

# LME Responsible Sourcing

## Reflection and key updates from 2024

Mingyou Yang  
October 2024



SETTING THE GLOBAL STANDARD



# Key LME responsible sourcing updates in 2024

## Brand compliance

- The LME issued an update [notice](#) in January following the Track A and ISO certification submission deadline of 31 December 2023, and subsequently suspended over 10% of listed brands following the review of submissions
- The LME continues to monitor all brand compliance status and has reinstated a number of the suspended brands after they successfully addressed the requirements of the LME's responsible sourcing policy

## Track A standard alignment assessment

- The LME continues to engage with Track A standards, alignment assessors, and the OECD to progress the alignment assessment work, the latest update to the market on the alignment assessment can be found [here](#)
- The Joint Due Diligence Standard assessed through the Copper Mark Assurance Process is found to be fully aligned with the OECD Due Diligence Guidance<sup>1</sup> after the completion of the [OECD Alignment Assessment process](#).

## Supply chain due diligence & Step 5 report evaluation

- The LME engaged [Kumi Consulting](#) ("Kumi") to analyse the supply chain due diligence reports (Track A standard audit reports, Track B audit reports, Track C Red Flag Assessment templates, and Step 5 reports) of its brand producers. The objectives were to clarify stakeholder expectations, assess reporting against OECD Due Diligence Guidance expectations, receive actionable recommendations, and identify best reporting practices
- The LME is reviewing the analysis and will engage with relevant stakeholders to how we can improve supply chain due diligence reporting practices

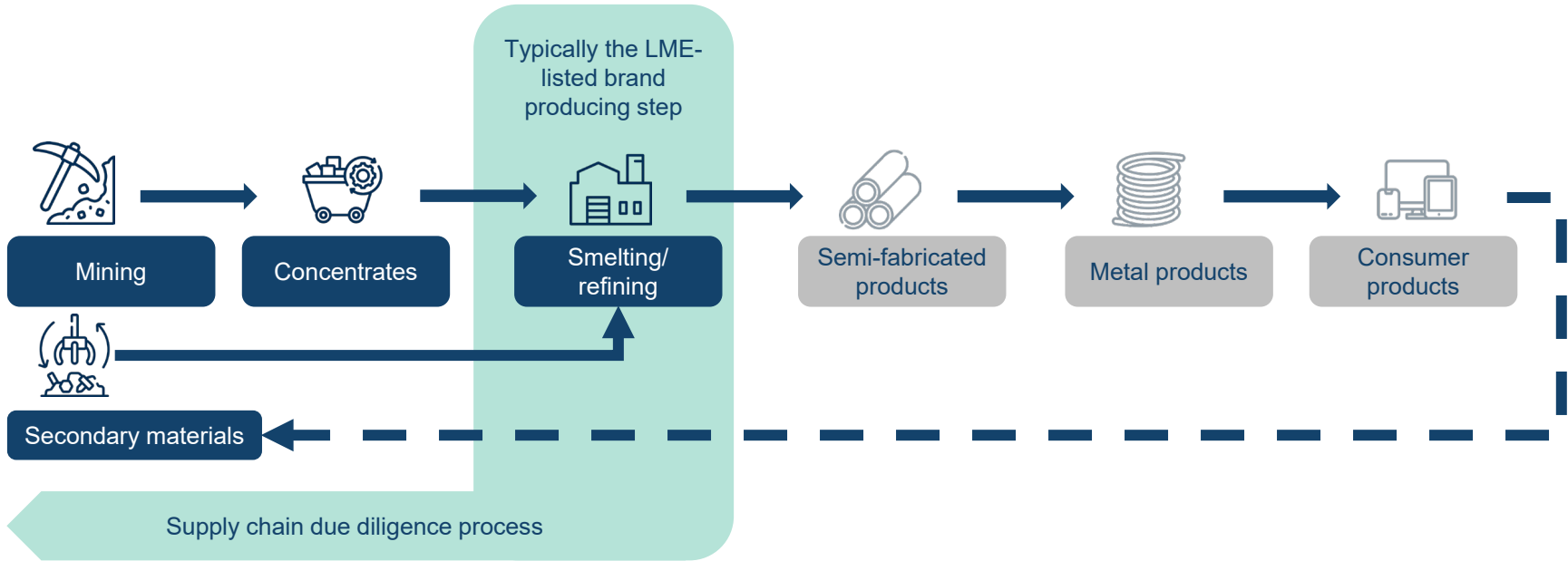
## Reporting

- Track C summary statistics from Red Flag Assessment templates ("RFAs") received in 2023 have been published [here](#)
- The RFAs received in 2024 will be published as anonymised versions in early 2025, in accordance with the phased transparency requirement. Brand producers have the option to publish attributed versions if they prefer
- Furthermore, the LME will be making each brand's responsible sourcing compliance track public by Q2 2025 following the recent [CBAM consultation and sustainability response paper](#). This enhanced transparency will support the due diligence process of other stakeholders in the value chain

1. [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#)



