

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

Introduction

In conflict-affected and high-risk areas, companies involved in mining and trade in minerals have the potential to generate income, growth and prosperity, sustain livelihoods and foster local development. In such situations, companies may also be at risk of contributing to or being associated with significant adverse impacts, including serious human rights abuses and conflict.

This guidance provides a framework for detailed due diligence as a basis for responsible global supply chain management of tin, tantalum, tungsten, their ores and mineral derivatives, and gold (hereafter “minerals”).¹ The purpose of this Guidance is to help companies respect human rights and avoid contributing to conflict through their sourcing decisions, including the choice of their suppliers. By doing so, this Guidance will help companies contribute to sustainable development and source responsibly from conflict-affected and high-risk areas, while creating the enabling conditions for constructive engagement with suppliers. This Guidance is intended to serve as a common reference for all suppliers and other stakeholders in the mineral supply chain and any industry-driven schemes which may be developed, in order to clarify expectations concerning the nature of responsible supply chain management of minerals from conflict-affected and high-risk areas.

This Guidance is the result of a collaborative initiative among governments, international organisations, industry and civil society to promote accountability and transparency in the supply chain of minerals from conflict-affected and high-risk areas.

1. Metals reasonably assumed to be recycled are excluded from the scope of this Guidance. Recycled metals are reclaimed end-user or post-consumer products, or scrap processed metals created during product manufacturing. Recycled metal includes excess, obsolete, defective, and scrap metal materials which contain refined or processed metals that are appropriate to recycle in the production of tin, tantalum, tungsten and/or gold. Minerals partially processed, unprocessed or a bi-product from another ore are not recycled metals.

Conflict-Affected and High-Risk Areas

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.

What is due diligence in the mineral supply chain and why is it necessary?

Due diligence is an on-going, proactive and reactive process through which companies can ensure that they respect human rights and do not contribute to conflict.² Due diligence can also help companies ensure they observe international law and comply with domestic laws, including those governing the illicit trade in minerals and United Nations sanctions. Risk-based due diligence refers to the steps companies should take to identify and address actual or potential risks in order to prevent or mitigate adverse impacts associated with their activities or sourcing decisions.

For the purposes of this Guidance, “risks” are defined in relation to the potentially adverse impacts of a company’s operations, which result from a company’s own activities or its relationships with third parties, including suppliers and other entities in the supply chain. Adverse impacts may include harm to people (i.e. external impacts), or reputational damage or legal liability for the company (i.e. internal impacts), or both. Such internal and external impacts are often interdependent, with external harm coupled with reputational damage or exposure to legal liability.

A company assesses risk by identifying the factual circumstances of its activities and relationships and evaluating those facts against relevant standards provided under national and international law, recommendations on responsible business conduct by international organisations, government-backed tools, private sector voluntary initiatives and a company’s internal policies and

2. OECD (2011), *OECD Guidelines for Multinational Enterprises*, OECD, Paris; OECD (2006), *OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones*, OECD, Paris; and, *Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework* (Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and other Business Enterprises, John Ruggie, A/HRC/17/31, 21 March 2011).

systems. This approach also helps to scale the due diligence exercise to the size of the company's activities or supply chain relationships.

Companies may face risks in their mineral supply chains because of circumstances of mineral extraction, trade or handling which *by their nature* have higher risks of significant adverse impacts, such as financing conflict or fuelling, facilitating or exacerbating conditions of conflict. In spite of the fragmented production process in the supply chain, and independent from their position or leverage over suppliers, companies are not insulated from the risk of contributing to or being associated with adverse impacts occurring at various points in the mineral supply chain. Because of this, companies should take reasonable steps and make good faith efforts to conduct due diligence to identify and prevent or mitigate any risks of adverse impacts associated with the conditions of mineral extraction and the relationships of suppliers operating in conflict-affected or high- risk areas.

The Mineral Supply Chain

The process of bringing a raw mineral to the consumer market involves multiple actors and generally includes the extraction, transport, handling, trading, processing, smelting, refining and alloying, manufacturing and sale of end product. The term supply chain refers to the system of all the activities, organisations, actors, technology, information, resources and services involved in moving the mineral from the extraction site downstream to its incorporation in the final product for end consumers.

