

# DIGGING FOR DISCLOSURE

A review of publicly-available supply chain due diligence information by Chinese metals processing companies

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## **ABBREVIATIONS**

|                               |  |
|-------------------------------|--|
| <b>3TG</b>                    | Tin, tantalum, tungsten and gold   |
| <b>CCCCM</b><br>Exporters     | China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters       |
| <b>CFSI</b>                   | Conflict-Free Sourcing Initiative (renamed Responsible Minerals Initiative, RMI)     |
| <b>CFSP</b><br>Process, RMAP) | Conflict-Free Smelter Program (renamed Responsible Minerals Assurance Process, RMAP) |
| <b>DGD</b>                    | Dubai Good Delivery Standard   |
| <b>DMCC</b>                   | Dubai Multi Commodities Centre   |
| <b>DMCC RGB</b><br>Chain      | DMCC Rules for Risk-based Due Diligence in the Gold and Precious Metals Supply Chain |
| <b>ITSCI</b>                  | ITA Tin Supply Chain Initiative  |
| <b>ITA</b>                    | International Tin Association  |
| <b>LBMA</b>                   | London Bullion Market Association  |

|             |  |
|-------------|--|
| <b>MSCA</b> | Member State Competent Authorities (of the European Union)                               |
| <b>OECD</b> | Organisation for Economic Cooperation and Development                                    |
| <b>RCI</b>  | Responsible Cobalt Initiative  |
| <b>RGG</b>  | Responsible Gold Guidance of the LBMA  |
| <b>RJC</b>  | Responsible Jewellery Council  |
| <b>RMAP</b> | Responsible Minerals Assurance Process (formerly known as Conflict-Free Smelter Program) |
| <b>RMI</b>  | Responsible Minerals Initiative (formerly known as Conflict-Free Sourcing Initiative)    |
| <b>TIC</b>  | Tantalum-Niobium International Study Centre  |

## EXECUTIVE SUMMARY

Metal supply chains bring minerals and metals from producer countries to manufacturing and trading hubs across the globe, providing the materials for an immense array of final products from cell phones, camera lenses to computers. These supply chains carry risk. Human rights, corruption and environmental risks are part and parcel of the extraction, transport and trade of minerals particularly when sourced from so-called conflict-affected and high-risk areas (CAHRAs). With these risks comes the responsibility of companies across the supply chain to put in place effective measures to ensure they are not contributing to, nor profiting from, serious harm to individuals, societies or the environment.

International guidance by the Organisation for Economic Cooperation and Development (OECD) on conducting Due Diligence for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) provides a detailed five step framework for companies to follow. Smelters and refiners, which process minerals, are identified as the control point<sup>1</sup> in mineral and metal supply chains as they are well positioned to have a significant overview of and influence<sup>2</sup> over the upstream supply chain (i.e. the supply chain from the mine to the refiner or smelter, which may include artisanal, small- and large-scale miners, local traders, exporters, international concentrate traders and mineral

processors)<sup>3</sup> and make public essential information about the risks and risk mitigation activities associated with their upstream supply chains<sup>4</sup>. The ability to access and scrutinise this information is of critical importance for downstream companies (companies in the supply chain from refiner/smelter to the end product, for example metal traders and exchanges, component manufacturers, product manufacturers, original equipment manufacturers (OEMs), and retailers) in carrying out their own responsible sourcing obligations.

According to the OECD Guidance, companies should disclose a due diligence policy (in line with the Model Supply Chain policy in Annex II) and annually publish a report on the implementation of due diligence measures in line with the OECD Guidance, which comprises a risk assessment of the supply chain (including a chain of custody system and an assessment of the circumstances surrounding mineral extraction or trading) and, if applicable, steps undertaken to mitigate risks in the supply chain. In addition, smelters and refiners are expected to publish a summary report of each due diligence audit.