# Metal value chain



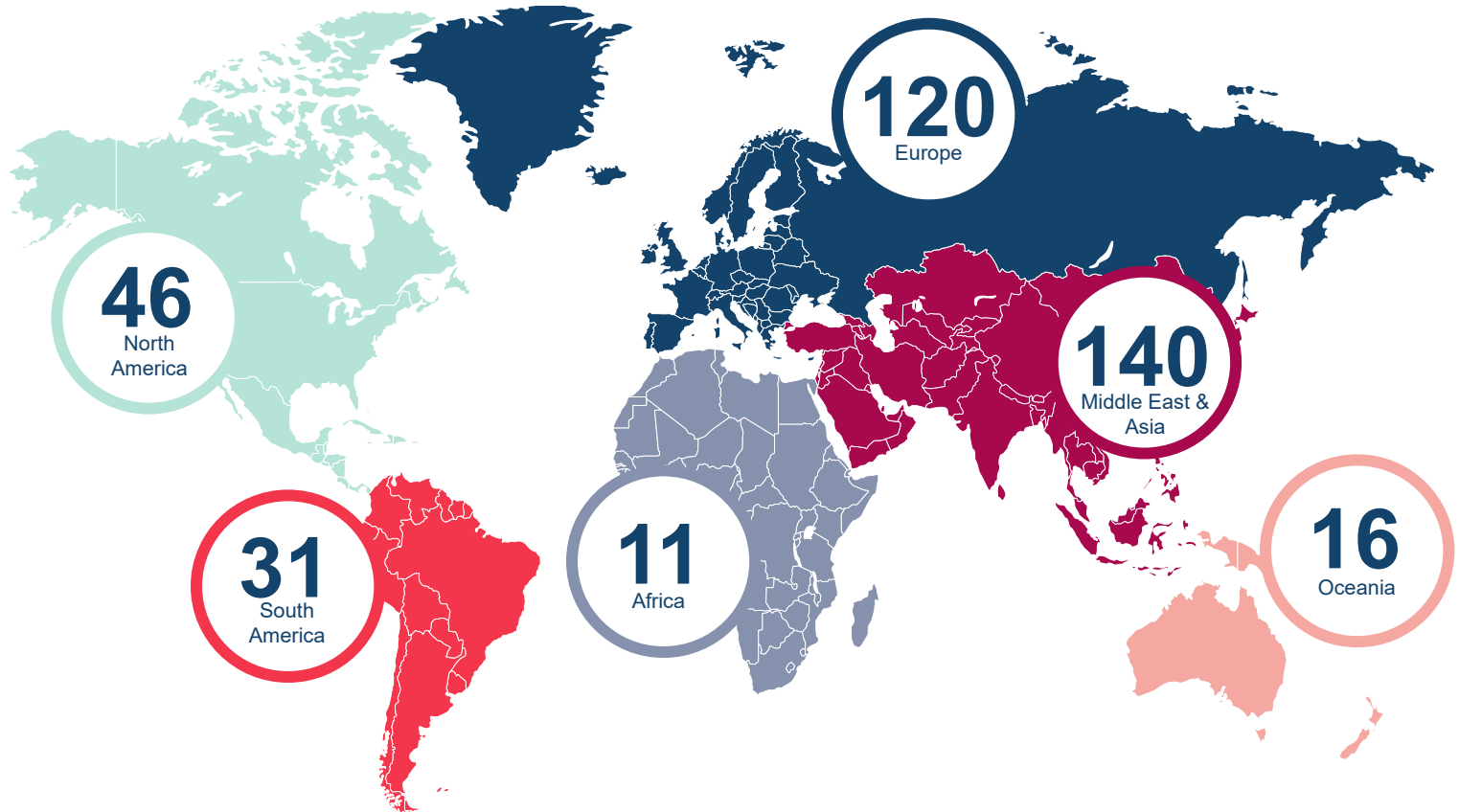
# LME deliverable brands – breakdown by metals

Data as of October 2024



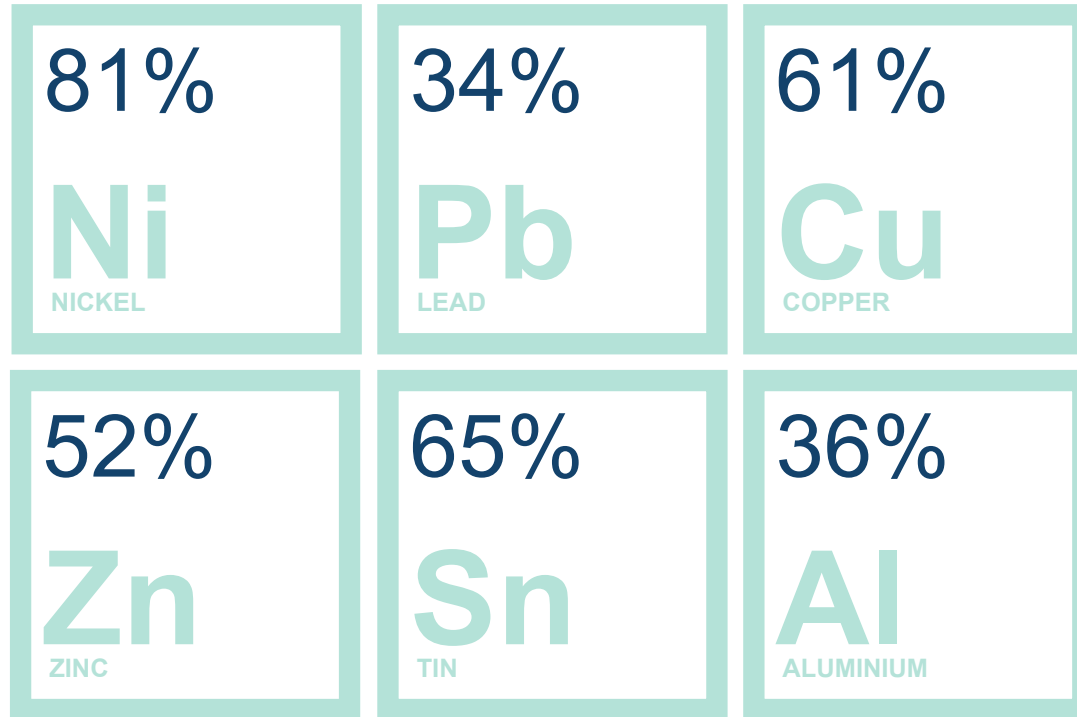
# LME-listed brand producer locations

Data as of October 2024



# Representation of metals by LME-listed brands

Annual percentage of production represented by LME brands for LME deliverable shapes, estimates only



LME brand production figures collated from 2023 LME brand surveys, with the most recent referred to if available. When surveys not available, plant capacity, International Metal Study Groups, or World Bureau of Metal Statistics ("WBMS") refined production are referred to. LME production by country cross referenced with WBMS refined production per country.