In practice, due diligence is structured around the steps that companies should take to:

- identify the factual circumstances involved in the extraction, transport, handling, trading, processing, smelting, refining and alloying, manufacturing or selling of products that contain minerals originating from conflict-affected and high-risk areas;
- identify and assess any actual or potential risks by evaluating the factual circumstances against standards set out in the company's supply chain policy (see the Model Supply Chain Policy, Annex II);
- prevent or mitigate the identified risks by adopting and implementing a risk management plan. These may result in a decision to continue trade throughout the course of risk mitigation efforts, temporarily suspend trade while pursuing ongoing risk mitigation, or disengage with a supplier either after failed attempts at mitigation or where the company deems mitigation not feasible or the risks unacceptable.

Who should carry out due diligence?

This Guidance applies to all companies in the mineral supply chain that supply or use tin, tantalum, tungsten and their ores or mineral derivatives and gold sourced from conflict-affected or high-risk areas. While implementation of due diligence should be tailored to particular company activities and relationships, such as their position in the supply chain, all companies should conduct due diligence aimed at ensuring that they do not contribute to human rights abuses or conflict.

This Guidance recognises that due diligence in conflict-affected and high-risk areas presents practical challenges. Flexibility is needed in the application of due diligence. The nature and extent of due diligence that is appropriate will depend on individual circumstances and be affected by factors such as the size of the enterprise, the location of the activities, the situation in a particular country, the sector and nature of the products or services involved. These challenges may be met in a variety of ways, including but not limited to:

- Industry-wide cooperation in building capacity to conduct due diligence.
- Cost-sharing within industry for specific due diligence tasks.
- Participation in initiatives on responsible supply chain management.³
- Coordination between industry members who share suppliers.
- Cooperation between upstream and downstream companies.
- Building partnerships with international and civil society organisations.
- Integrating the model supply chain policy (Annex II) and specific due diligence recommendations outlined in this Guidance into existing policies and management systems, due diligence practices of the company, such as procurement practices, integrity and know your customer due diligence measures and sustainability, corporate social responsibility or other annual reporting.

In addition to providing the principles and processes for companies, this Guidance recommends due diligence processes and procedures that emerging industry-wide supply chain initiatives should meet as they work towards conflict-sensitive responsible sourcing practices, and may assist and complement the development and implementation of comprehensive certification schemes, such as the International Conference of the Great Region certification scheme and tools.⁴

3. For example: *ITRI Supply Chain Initiative (iTSCi)*; *Conflict-Free Smelter Program* developed by the Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI); *Conflict-Free Gold Standard*, World Gold Council (2012); and *Chain-of-Custody Certification*, Responsible Jewellery Council (2012); Global Reporting Initiative Supply Chain Working Group (2010).
4. See *ICGLR Regional Initiative against the Illegal Exploitation of Natural Resources*, www.icglr.org.

Structure of the Guidance

This Guidance provides 1) an overarching due diligence framework for responsible supply chains of minerals from conflict-affected and high-risk areas (see Annex I); 2) a model mineral supply chain policy providing a common set of principles (see Annex II); 3) suggested measures for risk mitigation and indicators for measuring improvement which upstream companies may consider with the possible support of downstream companies (see Annex III); and 4) two Supplements on tin-tantalum-tungsten and gold tailored to the challenges associated with the structure of the supply chain of these minerals. The Supplements contain specific due diligence recommendations articulated on the basis of companies' different positions and roles in their supply chains. Companies using these minerals, or their refined metal derivatives, should first consult the red flags listed in each Supplement to determine if the due diligence processes described therein are applicable.

Nature of the Guidance

This Guidance builds on and is consistent with the principles and standards contained in the OECD Guidelines for Multinational Enterprises and the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones. It provides recommendations jointly addressed by governments to companies operating in or sourcing minerals from conflict-affected and high-risk areas, providing guidance on principles and due diligence processes for responsible supply chains of minerals from conflict-affected and high-risk areas, consistent with applicable laws and relevant international standards. Observance of this Guidance is voluntary and not legally enforceable.