This report sets out our analysis of the availability and strength of public supply chain due diligence information and reporting published by 75 tin, tantalum, tungsten and gold (3TG) smelters and refiners<sup>5</sup> operating in mainland Chinese territory, Hong Kong and Macau or controlled or owned by mainland Chinese nationals and that are recognised by industry-led responsible mineral

sourcing programmes through accreditation, verification, or membership.<sup>6</sup>

Chinese smelters and refiners were singled out for this research as they represent the largest block of 3T smelters from one country or region<sup>7</sup> and as China itself is by far the largest producer of gold, tin and tungsten globally.<sup>8</sup> In 2015, the Chinese Chamber of Commerce (CCCC) published mineral due diligence guidelines based on the OECD Guidance to support Chinese companies in responding to supply chain risk. The 75 entities covered in this analysis comprise 19 tin processors, 23 tungsten processors, 21 tantalum processors and 12 gold refiners. The review was conducted for the period of time extending from 1 January 2015 to 30 November 2018, in English and Chinese (see methodology below). All companies included in this analysis were participating in industry-led mineral sourcing programmes during all or part of the review period.<sup>9</sup> In 2019, Global Witness engaged in communications with relevant actors named in this report and gave them the opportunity to comment.

The industry-led mineral sourcing programmes covered by this analysis were:

- > The Responsible Minerals Assurance Process (RMAP) of the Responsible Minerals Initiative's (RMI);
- > The Responsible Gold Guidance (RGG) of the London Bullion Market Association (LBMA);
- > The International Tin Supply Chain Initiative (ITSCI) of the International Tin Association (ITA) and;
- > The Chain-of-Custody certification standard of the Responsible Jewellery Council (RJC);
- > Rules for Risk-Based Due Diligence in the Gold and Precious Metals Supply Chain of the Dubai Multi Commodities Centre (DMCC).

This report builds on two previous Global Witness publications on mineral supply chain due diligence reporting by companies in the United States ([Digging for Transparency](#)) and Central Africa ([Time to Dig Deeper](#)).<sup>10</sup>

## Key findings on the public due diligence information made available by 75 smelters and refiners during the review period 2015-18

- > Fourteen smelters and refiners (19%) did not publish any due diligence information at all.<sup>11</sup> Nine of the 14 entities that did not publish any due diligence information were considered “conformant” with RMAP.
- > Only four entities (5%) published all three components of supply chain due diligence disclosure: a policy, an annual report and an audit (summary) report as required by the OECD Guidance.<sup>12</sup> Two of those were foreign-owned (non-Chinese) subsidiaries.
- > Nineteen smelters and refiners (25%) did not publish a due diligence policy but did publish some other form of due diligence information.
- > Fifty-seven entities (76%) did not publish a supply chain due diligence report.
- > Fifty-five (73%) did not publish a summary of the audit report.

These results are disappointing. Of the 75 metals processing companies engaged in global minerals supply chains surveyed, none demonstrably met the recognised international OECD standard for carrying out mineral supply chain due diligence, as reporting is a core element of due diligence. As all reviewed entities were participating in industry-led responsible sourcing programmes during the review period, much more transparency and proactive demonstration of responsible business conduct was to be expected.

These findings make clear that participation in an industry-led responsible sourcing programme – at the time of the review - did not ensure that participating smelters and refiners would publish comprehensive due diligence information in line with the requirements under the OECD Guidance. It is hence not possible for downstream companies, investors, civil society

organisations and regulators to independently verify - based on public reporting - whether smelters and refiners did in fact conduct adequate human rights due diligence according to the OECD standard in their mineral supply chains.

Downstream companies, including consumer brand names, need to conduct enhanced mineral supply chain due diligence themselves. The OECD Guidance demands from downstream companies to be able to trace their supply chains and identify their smelters and refiners as well as to identify risks associated with the upstream supply chains of respective smelters and refiners. Instead of relying solely on a smelter's and refiner's participation in an industry-led responsible sourcing programme as "proof" of good practice, downstream companies need to independently check on the due diligence performance of these entities. Being able to review publicly available due diligence reports would be a good place to start.