# Responsible sourcing requirements for LME-listed brands

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

ISO 14001: Environmental Management System or equivalent

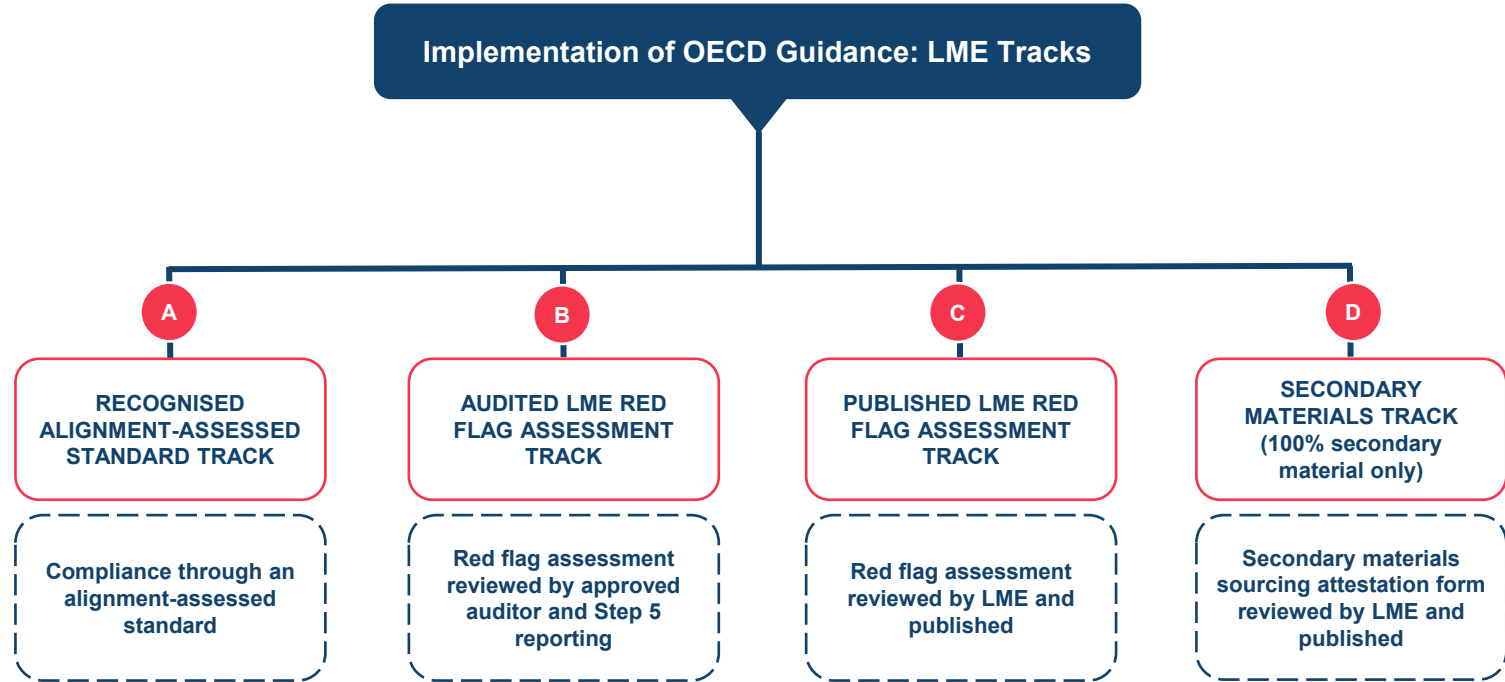
ISO 45001: Occupational Health & Safety Management System or equivalent

All current and future LME-listed brands must maintain compliance to the LME responsible sourcing requirements

Requirements apply to all LME-listed producers of physically settled contracts. For details, please refer to the LME policy found on the LME website: <https://www.lme.com/en/Company/Responsibility/Responsible-sourcing>