ANNEX I

Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain

While specific due diligence requirements and processes will differ depending on the mineral and the position of the company in the supply chain (as detailed in the mineral Supplements), companies should review their choice of suppliers and sourcing decisions and integrate into their management systems the following five-step framework for risk-based due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas:

1. **Establish strong company management systems.** Companies should:
 - A) Adopt, and clearly communicate to suppliers and the public, a company policy for the supply chain of minerals originating from conflict-affected and high-risk areas. This policy should incorporate the standards against which due diligence is to be conducted, consistent with the standards set forth in the model supply chain policy in Annex II.
 - B) Structure internal management to support supply chain due diligence.
 - C) Establish a system of controls and transparency over the mineral supply chain. This includes a chain of custody or a traceability system or the identification of upstream actors in the supply chain. This may be implemented through participation in industry-driven programs.
 - D) Strengthen company engagement with suppliers. A supply chain policy should be incorporated into contracts and/or agreements with suppliers. Where possible, assist suppliers in building capacities with a view to improving due diligence performance.
 - E) Establish a company-level, or industry-wide, grievance mechanism as an early-warning risk-awareness system.

2. **Identify and assess risk in the supply chain.** Companies should:
 - A) Identify risks in their supply chain as recommended in the Supplements.
 - B) Assess risks of adverse impacts in light of the standards of their supply chain policy consistent with Annex II and the due diligence recommendations in this Guidance.
3. **Design and implement a strategy to respond to identified risks.** Companies should:
 - A) Report findings of the supply chain risk assessment to the designated senior management of the company.
 - B) Devise and adopt a risk management plan. Devise a strategy for risk management by either i) continuing trade throughout the course of measurable risk mitigation efforts; ii) temporarily suspending trade while pursuing ongoing measurable risk mitigation; or iii) disengaging with a supplier after failed attempts at mitigation or where a company deems risk mitigation not feasible or unacceptable. To determine the correct strategy, companies should review Annex II (*Model Supply Chain Policy for Responsible Global Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*) and consider their ability to influence, and where necessary take steps to build leverage, over suppliers who can most effectively prevent or mitigate the identified risk. If companies pursue risk mitigation efforts while continuing trade or temporarily suspending trade, they should consult with suppliers and affected stakeholders, including local and central government authorities, international or civil society organisations and affected third parties, where appropriate, and agree on the strategy for measurable risk mitigation in the risk management plan. Companies may draw on the suggested measures and indicators under Annex III of the *Due Diligence Guidance* to design conflict and high-risk sensitive strategies for mitigation in the risk management plan and measure progressive improvement.
 - C) Implement the risk management plan, monitor and track performance of risk mitigation efforts and report back to designated senior management. This may be done in cooperation and/or consultation with local and central government authorities, upstream companies, international or civil society organisations and affected third-parties where the risk management plan is implemented and monitored in conflict-affected and high-risk areas.
 - D) Undertake additional fact and risk assessments for risks requiring mitigation, or after a change of circumstances.

4. **Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain.** Companies at identified points (as indicated in the Supplements) in the supply chain should have their due diligence practices audited by independent third parties. Such audits may be verified by an independent institutionalised mechanism.
5. **Report on supply chain due diligence.** Companies should publicly report on their supply chain due diligence policies and practices and may do so by expanding the scope of their sustainability, corporate social responsibility or annual reports to cover additional information on mineral supply chain due diligence.

ANNEX II

Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas¹

Recognising that risks of significant adverse impacts which may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas, and recognising that we have the responsibility to respect human rights and not contribute to conflict, we commit to adopt, widely disseminate and incorporate in contracts and/or agreements with suppliers the following policy on responsible sourcing of minerals from conflict-affected and high-risk areas, as representing a common reference for conflict-sensitive sourcing practices and suppliers' risk awareness from the point of extraction until end user. We commit to refraining from any action which contributes to the financing of conflict and we commit to comply with relevant United Nations sanctions resolutions or, where applicable, domestic laws implementing such resolutions.

Regarding serious abuses associated with the extraction, transport or trade of minerals:

1. While sourcing from, or operating in, conflict-affected and high-risk areas, we will neither tolerate nor by any means profit from, contribute to, assist with or facilitate the commission by any party of:
 - i) any forms of torture, cruel, inhuman and degrading treatment;
 - ii) any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily;

1. This *Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas* is intended to provide a common reference for all actors throughout the entire mineral supply chain. Companies are encouraged to incorporate the model policy into their existing policies on corporate social responsibility, sustainability, or other alternative equivalent.

- iii) the worst forms of child labour;²
- iv) other gross human rights violations and abuses such as widespread sexual violence;
- v) war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

Regarding risk management of serious abuses:

2. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined in paragraph 1.

