals	Standard assessment complete; implementation assessment in progress	Conditionally approved
RMI Tin and Tantalum Standard	Awaiting outcome of the Recognition of Equivalence of Supply Chain Due Diligence Schemes under the Regulation (EU) 2017/821 (Conflict Minerals)	Conditionally approved
Joint Due Diligence Standard for Copper, Lead, Nickel and Zinc assessed with the Responsible Minerals Assurance Process	Standard assessment complete; implementation assessment in progress	Conditionally approved
ITA-RMI Assessment Criteria assessed with the Responsible Minerals Assurance Process	Standard assessment complete; implementation assessment in progress	Conditionally approved
ITA-RMI Assessment Criteria assessed with the Tin Code (Standard 7.3 Responsible Sourcing)	Standard assessment complete; implementation assessment in progress	Conditionally approved

To learn more about these programmes, please visit the LME's Approved Partners page located [here](#).

## 5 Comments from the OECD

*The OECD encourages uptake of its alignment assessment methodology as a way of scaling implementation of international responsible business conduct due diligence standards, and increasing the alignment and transparency of multistakeholder, government-led and industry due diligence schemes. The LME has helped to expand use of the assessment methodology and the standards that underpin it, further embedding the Guidance into market expectations. The LME is also taking important steps to promote transparency around its use of the OECD methodology by encouraging publication of the two completed alignment assessments and through this communication to the market. This should enable better understanding of how the LME is using alignment assessments for Track A standards and build confidence in continued use of standards even as some endeavour to address identified areas of non-alignment with the OECD Minerals Guidance.*

*While due diligence schemes of different shapes and sizes can support companies in their due diligence efforts, OECD RBC standards make clear that companies in the minerals supply chain, including LME brands, retain ultimate responsibility for their due diligence. As implementation of the LME responsible sourcing*



*requirements advances, this is a reminder of the need to avoid complacency. It is important that companies maintain focus on their own supply chain due diligence responsibilities, including by addressing identified gaps in their due diligence and by building on the information and tools provided by relevant schemes regardless of their LME approval status. Likewise, schemes at all stages of the alignment assessment process should aim for continuous improvement and greater transparency about their own activities. This can only help to improve the effectiveness and smooth uptake of requirements in a context of converging expectations for responsible business conduct by regulators, the market, and investors.*

*The OECD encourages the LME to monitor due diligence schemes on an ongoing basis to promote consistency in the expectations they have of auditees, especially where multiple schemes cover the supply chains.*