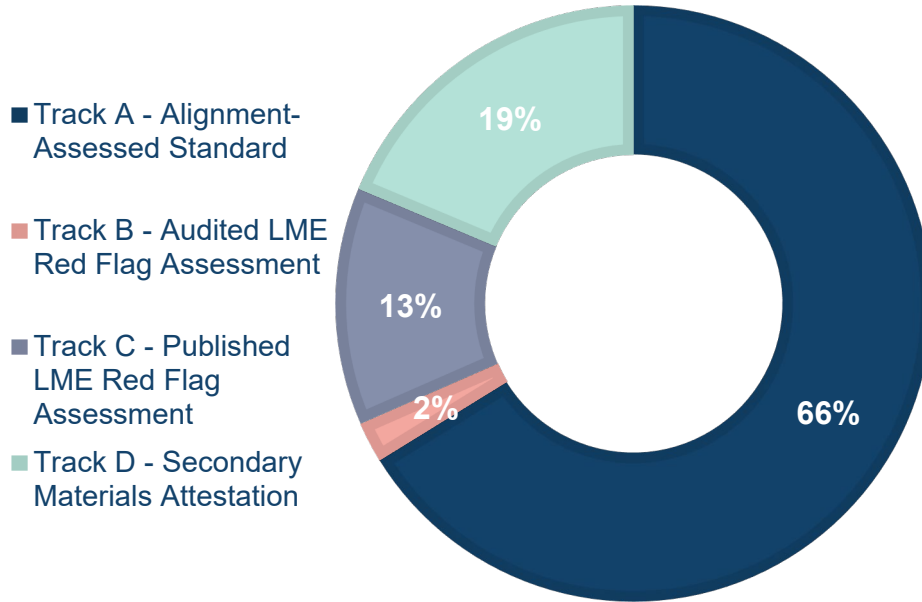


# Summary of tracks to OECD Guidance implementation





# Track selection breakdown 2024

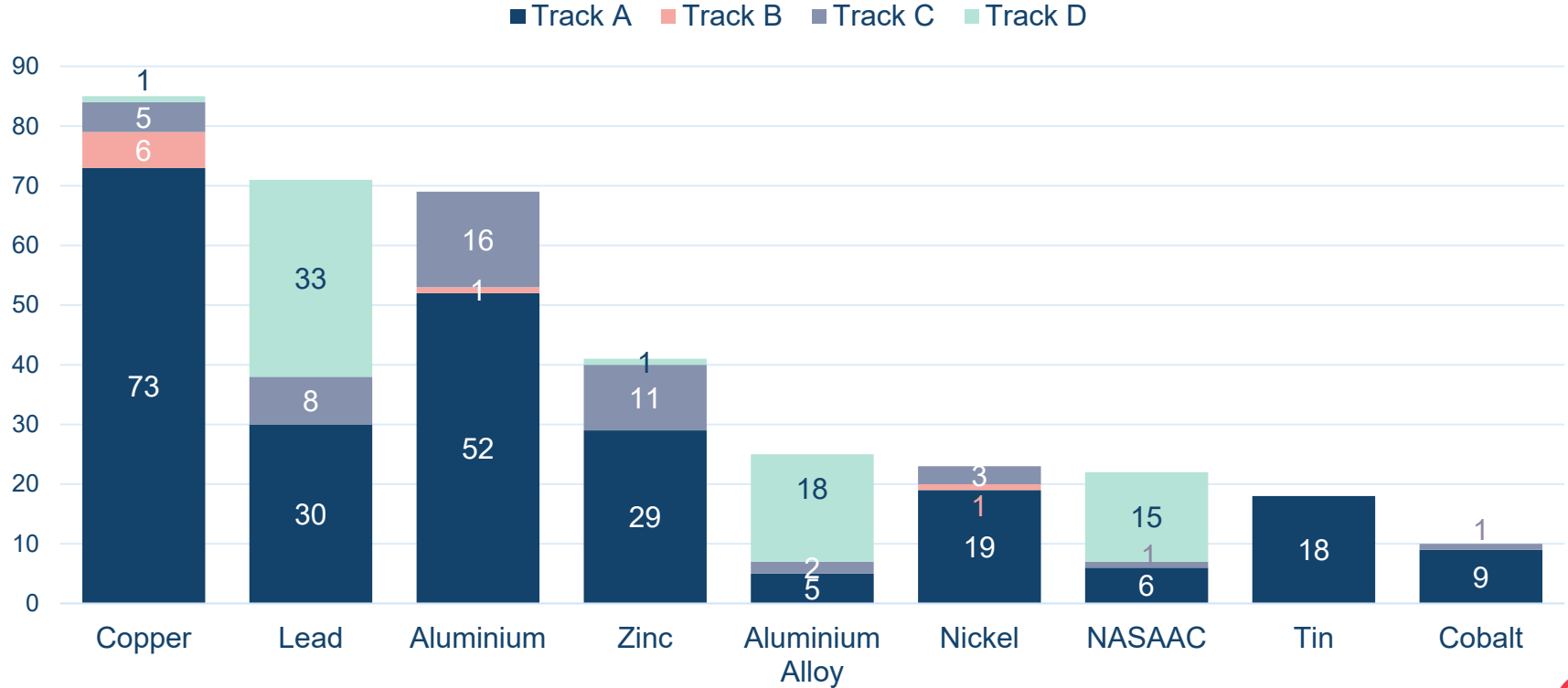


- Track A remains the most selected
- There is a 45% decrease in brands using Track C from 2023 to 2024, as they have either voluntarily switched to or been referred to Track A