Regarding direct or indirect support to non-state armed groups:³

3. We will not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals. “Direct or indirect support” to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who:⁴
 - i) illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain;⁵ and/or
 - ii) illegally tax or extort⁶ money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or
 - iii) illegally tax or extort intermediaries, export companies or international traders.
2. See ILO Convention No. 182 on the Worst Forms of Child Labour (1999).
3. To identify non-state armed groups, companies should refer to relevant UN Security Council resolutions.
4. “Affiliates” includes négociants, consolidators, intermediaries, and others in the supply chain that work directly with armed groups to facilitate the extraction, trade or handling of minerals.
5. “Control” of mines, transportation routes, points where minerals are traded and upstream actors in the supply chain means i) overseeing extraction, including by granting access to mine sites and/or coordinating downstream sales to intermediaries, export companies or international traders; ii) making recourse to any forms of forced or compulsory labour to mine, transport, trade or sell minerals; or iii) acting as a director or officer of, or holding beneficial or other ownership interests in, upstream companies or mines.
6. “Extort” from mines, transportation routes, points where minerals are traded or upstream companies means the demanding, under the threat of violence or any other penalty, and for which the person has not voluntarily offered, sums of money or minerals, often in return for granting access to exploit the mine site, access transportation routes, or to transport, purchase, or sell minerals.

Regarding risk management of direct or indirect support to non-state armed groups:

4. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups as defined in paragraph 3.

Regarding public or private security forces:

5. We agree to eliminate, in accordance with paragraph 10, direct or indirect support to public or private security forces who illegally control mine sites, transportation routes and upstream actors in the supply chain; illegally tax or extort money or minerals at point of access to mine sites, along transportation routes or at points where minerals are traded; or illegally tax or extort intermediaries, export companies or international traders.⁷
 6. We recognise that the role of public or private security forces at the mine sites and/or surrounding areas and/or along transportation routes should be solely to maintain the rule of law, including safeguarding human rights, providing security to mine workers, equipment and facilities, and protecting the mine site or transportation routes from interference with legitimate extraction and trade.
 7. Where we or any company in our supply chain contract public or private security forces, we commit to or we will require that such security forces will be engaged in accordance with the Voluntary Principles on Security and Human Rights. In particular, we will support or take steps, to adopt screening policies to ensure that individuals or units of security forces that are known to have been responsible for gross human rights abuses will not be hired.
 8. We will support efforts, or take steps, to engage with central or local authorities, international organisations and civil society organisations to contribute to workable solutions on how transparency, proportionality and accountability in payments made to public security forces for the provision of security could be improved.
 9. We will support efforts, or take steps, to engage with local authorities, international organisations and civil society organisations to avoid or minimise the exposure of vulnerable groups, in particular, artisanal miners
7. "Direct or indirect support" does not refer to legally required forms of support, including legal taxes, fees, and/or royalties that companies pay to the government of a country in which they operate (see paragraph 13 below on disclosure of such payments).

where minerals in the supply chain are extracted through artisanal or small-scale mining, to adverse impacts associated with the presence of security forces, public or private, on mine sites.

Regarding risk management of public or private security forces:

10. In accordance with the specific position of the company in the supply chain, we will immediately devise, adopt and implement a risk management plan with upstream suppliers and other stakeholders to prevent or mitigate the risk of direct or indirect support to public or private security forces, as identified in paragraph 5, where we identify that such a reasonable risk exists. In such cases, we will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation within six months from the adoption of the risk management plan.⁸ Where we identify a reasonable risk of activities inconsistent with paragraphs 8 and 9, we will respond in the same vein.

Regarding bribery and fraudulent misrepresentation of the origin of minerals:

11. We will not offer, promise, give or demand any bribes, and will resist the solicitation of bribes to conceal or disguise the origin of minerals, to misrepresent taxes, fees and royalties paid to governments for the purposes of mineral extraction, trade, handling, transport and export.⁹

Regarding money laundering:

12. We will support efforts, or take steps, to contribute to the effective elimination of money laundering where we identify a reasonable risk of money-laundering resulting from, or connected to, the extraction, trade, handling, transport or export of minerals derived from the illegal taxation or extortion of minerals at points of access to mine sites, along transportation routes or at points where minerals are traded by upstream suppliers.
8. As detailed in Step 3(D) of Annex I, companies should conduct an additional risk assessment on those risks requiring mitigation after the adoption of the risk management plan. If within six months from the adoption of the risk management plan there is no significant measurable improvement to prevent or mitigate the risk of direct or indirect support to public or private security forces, as identified in paragraph 5, companies should suspend or discontinue engagement with the supplier for a minimum of three months. Suspension may be accompanied by a revised risk management plan, stating the performance objectives for progressive improvement that should be met before resuming the trade relationship.
 9. See OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997); and the United Nations Convention Against Corruption (2004).