## RECOMMENDATIONS

### Smelters and refiners should:

- > Provide meaningful and detailed publicly accessible due diligence reporting reflecting the standards set out in the OECD Guidance. They should publish a supply chain due diligence policy, an audit summary and annual due diligence reports, including documenting the company's due diligence system, its detailed risk assessment (including on-the-ground assessments) and steps taken to mitigate risks;<sup>13</sup>
- > Avoid reliance on upstream programmes and critical incident lists for upstream supplier risk assessments. Conduct own spot checks and risk assessments on the ground and publish information of the results;
- > Avoid using language relating to minerals being "conflict free" and instead focus on carrying out pro-active steps to identify, assess and mitigate potential and actual risks in their

mineral supply chains and reporting on efforts demonstrating improved supply chain management and risk mitigation and remediation over time;

- > Engage with and exercise leverage on suppliers to mitigate risks.

### Downstream companies should:

- > Identify all smelters and refiners in the supply chain and directly engage with them to seek evidence of their due diligence policies and procedures and assess the chain of custody.
- > Don't blindly rely on industry schemes for assurances of responsible conduct by smelters and refiners; instead expressly question their adequacy and push for more robust measures to be put in place.
- > Include provision of company supply chain due diligence policy and annual published supply chain due diligence reporting in contracts with smelters and refiners, or with their tier one and beyond suppliers as appropriate.<sup>14</sup>

### Investors should:

- > Require that investees conduct and publish supply chain due diligence in line with the OECD Guidance and the OECD considerations on Due Diligence for Responsible Corporate Lending and Securities Underwriting<sup>15</sup> as a condition of investment.

### Industry programmes assessed in this report should:

- > Ensure that meaningful and detailed annual public reporting in line with the OECD Guidance is an essential requirement of the industry programme and is being scrutinized during audits of the industry scheme standard;
- > Better scrutinize company reports and sanction participating companies, which do not comply with the disclosure requirements;
- > Provide accessible, public information about

which companies have been delisted from programmes and on what basis;

- > Clearly communicate companies' individual due diligence responsibility and that compliance in an industry scheme does not necessarily mean that the standards of the OECD Guidance are met.

### **The CCCMC should:**

- > Ensure during the revision of its mineral supply due diligence guidelines that they are fully aligned to the OECD Guidance to ensure robust, detailed and meaningful public reporting;
- > Make those guidelines mandatory to all its members, closely monitor adherence and sanction companies, which do not comply with the disclosure requirements;
- > Clearly communicate companies' individual due diligence responsibility and that compliance in an industry scheme does not necessarily mean that the standards of the OECD Guidance are necessarily met.

### **The Shanghai Gold Exchange should:**

- > Establish mineral supply due diligence guidelines in line with the OECD Guidance and make them mandatory for all members;
- > Make those guidelines mandatory to all its members, closely monitor adherence and sanction companies, which do not comply with the disclosure requirements.

### **The Chinese Government should:**

- > Put in place and enforce legislation requiring mineral supply chain due diligence including reporting requirements aligned to the OECD Guidance and independent audits of refiners' and smelters' annual reports. Such legislation could be included e.g. into the "Green Supply Chain" initiative under development, to prevent negative social, environment and governance impacts linked to the role of Chinese companies

in the global minerals trade.

- > Broaden the scope of the upcoming mandatory environmental information disclosure system for listed companies and bond issuers to also include reporting on social and governance issues, including human rights abuse and conflict for mineral companies.