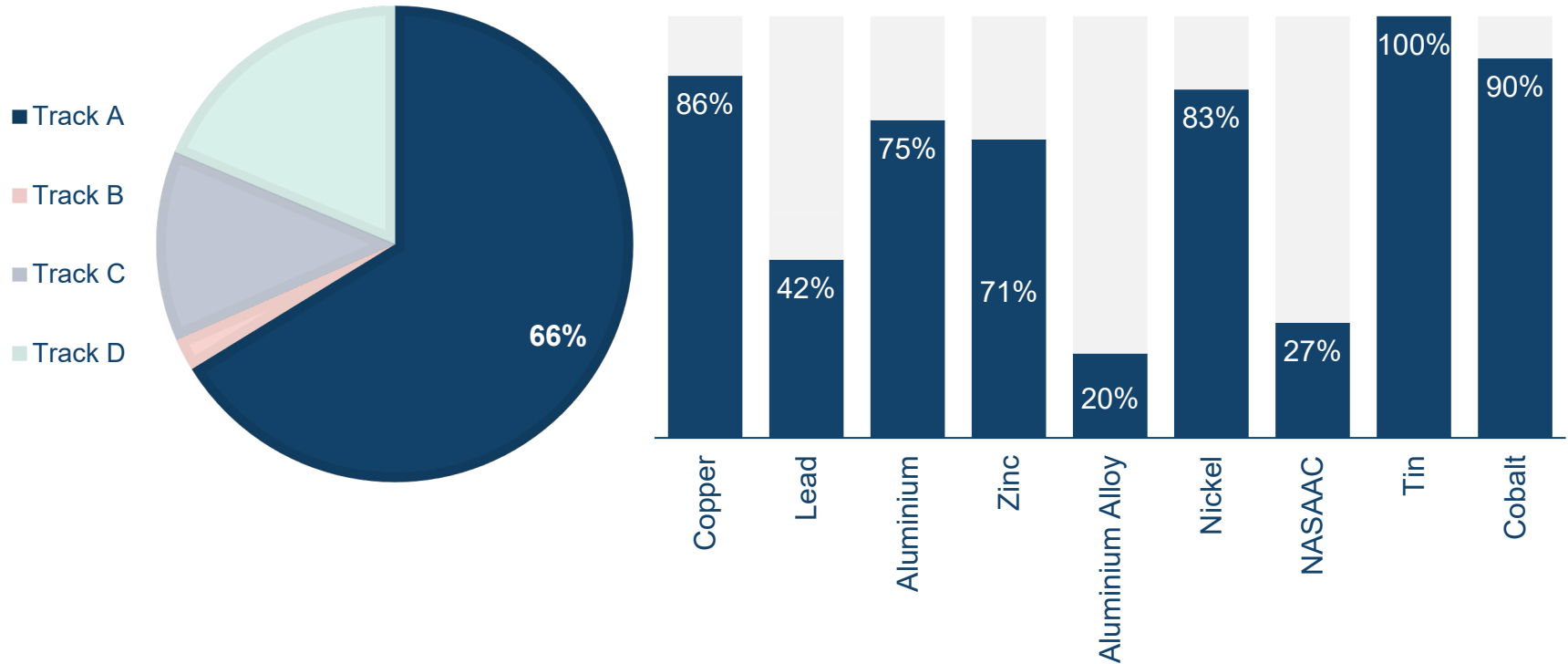
# Tracks selected by metal

364 brands listed on the LME as of October 2024

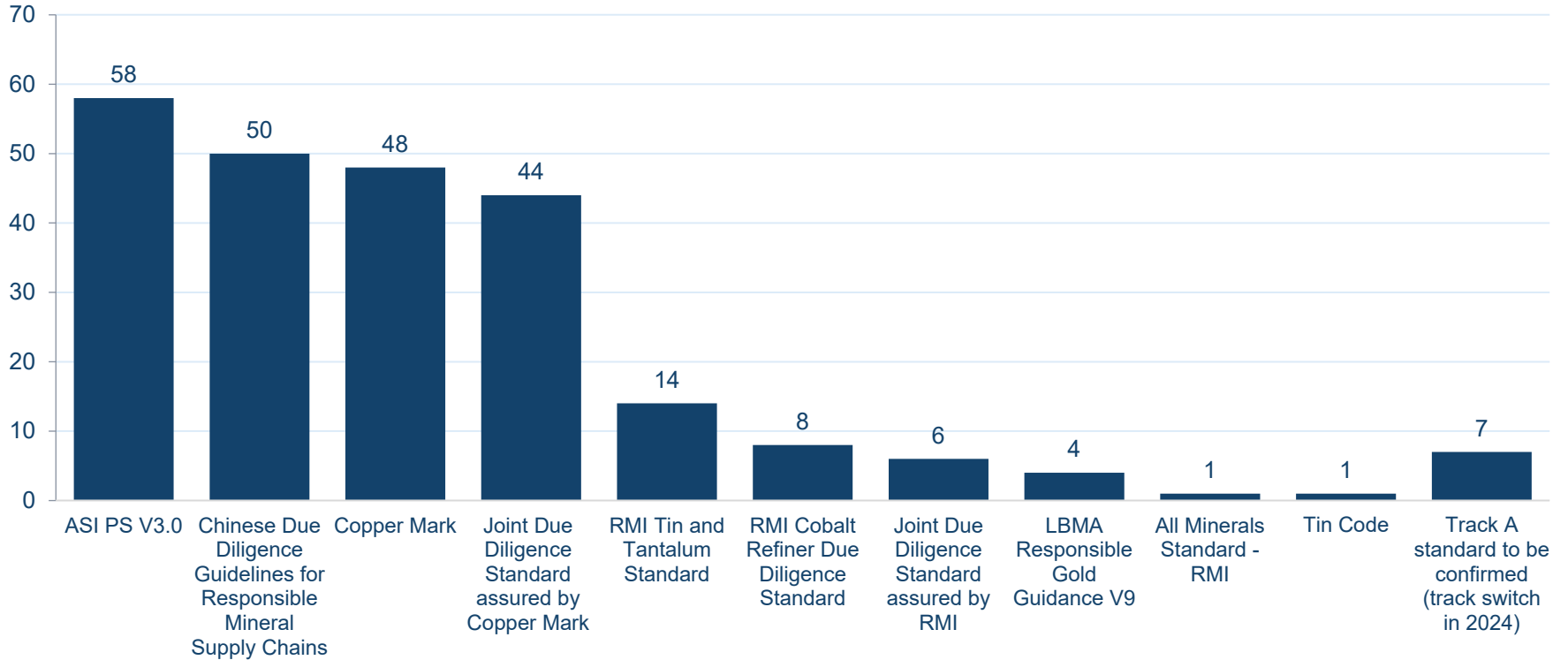


# Track A brand submissions by metal

241 LME-listed brands chose Track A – Alignment-Assessed Standard Track (66%) as of October 2024



# Track A standard selection by number of brands 2024



ASI PS: Aluminium Stewardship Initiative Performance Standard

RMI: Responsible Minerals Initiative