Regarding the payment of taxes, fees and royalties due to governments:

13. We will ensure that all taxes, fees, and royalties related to mineral extraction, trade and export from conflict-affected and high-risk areas are paid to governments and, in accordance with the company's position in the supply chain, we commit to disclose such payments in accordance with the principles set forth under the Extractive Industry Transparency Initiative (EITI).

Regarding risk management of bribery and fraudulent misrepresentation of the origin of minerals, money-laundering and payment of taxes, fees and royalties to governments:

14. In accordance with the specific position of the company in the supply chain, we commit to engage with suppliers, central or local governmental authorities, international organisations, civil society and affected third parties, as appropriate, to improve and track performance with a view to preventing or mitigating risks of adverse impacts through measurable steps taken in reasonable timescales. We will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation.¹⁰

10. As detailed in Step 3(D) of Annex I, companies should conduct an additional risk assessment on those risks requiring mitigation after the adoption of the risk management plan. If within six months from the adoption of the risk management plan there is no significant measurable improvement to prevent or mitigate the risks of bribery and fraudulent misrepresentation of the origin of minerals, money-laundering and payment of taxes, fees and royalties to governments, companies should suspend or discontinue engagement with the supplier for a minimum of three months. Suspension may be accompanied by a revised risk management plan, stating the performance objectives for progressive improvement that should be met before resuming the trade relationship.

ANNEX III

Suggested Measures for Risk Mitigation and Indicators for Measuring Improvement

SUPPLY CHAIN POLICY – SECURITY AND RELATED ISSUES

RISK MITIGATION:

The following suggested risk mitigation measures may be considered for implementation by upstream companies individually or through associations, joint assessment teams or other suitable means to undertake the following activities:

- alert relevant central government authority (*e.g.* Ministry of Mines) of abusive and exploitative practices occurring in the supply chain;
- in areas in which minerals are illegally taxed or extorted, take immediate steps to ensure that upstream intermediaries and consolidators disclose downstream or publicly the payments made to public or private security forces for the provision of security;
- engage with intermediaries and consolidators to help build their capabilities to document the behaviour of security and payments to security forces;
- while sourcing from areas of artisanal and small-scale mining (“ASM”), support the formalisation of security arrangements between ASM communities, local government, and public or private security forces, in cooperation with civil society and international organisations, as appropriate, to ensure that all payments are freely made and proportionate to the service provided, clarify rules of engagement consistent with the Voluntary Principles on Security and Human Rights, the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials;

SUPPLY CHAIN POLICY – SECURITY AND RELATED ISSUES (cont.)

- support the establishment of community forums to share and communicate information;
- support the establishment of a trust or other similar fund, where appropriate, through which security forces are paid for their services;
- build partnership with international organisations or civil society organisations, as appropriate, to support capacity-building of security forces consistent with the Voluntary Principles on Security and Human Rights, on mine sites, and UN Code of Conduct for Law Enforcement Officials or the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.

For further guidance, see Multilateral Investment Guarantee Agency, *The Voluntary Principles on Security and Human Rights: An Implementation Toolkit for Major Sites* (2008); International Committee of the Red Cross – Training Resources for armed police and security personnel; and the *International Code of Conduct for Private Security Service Providers* (2010).

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT: See, for example, Global Reporting Initiative, Indicator Protocols Set: Human Rights, Mining and Metals Sector Supplement (Version 3.0), indicator **HR8**: “Percentage of security personnel trained in the organisation’s policies or procedures concerning aspects of human rights that are relevant to operations”. For further descriptions of indicators, see the commentaries to the indicator. For guidance on reporting on indicators and compiling relevant information, including with regard to risks to communities and women, see Global Reporting Initiative, Sustainability Reporting Guidelines and GRI Mining and Metals Sector Supplement (Version 3.0).

