

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

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17 Nov, 2023

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Intro

Demand for Responsible Minerals

- **Consumer and civil society campaigns (e.g. Amnesty, etc.)**
- **Industry: LBMA, WGC (gold & jeweler, etc.)**

Consumer

- **UN Security Council Resolutions on DRC and Ivory Coast**
- **EU Parliament**
- **OECD Council**

Political

- **Section 1502 of US Dodd-Frank Act**
- **EU legislation on responsible mineral supply chain**

Legal

What is Conflict-Affected and High-Risk Areas(CAHRA)?

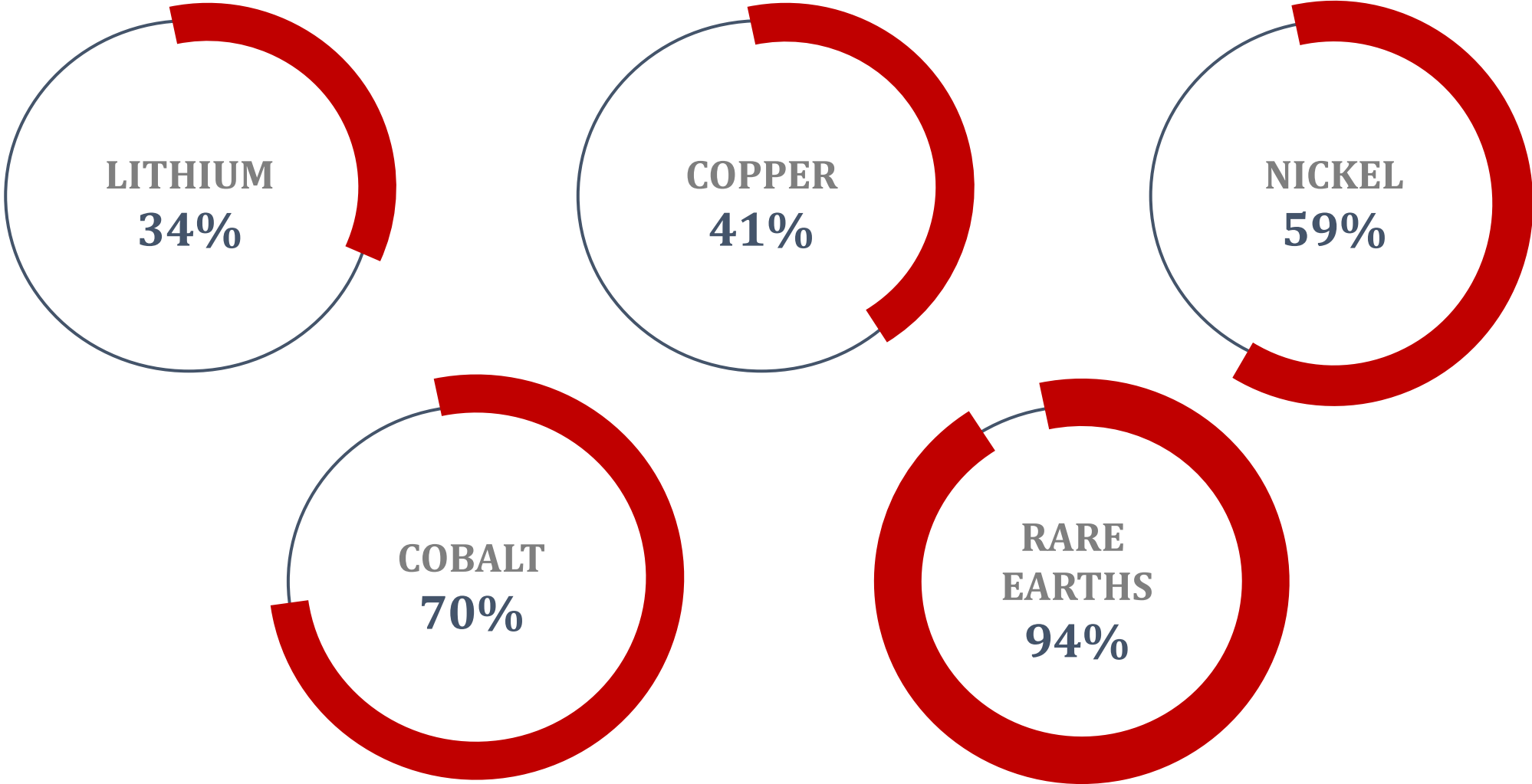
Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law.

Why is it necessary?