LBMA: London Bullion Market Association

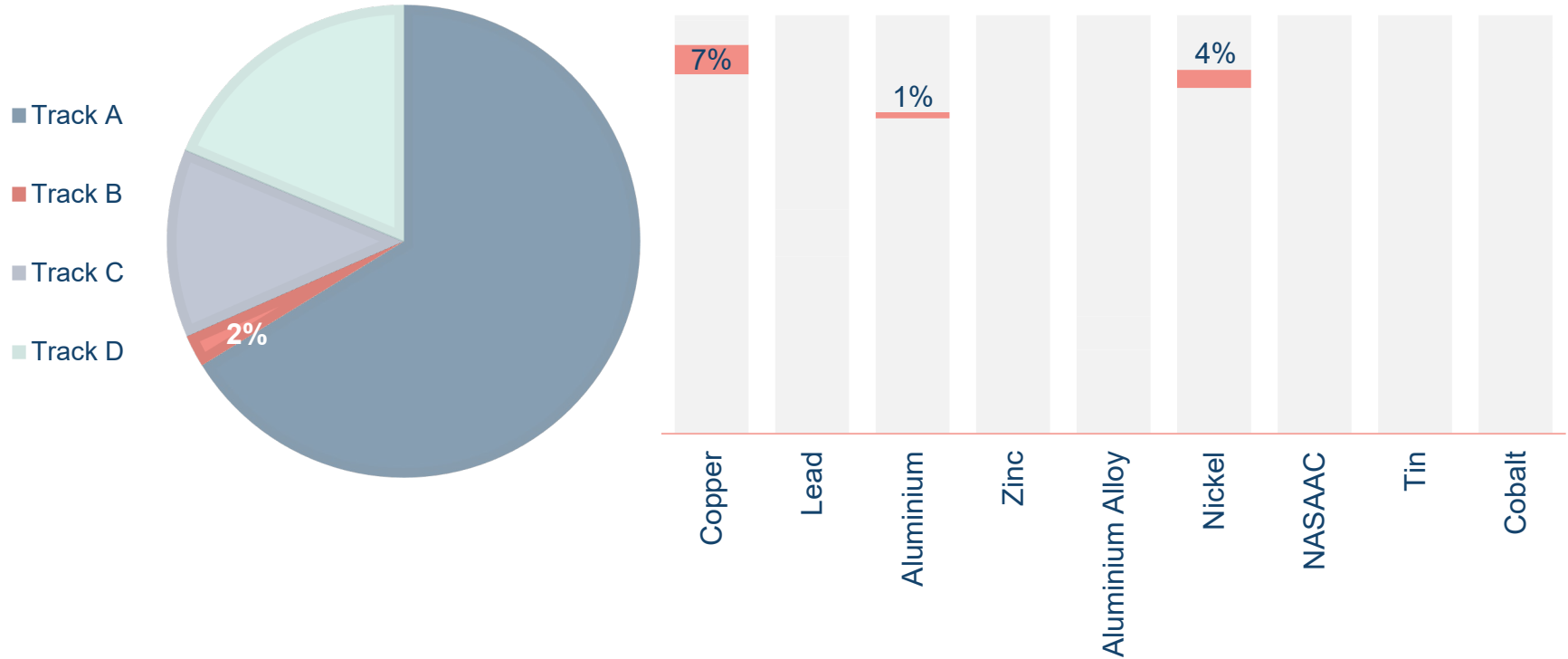
All Minerals Standard: Global Responsible Sourcing Due Diligence Standard for Mineral Supply Chains – All Minerals

Tin Code: Tin Code (Standard 7.3 Responsible Sourcing) assessed with the ITA-RMI Assessment Criteria



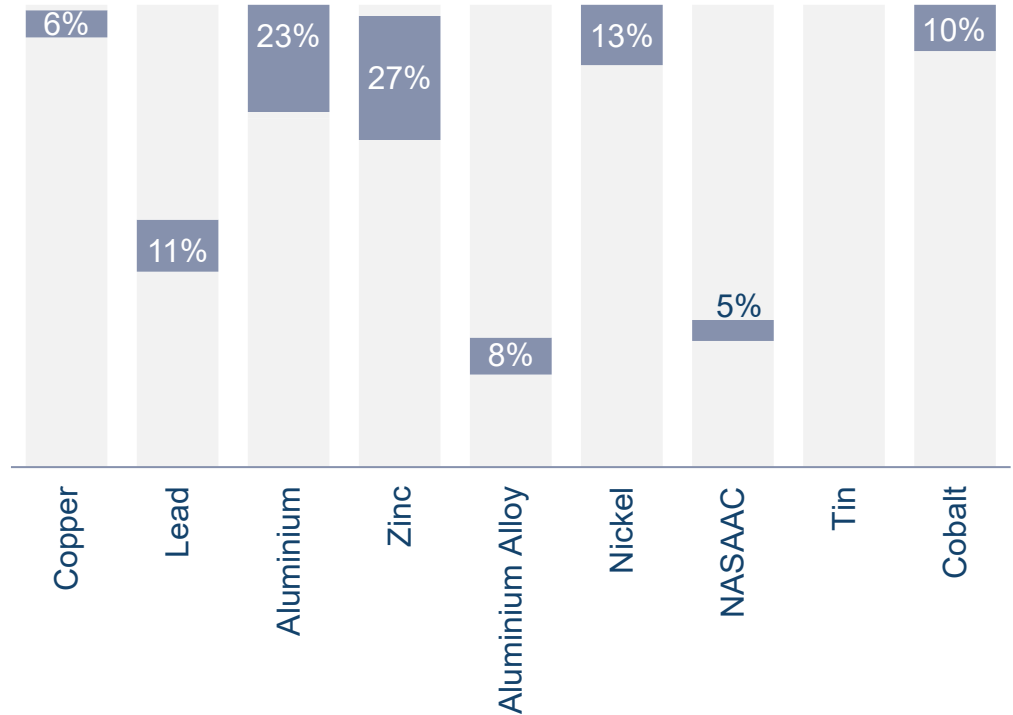
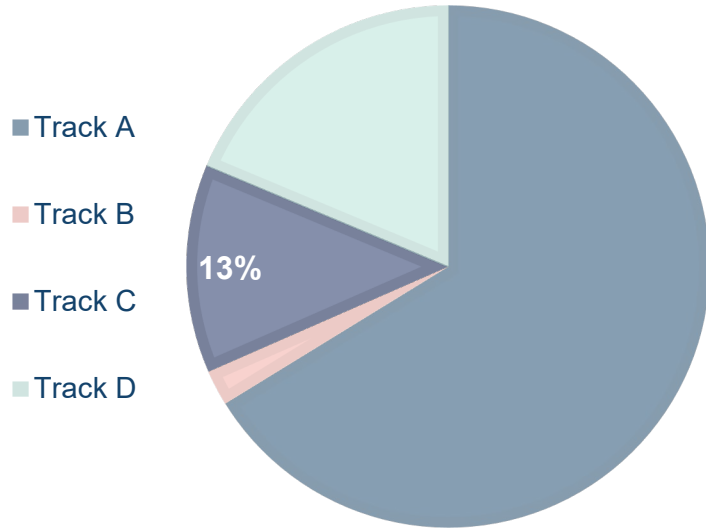
# Track B brand submissions by metal