### **The European Commission should:**

- > Publicly clarify that companies remain individually responsible for their own due diligence and that participation by smelters and refiners in responsible sourcing programmes is not a guarantee of their effective due diligence;
- > Fully scrutinise all industry schemes and only recognise those whose standards are fully aligned with the OECD Guidance;
- > Ensure that the future EU legislation on corporate accountability and due diligence ensures that all businesses either based in, or offering goods or services into, the EU must conduct corporate due diligence along their value chains. This new legislation must mandate companies to identify and mitigate their human rights, environmental and corruption risks, and to ensure that business are held liable for any harms they cause or contribute to.

### **EU Member States should:**

- > Fully scrutinise and hold accountable audited companies, or companies which are members of recognised schemes, to ensure that they meet the full requirements of the Minerals Regulation and not rely on the simple membership of a scheme as meeting the relevant obligations.
- > Set clear obligations that Union importers scrutinise supply chain due diligence efforts by individual smelters and refiners in order to fulfil their sourcing responsibilities;
- > Publish, at a minimum, the number of Union importers they have identified under the EU regulation on mineral supply chains, as well as the number of Union importers that have

published supply chain due diligence information that is in line with OECD standards.

## **BACKGROUND: MINERAL SUPPLY CHAINS AND THE RISK OF HARM TO PEOPLE AND PLANET**

### **Responsible sourcing: why it matters**

All mineral extraction, processing and trade carries risk. Tin, tantalum, tungsten and gold (3TG) mineral supply chains have undergone particular scrutiny because of established links with human rights abuses and the funding of armed groups (conflict financing) in the Democratic Republic of Congo (DRC) and neighbouring countries during the Congo Wars and in their aftermath.<sup>16</sup> However, supply chain risk remains a reality in all mineral and metal supply chains, globally, to which for example, the recent Vale tailings dam disaster is testament.<sup>17</sup>



The wreckage of a house is seen sliding into the mud of mining tailings after the rupture of a dam owned by Vale S.A. company in Brumadinho, Brazil. © Lucas Ninno/Getty Images

Global Witness has written extensively about the harms linked to the global trade in minerals and metals, revealing how globalisation can often be destructive in one part of the world whilst yielding profit and luxury in another. We have exposed how copper and cobalt in the DRC procured through commodity trading giant Glencore and its former partner Dan Gertler, who was

since sanctioned by the US over corruption,<sup>18</sup> are said to have deprived the Congolese people of US\$1.4 billion in revenue;<sup>19</sup> how jade from northern Myanmar has helped to incentivize and fuel deadly armed conflict;<sup>20</sup> how bribery linked to rights for lucrative iron ore concessions in Guinea, that generated hundreds of millions for businessman Beny Steinmetz, did little for the Guinean



government and its people;<sup>21</sup> how gold traded in Dubai was swapped for guns along supply chains in the DRC;<sup>22</sup> how talc sold on international markets to US and EU customers from mines in Afghanistan finances the Taliban.<sup>23</sup> These are internationally traded resources and commodities and the problems are systemic.

## **Due diligence: the international community's response to supply chain harms**

With a view to addressing serious long-term links identified around the world between business enterprises and harms to individuals and communities, the United Nations Guiding Principles on Business and Human Rights (UNGPs)<sup>24</sup> instructs that companies should carry out due diligence to “identify, prevent, mitigate and account for how they address their impacts on human rights”. The UNGPs establish that companies have a responsibility to ensure that they do not cause, contribute or profit from harm to individuals, societies or the environment.

Since the endorsement of the UNGPs in 2011, the expectation has been for all companies to respect human rights in their global operations, including in their supply chains.<sup>25</sup> Companies that extract, use and trade minerals and metals from high-risk or conflict-affected areas should examine their supply chains and take action to address problems throughout supply networks in line with the internationally recognised framework set out by the Organisation for Economic Cooperation and Development (OECD), called the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). The OECD Guidance translates the second pillar of the UNGPs, which elaborates the corporate responsibility to respect human rights, into an operational guide for the minerals

sector.