To offer precise and practical guidance for companies in maintaining responsible operations and supply sources, adhere to the following principles:

- ✓ **Do not provide** support to non-state armed groups and **avoid** involvement in "serious abuses"
- ✓ Take measures **to prevent and mitigate** support for public security forces, as well as practices such as bribery, tax evasion, money laundering, and fraud within supply chains
- ✓ **Enhance** internal controls, implement robust due diligence systems, and actively engage with suppliers

[Reference] Proportion of Energy Transition Minerals Located in Countries with High Levels of Corruption



Source: Natural Resource Governance Institute(2022) Preventing Corruption in Energy Transition Mineral Supply Chains

Principles

Continuous, Proactive, and Reactive Due Diligence Approach:

- ✓ Employ an ongoing, proactive, and reactive approach to due diligence.

Risk-Based Due Diligence:

- ✓ Due diligence is tailored to the level of risk, with the intensity corresponding to the perceived risk.

Incremental Enhancements Over Time and Collaborative Engagement with Suppliers:

- ✓ Foster progressive improvements over time, demonstrating good faith and reasonable efforts in actively engaging with suppliers.

Global Scope to Facilitate Investment and Trade in High-Risk Areas:

- ✓ Adopt a global perspective to facilitate investment and trade in conflict-affected and high-risk regions, rejecting the use of blacklists, embargoes, or protectionist measures.

Encouraged Collaboration with Individual Company Responsibility:

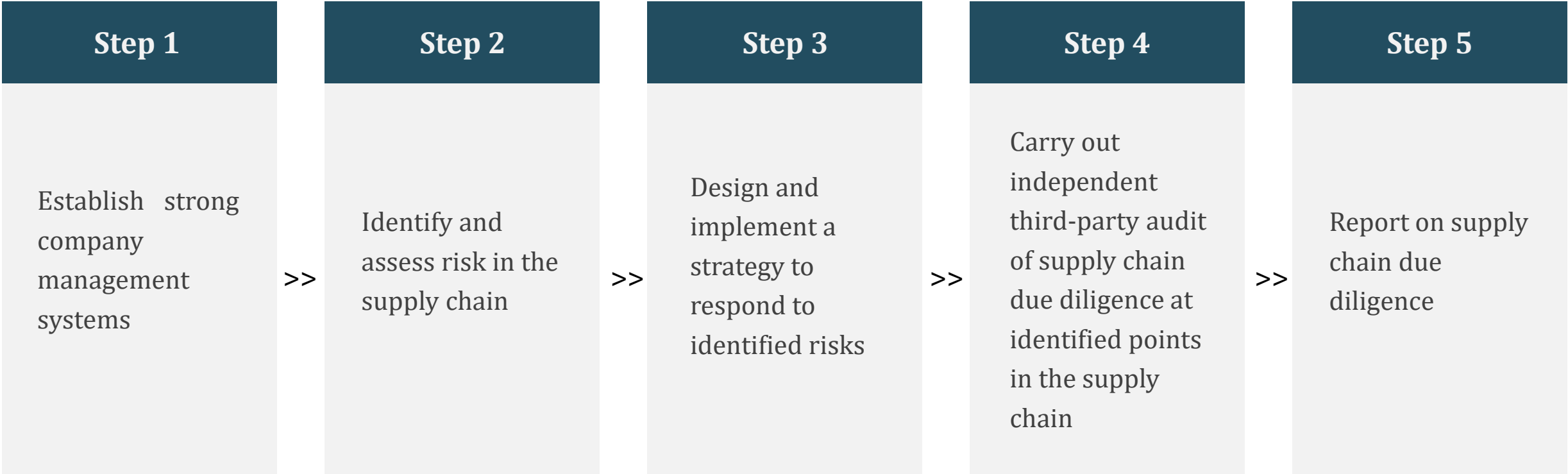
- ✓ While collaboration is encouraged, individual companies are responsible for their own due diligence processes.

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Due Diligence

Method and Scope

Five-Step Framework



Scope

- Applies to all minerals on a global scale

[Reference] AnnexII. Significant adverse impacts

| No. | Risks |
|-----|---|
| 1 | Serious abuses associated with the extraction, transport or trade of minerals |
| 2 | Direct or indirect support to non-state armed groups |
| 3 | Public or private security forces |
| 4 | Bribery and fraudulent misrepresentation of the origin of minerals |
| 5 | Money laundering |
| 6 | Payment of taxes, fees and royalties due to governments |