8 LME-listed brands chose Track B – Audited LME Red Flag Assessment Track (2%) as of October 2024



# Track C brand submissions by metal

47 LME-listed brands chose Track C – Published LME Red Flag Assessment Track (13%) as of October 2024

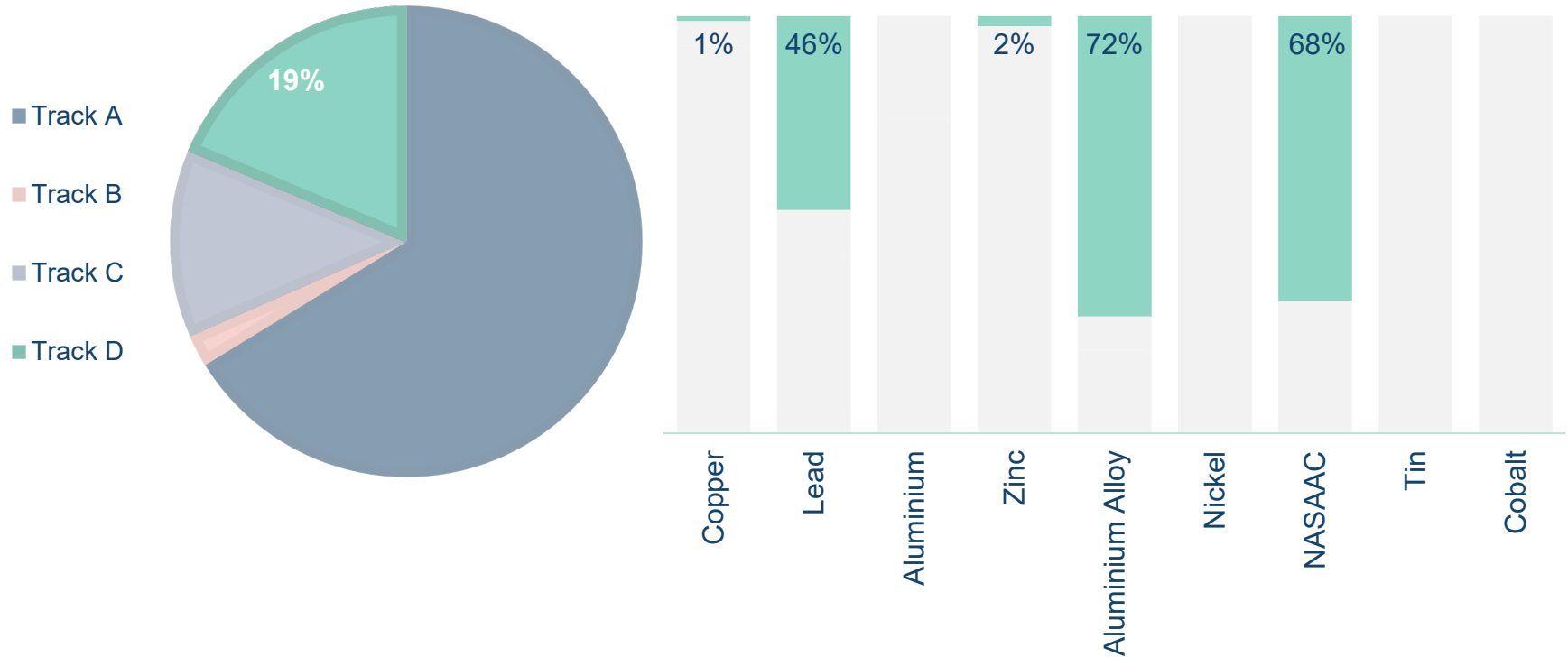


See summary statistics from the Red Flag Assessments received in 2023 published [here](#)



# Track D submissions by metal

68 LME-listed brands submitted secondary material attestation forms (19%) as of October 2024



# Track D summary

Secondary materials are as defined in the LME responsible sourcing policy

## 1. Explain whether the brand producer is relying solely on assurances from suppliers regarding the sources of material or on objective evidence.

Most brand producers utilised a combination of supplier visits, delivery inspections, and quality testing to ensure compliance. The methods and responses to this question have remained consistent from 2023 to 2024.

## 2. List corporate level checks that brand producer conducts on its suppliers and if there is a management system in place with examples.

Responses varied widely, ranging from detailed procedures such as Supplier Codes of Conduct, ISO certifications, unique KYC forms, and audits, to reliance on regulatory frameworks or established relationships. Similar to the responses from 2022 and 2023, producers continued to depend on quality management systems like ISO 9001.

Additionally, some producers implemented specific management systems for the responsible sourcing of minerals. Government regulations remain a crucial factor in brand producers' supplier due diligence, whether at their own locations or those of their suppliers.