The OECD Guidance sets out a five-step framework for companies sourcing or trading from high-risk or conflict-affected areas, regardless of the minerals they use, the company's size, geographic location or position along the supply chain, to undertake responsible extraction and trade in practice. The five steps are:<sup>26</sup>

1. Establish strong company management systems
2. Identify and assess risks in the supply chain
3. Design and implement a strategy to respond to identified risks
4. Carry out an independent third-party audit of supply chain due diligence
5. Report annually on supply chain due diligence

## **International recognition of the OECD Guidance**

The international acceptance of the OECD Guidance is growing in the minerals and metals sectors. Reporting in line with the five-step framework is now a legal requirement in the DRC, Rwanda<sup>27</sup> and Burundi<sup>28</sup> - with active 3TG trading companies obliged to carry out due diligence on their supply chains. Uganda has similar legislation awaiting Presidential signature.<sup>29</sup> Moreover, United Nations bodies have recommended due diligence implementation in response to concerns about gold supply chains in Sudan, South Sudan and Cote d'Ivoire.<sup>30</sup> Beyond 3TG, evidence of growing understanding and acceptance of the role of due diligence in responsible minerals supply chains across sectors and geographies is reflected by legislative developments.

The London Metals Exchange announced a responsible sourcing requirement for its brand members in October 2019, setting the stage for other commodities exchanges to consider similar developments<sup>31</sup>.

Efforts to reduce carbon emissions required to

address the climate emergency has already increased demand for metals necessary for green energy and a low-carbon future and is likely to further increase it in the medium and longer term. In 2018, the OECD predicted that by 2060 global metal use will more than double from 2011 levels.<sup>32</sup> While fostering a more circular economy can contribute to efforts needed to reduce emissions by transforming how goods are produced and reused, particularly those needed for a low carbon future, ensuring the supply chains of these 'green' metals are not associated with other environmental and human rights harms will continue to rely on effective supply chain transparency and due diligence.<sup>33</sup>

### **Box 1: Corporate due diligence beyond minerals**

The due diligence approach for responsible business conduct has been mainstreamed in sectors beyond minerals, including garments, finance and agriculture. Moreover, due diligence has been applied to respond to different abuses and environmental harms including land degradation, water resource pollution/depletion, forced labour and gender-based violence. More companies than ever before are now required to report on their efforts to tackle potential or actual problems in supply chains as an increasing number of supply chain laws and programmes emerge globally, which require the disclosure of non-financial information.

In Europe, the French corporate duty of vigilance law, "Devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre" (Due diligence of corporations and main contractors), passed in March 2017, established a legally binding obligation for parent companies to identify and prevent adverse human rights and environmental impacts resulting from their own activities, the activities of companies they control, and from the activities of their subcontractors and suppliers.

On 27 November 2019, the EU Regulation for

disclosures relating to sustainable investments and sustainability risks was published. The Regulation mandates that financial market participants make a statement on their due diligence policies with respect to the potential adverse impacts of their investments. The regulation outlines that investors are required to publish written policies on the integration of sustainability risks and ensure the transparency of such integration. Sustainability risks are defined as an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment. For example, these negative material impacts could include ecosystem degradation, harm to workers, and actions including corruption and bribery. Investors due diligence approach must also consider the Due Diligence Guidance for Responsible Business conduct developed by the OECD and the United Nations-supported Principles for Responsible Investment.

### **Critical transparency**

Transparency is a cornerstone of supply chain due diligence. Step 5 of the OECD Guidance - relating to robust, detailed and regular public reporting of relevant due diligence information<sup>34</sup> - is an essential means through which the public, customers, investors and shareholders can assess information about the measures companies are taking to identify and address risk in the dynamic contexts they work in.

Meaningful reports are also the means by which information on risk can be shared throughout a supply chain and, consequently, responsibility to respond to risks and their mitigation is also shared. Ensuring reports are made public and that relevant information is disclosed, corroborates claims of responsible sourcing and enhances trust in the companies involved.