With regard to minerals originating from mines or transported along transportation routes where security forces are present, *the percentage of minerals or money, on a disaggregate per batch basis, illegally taxed or extorted from upstream actors by public or private security forces; the nature and type of payments to public or private security, including the nature and type of any arrangement on the provision of security and payment.*

SUPPLY CHAIN POLICY – SECURITY AND EXPOSURE OF ARTISANAL MINERS TO ADVERSE IMPACTS

RISK MITIGATION:

When sourcing from areas of artisanal mining, the following suggested risk mitigation measures may be considered for implementation by upstream companies individually or through associations, joint assessment teams or other suitable means to undertake the following activities:

- minimise the risk of exposure of artisanal miners to abusive practices, by supporting host countries governments' efforts for the progressive professionalization and formalisation of the artisanal sector, through the establishment of cooperatives, associations or other membership structures.

For further guidance on how to carry out this risk mitigation, see Responsible Jewellery Council, *Standards Guidance*, "COP 2.14 Artisanal and Small-Scale Mining", including "supporting the wider community by locally sourcing the provision of as many goods and services as possible; eliminating child labour as a condition of engagement in the community; improving women's conditions in ASM communities through gender awareness and empowerment programs."

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT: See, for example, Global Reporting Initiative, Indicator Protocols Set: Society, Mining and Metals Sector Supplement (Version 3.0), indicator **MM8**: "Number (and percentage) of [...] operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks". For further descriptions of indicators, see the commentaries to the indicator. For guidance on reporting on indicators and compiling relevant information, including risks to communities and women, see Global Reporting Initiative, *Sustainability Reporting Guidelines and Mining and Metals Sector Supplement* (Version 3.0).

SUPPLY CHAIN POLICY – BRIBERY AND FRAUDULENT MISREPRESENTATION OF MINERALS ORIGIN

RISK MITIGATION:

Upstream companies may cooperate through associations, assessment teams or other suitable means to build capabilities of suppliers, in particular SMEs, to conduct due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas.

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT: Indicators for improvement should be based on the processes contained in the Guidance. For example, indicators may include *the information disclosed downstream; the nature of chain of custody or supply chain transparency system in place; the nature and form of supply chain risk assessments and management, in particular to verify information generated by chain of custody and transparency systems; the engagement of the company in capability training and/or other industry initiatives for supply chain due diligence.*

SUPPLY CHAIN POLICY – MONEY LAUNDERING

RISK MITIGATION:

The following suggested risk mitigation measures may be considered for implementation by upstream companies individually or through associations, joint assessment teams or other suitable means to undertake the following activities:

- develop supplier, customer and transactional red flags to identify suspicious behaviour and activities;
- identify and verify the identity of all suppliers, business partners and customers;
- report suspicious behaviour of criminal activity to local, national, regional and international law enforcement agencies.

For further guidance, see Financial Action Task Force, Guidance on the risk-based approach to combating money laundering and terrorist financing.

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT: Indicators for improvement should be based on the processes contained in the Guidance. For example, potential indicators may include *the supply chain policy; the information disclosed downstream, the nature of chain of custody or supply chain transparency system in place; the nature and form of supply chain risk assessments and management, in particular to verify information generated by chain of custody and transparency systems; the engagement of the company in capability training and/or other industry initiatives for supply chain due diligence.*

SUPPLY CHAIN POLICY – TRANSPARENCY ON TAXES, FEES AND ROYALTIES PAID TO GOVERNMENTS

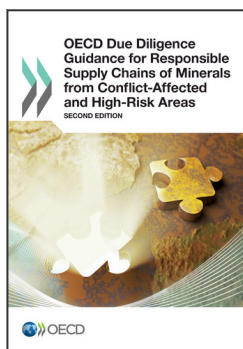
RISK MITIGATION:

The following suggested risk mitigation measures may be considered for implementation by upstream companies individually or through associations, assessment teams or other suitable means to undertake the following activities:

- support the implementation of the Extractive Industry Transparency Initiative;
- support the public disclosure, on a disaggregate basis, of all information on taxes, fees, and royalties that are paid to governments for the purposes of mineral extraction, trade, and export from conflict-affected and high-risk areas;
- inform relevant local and central governmental agencies of potential weaknesses in revenue collection and monitoring;
- support capability training of these agencies to effectively carry out their duties.

For a guide on how business can support EITI, see <http://eiti.org/document/businessguide>.

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT: See, for example, Global Reporting Initiative, Indicator Protocols Set: Economic, Mining and Metals Sector Supplement (Version 3.0), indicator **EG1**: “Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments”. For further descriptions of indicators, see the commentaries to the indicator. For guidance on reporting on indicators and compiling relevant information, see Global Reporting Initiative, Sustainability Reporting Guidelines and Mining and Metals Sector Supplement (Version 3.0).



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