Step 1: Establish strong company management systems

- ✓ **Incorporate CAHRA's 3TG Policy Consistent with Guidance Model (Annex II):** Integrate a company policy on 3TG (tin, tantalum, tungsten, gold) in alignment with CAHRA, reflecting the model policy outlined in the provided Guidance (Annex II).
- ✓ **Establish Internal Management Structures for Due Diligence Support:** Organize internal management structures to facilitate due diligence, including allocating resources and building necessary capacities.
- ✓ **Enhance Supplier Engagement and Communication:** Strengthen communication with suppliers, clearly articulating expectations and fostering a collaborative engagement approach.
- ✓ **Systematically Collect and Maintain Transaction Information:** Systematically gather and retain transaction information and documentation, assigning unique internal reference numbers for all inputs and outputs.
- ✓ **Request Smelter and Refiner Information from Suppliers:** Directly source information from suppliers, requesting details on smelters and refiners for all 3TG products, whether through direct sourcing, imprinted marks on gold, or supplier documentation.
- ✓ **Share Smelter or Refiner Information with Customers:** Transmit smelter or refiner information obtained from suppliers to customers, ensuring transparency and accountability throughout the supply chain.

Step2: Identify and assess risk in the supply chain

- ✓ **Identify the smelters and refiners in your supply chain**
 - Directly Collect Information from Suppliers
 - Verify Supplier Information Using a Risk-Based Approach
- ✓ **Evaluate Responsible Sourcing Practices of Smelters and Refiners**
 - Examine OECD Due Diligence Implementation by Smelters and Refiners
 - Verify Industry Audits for Smelters and Refiners

Step3: Design and implement a strategy to respond to identified risks (Downstream)

✓ Validate Chain of Custody or Traceability Information Through Sampling

- Verify a representative sample of chain of custody or traceability information and expand the sample size if any inconsistencies are identified.

✓ Map Current and Planned Supply Chain Circumstances

- Chart the details of the current and planned supply chains, capturing the intricacies of the processes and logistics involved

Risk Factors for Mined Gold

- ❖ Supplier Affiliations with Military, Criminal Networks, or Armed Groups
- ❖ Examine Militarization at Mine Sites, Transportation Routes, and Trading Points
- ❖ Document Evidence of Serious Abuses in Mining and Trade Locations
- ❖ Gather Information on Support to Armed Groups or Security Forces
- ❖ Assess Conflicts or Tensions Between ASM and LSM
- ❖ Scrutinize Reports or Suspicions of Fraud or Contamination

Step3: Design and implement a strategy to respond to identified risks (Upstream)

- ✓ **Communicate Findings to Designated Senior Management**
- ✓ **Strengthen Engagement with Suppliers and Internal Transparency Systems**
- ✓ **Develop, Adopt, and Execute a Risk Management Plan with Stakeholders**
 - Continued Trade During Measurable Risk Mitigation Efforts
 - Temporary Trade Suspension During Ongoing Mitigation
 - Disengagement with Suppliers if Mitigation Is Infeasible or Unacceptable
- ✓ **Monitor the Supply Chain with Stakeholder Support**

Risk Mitigation

- ❖ Capacity Building for Suppliers and Smelters in Due Diligence
- ❖ Criteria for Suspending or Terminating Business Relationships
 - Smelter Non-Compliance with Guidance or Related Programs
 - Evidence of Smelters Sourcing from Problematic Suppliers

Step4: Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain

✓ **Audit Scope**

- Examine all activities, processes, and systems employed by the refiner in the implementation of supply chain due diligence for conflict gold

✓ **Audit Criteria**

- Evaluate the adherence of the refiner's due diligence practices to an audit standard grounded in the OECD Guidance

✓ **Audit Activities**

- Documentation Review
- On-site investigations
- Meeting with smelters
- Consultation with other experts

Step5: Design and implement a strategy to respond to identified risks

✓ Report on Management Practices

- Provide a detailed report on management practices, encompassing policies and internal control systems

✓ Report on Company Risk Assessment and Management

- Deliver a comprehensive report on the company's risk assessment and risk management practices, ensuring due consideration for business confidentiality, competitive factors, and security concerns. This includes insights into supplier relationships, pricing strategies, and security measures

✓ Publish Summary Audit Reports of Refiners

- Publicize condensed audit reports of refiners, emphasizing sensitivity to business confidentiality, competitive considerations, and security concerns. This publication aims to enhance transparency while respecting the privacy and security aspects of the audited entities

Role of Stakeholders

Company

Execute due diligence using the 5-step framework, potentially leveraging industry associations or initiatives.

Government

Establish a conducive environment to support responsible mineral supply chains.

Civil Society

Oversee governance within the mining sector and track company activities across the entire global mineral supply chain.

Whole of supply chain due diligence



Thank you