To further understand market best practices for responsible recycling of metals, the LME participated in the Roundtable on the Responsible Recycling of Metals which aims to integrate existing initiatives and develop standards, systems, and tools for the responsible production and sourcing of recycled metals. For more information, please visit: [Roundtable on the Responsible Recycling of Metals](#)





# Responsible sourcing overview

The LME noted several recurring challenges from 2023, such as lack of supply chain cooperation, difficulties in implementing EITI<sup>1</sup> principles, and ongoing inconsistencies in due diligence reporting. The key findings below highlight additional prevailing themes identified in 2024.

## Key findings

**Geopolitical tension and regulatory divergence** across nations continues to challenge industry's cohesion, its ability to meet international responsible sourcing goals, and cross-recognise standards.

**CAHRA<sup>2</sup> determination inconsistencies** (between producers of the same material as well as different stakeholders of the same value chain) remain a significant challenge, hindering meaningful due diligence efforts which could be undertaken with greater standardisation in CAHRAs outside of 3TG<sup>3</sup> metals.

**Lack of transparency in due diligence gaps** makes it challenging to hold accountability on supplier's actions which can often result in hidden supply chain risks. Consequently, the lack of clear information to the market could lead to ineffective corrective action plans.

**Differing Track A standard assurance processes** can bring inconsistencies in brand producers' assurance outcomes. The LME will continue to work with all Track A standards to understand each assurance process to ensure fair acceptance of brand producers' supply chain due diligence efforts.

## Future work

The LME will continue to collaborate with supply chain stakeholders to address responsible sourcing challenges and apply insights from the supply chain due diligence & Step 5 report evaluation report. Additionally, increasing transparency on brand producers' responsible sourcing compliance information will be a significant step forward, facilitating discussions on the identified challenges and working towards effective solutions.

1. EITI: Extractive Industries Transparency Initiative
2. CAHRA: Conflict-Affected and High-Risk Area
3. 3TG: tin, tantalum, tungsten, and gold



# Disclaimer

© The London Metal Exchange (the “LME”), 2024. The London Metal Exchange logo is a registered trademark of The London Metal Exchange.

All rights reserved. All information contained within this document (the “Information”) is provided for reference purposes only. While the LME endeavours to ensure the accuracy, reliability and completeness of the Information, neither the LME, nor any of its affiliates makes any warranty or representation, express or implied, or accepts any responsibility or liability for, the accuracy, completeness, reliability or suitability of the Information for any particular purpose. The LME accepts no liability whatsoever to any person for any loss or damage arising from any inaccuracy or omission in the Information or from any consequence, decision, action or non-action based on or in reliance upon the Information. All proposed products described in this document are subject to contract, which may or may not be entered into, and regulatory approval, which may or may not be given. Some proposals may also be subject to consultation and therefore may or may not be implemented or may be implemented in a modified form. Following the conclusion of a consultation, regulatory approval may or may not be given to any proposal put forward. The terms of these proposed products, should they be launched, may differ from the terms described in this document.

Distribution, redistribution, reproduction, modification or transmission of the Information in whole or in part, in any form or by any means are strictly prohibited without the prior written permission of the LME.

The Information does not, and is not intended to, constitute investment advice, commentary or a recommendation to make any investment decision. The LME is not acting for any person to whom it has provided the Information. Persons receiving the Information are not clients of the LME and accordingly the LME is not responsible for providing any such persons with regulatory or other protections. All persons in receipt of the Information should obtain independent investment, legal, tax and other relevant advice before making any decisions based on the Information.

LME contracts may only be offered or sold to United States foreign futures and options customers by firms registered with the Commodity Futures Trading Commission (CFTC), or firms who are permitted to solicit and accept money from US futures and options customers for trading on the LME pursuant to CFTC rule 30.10.

The LME is authorised and regulated by the Financial Conduct Authority in respect of its benchmark administration activities under the European Benchmarks Regulation (Regulation No (EU) 2016/1011 (“BMR”)), as onshored into UK law.

The names “S&P Global Platts” and “Platts” and the Platts logo are trademarks of S&P Global Inc. and have been licensed for use by The London Metal Exchange. S&P Global Platts, a division of S&P Global Inc. also licenses The London Metal Exchange to use Platts Steel Rebar FOB Turkey, Platts TSI Scrap HMS 1/2 80:20 CFR Turkey, Platts TSI HRC EXW US Indiana, Platts TSI HRC EXW Ruhr, Platts HRC SAE1006 FOB China, Platts Aluminum Transaction Premium DDP US Midwest and Platts Molybdenum Oxide Daily Dealer (Global); (the “Assessments”) in connection with the listing, facilitation of trading of, settlement and clearing of certain contracts (the “Contracts”) based upon the Assessments. The Contracts are not sponsored, endorsed, sold or promoted by S&P Global Platts or its affiliates or licensors. S&P Global Platts, its affiliates and licensors make no representation or warranty, express or implied, either regarding the Contracts or the advisability of investing in securities or commodities generally or the ability of the Assessments to track general market performance or commodity price movements. S&P Global Platts, its affiliates and licensors disclaim any and all warranties, express or implied, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use as to the Assessments, or the results obtained by its use or as to the performance thereof. S&P Global Platts, its affiliates and licensors do not guarantee the adequacy, accuracy, timeliness and/or completeness of the Assessments or any component thereof or any communications (whether written, oral, electronic or other format), and shall not be subject to any damages or liability, including but not limited to any indirect, special, incidental, punitive or consequential damages (including but not limited to, loss of profits, trading losses and loss of goodwill).

ARGUS, ARGUS MEDIA, the ARGUS Logo, Argus HRC FOB Tianjin China are trademarks and are used under licence from Argus Media Limited. All copyrights and database rights in the Argus HRC FOB Tianjin China index belong exclusively to the Argus Media group and are used herein under licence. Argus takes no position on the purchase or sale of LME products which reference Argus or the Argus HRC FOB Tianjin China index and excludes all liability in relation thereto.