Furthermore, meaningful reports generate a public record of steps taken by corporates to identify and mitigate the potential and actual harmful impacts of their direct business, that of

their subsidiaries or joint venture partners, and throughout their supply networks.

Without provision of a detailed public account of the due diligence conducted, the credibility of any company's claims to responsibility are severely diminished.<sup>35</sup>

While the public disclosure element of due diligence is critical, to date the quality of company reporting remains poor, and in many cases simply does not happen – even when legislation requires it. This report builds on two previous Global Witness publications on mineral supply chain due diligence reporting by companies. In 2015 Global Witness and Amnesty International revealed that nearly 80 per cent of the analysed U.S. public companies which submitted due diligence reports failed to adequately check and disclose whether their products contain conflict minerals (see [Digging for Transparency](#)). In a further study on due diligence reporting in Central Africa, Global Witness found that only 70 per cent of exporters in Rwanda, 45 per cent in eastern Congo and none in Uganda published reports in 2015 (see [Time to Dig Deeper](#)).<sup>36</sup> A review of company supply chain reporting under the EU Non-Financial Reporting Directive found that, after one year of reporting, companies did not meet their reporting obligations.<sup>37,38</sup>

## What role for smelters and refiners?

Smelters and refiners have a critical role to play within mineral supply chains to ensure transparent and responsible mineral production and trade takes place.

The OECD Guidance identifies smelters and refiners as the so-called “control point” in mineral supply chains for tin, tungsten, tantalum and gold. The reason for attaching this role to processing companies is that there are fewer smelters and refiners than companies at other levels – upstream or downstream – along the metal value chain. Another reason is that after the point of

smelting or refining the origin of minerals becomes harder to trace by their physical and chemical composition.<sup>39</sup> Hence, these entities have a significant overview of and influence over the upstream supply chain. This is the reason that the OECD Guidance recommends that 3TG smelters and refiners should collect a wide range of information about the upstream supply chain, including detailed information on the chain of custody.

In addition to the above, gold refiners should also assess risks related to mine sites, transit routes and trading points and develop risk mitigation strategies.)<sup>40</sup>.

Refiners and smelters should make this information along with identified risks and steps they have taken to address these risks, available to downstream entities – whether bullion banks, jewellery makers, vehicle brand names, capacitor manufacturers or any other 3TG user.<sup>41</sup> The reporting must be detailed enough for other companies in the supply chain to be able to act to help address the risk, where appropriate.<sup>42</sup> Companies downstream of refiners and smelters should review the supply chain due diligence of the smelters and refiners they directly or indirectly, source or buy from, or invest in, and assess, based on the information provided, whether their due diligence practices have met international responsible sourcing standards.<sup>43</sup>

Given their importance, all 3TG smelters and refiners are expected to regularly undertake audits of their due diligence systems for responsible supply chains of minerals from conflict-affected and high-risk areas (Step 4 of the OECD Guidance).<sup>44</sup>

For smelters and refiners the OECD Guidance lays out the following public reporting requirements:

- > A supply chain policy,
- > an annual report on supply chain due diligence practices and results, and
- > an audit (summary) report.

This research aimed at assessing whether Chinese 3TG smelters and refiners were fulfilling these disclosure requirements during the review period.

### Industry programmes and their standards for public reporting

Over the last decade, laws in the United States,<sup>45</sup> Central Africa<sup>46</sup> and Europe<sup>47</sup> (taking full effect in January 2021) require that risks in 3TG supply chains are assessed and managed in line with international responsible supply chain guidance. In addition to such laws and

international standards, industry-led programmes have emerged within some metal sectors with the reported aim of reforming sourcing and trading practices towards more responsible decisions in line with emerging laws and international standards. They have played a critical role in supporting companies which extract, trade or use minerals, including mineral processors (smelters and refiners), to better understand and exercise their responsibilities within their supply chain networks.



Gold casting grain is scooped in a metal ladle during the refining process © Bloomberg Creative Images/Getty Images

The 75 companies covered in this review were all participating in at least one of the five leading industry-led responsible sourcing programmes which cover 3TG smelters and refiners in China. These five industry programmes and their respective standards are:

- > The Responsible Minerals Initiative's (RMI) (until October 2017 known as the Conflict-Free Sourcing Initiative or CFSI) runs the Responsible

Minerals Assurance Process (RMAP) (it replaced the Conflict-Free Smelter Program (CFSP) in June 2018). RMI provides various programmes and resources related to responsible mineral sourcing. From the outset it was designed to support smelters and refiners in responsibly sourcing minerals from conflict-affected and high risk areas. It formally integrates upstream due diligence programmes like ITSCI within the programme's due diligence processes.<sup>48</sup> More than 380 companies from ten different industries

participate in the RMI.<sup>49</sup>

> The London Bullion Market Association (LBMA)'s Responsible Gold Guidance. LBMA is an industry programme and over-the-counter trading market for major bullion refiners with 142 member companies located in more than 30 countries.<sup>50</sup> Most of the members are international banks, refiners and bullion traders. The LBMA incorporates the Responsible Gold Guidance and elevated levels of due diligence as the criteria for refiners to appear on the LBMA Good Delivery List.

> The International Tin Association (ITA) (previously known as ITRI Ltd.)<sup>51</sup> runs the International Tin Supply Chain Initiative (iTSCI). iTSCI provides a traceability and due diligence system that tracks tin, tantalum and tungsten (3T) minerals and monitors operators from mine to smelter. Implemented on the ground by NGO partners and government agencies, it operates in four countries (Burundi, DRC, Rwanda and Uganda) and monitors over 1,800 mine sites.<sup>52</sup>

> The Responsible Jewellery Council (RJC)'s Chain-of-Custody (CoC) Certification. The RJC is a certification body with over 1,100 members across the jewellery supply chain. The Chain-of-Custody Certification is a voluntary standard focused on precious metals (gold, platinum, palladium and rhodium) against which members can choose to be certified.

> The Dubai Multi Commodities Centre (DMCC)'s Rules for Risk-based Due Diligence in the Gold and Precious Metals Supply Chains (DMCC Rules). The DMCC Free Zone is a trading hub for commodities with over 15,000 companies registered. The DMCC Rules provide a reference to all DMCC members and non-members that trade gold and precious metals to undertake supply chain checks on the metal they trade. Gold refiners accredited by its Dubai Good Delivery (DGD) standard are required to comply with the DMCC Rules.

As previously described, the OECD Guidance identifies three different documents that companies are expected to publish: a supply

chain policy, an annual due diligence report, and an audit summary.

The five industry programmes have had and continue to have different ways of incorporating these expectations in their respective standards and audit protocols.

The scope of this report was a review of publicly available due diligence reporting from 1 January 2015 until 30 November 2018. The period under review encompasses reporting requirements from different versions of the industry programme standards and audit protocols. Meanwhile, the OECD had launched a project evaluating the extent to which industry programmes align with the detailed recommendations of the OECD Guidance. This so-called "Alignment Assessment"<sup>53</sup> led to substantial changes and strengthening of reporting requirements. It is important to note that the timeframe of this review does not include a full reporting cycle after the adjustments made by the programmes following the OECD Alignment Assessment.

## 1. The publication of a supply chain policy

By the time of writing, all responsible sourcing programmes covered in this review require participating companies to adopt and publish a supply chain policy, based on Annex II of the OECD Guidance - a "Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas". The standards of ITSCI, the RJC and the DMCC had a respective requirement in place, although ITSCI used the term "recommend" rather than "require" in a recent correspondence with Global Witness.

The former CFSP standard, now RMAP, was in place at the start of our review and only contained a lower standard for a supply chain policy (see below), only targeted mineral originating from or being transported through the DRC or adjoining countries, and did not reference Annex II of the OECD

Guidance as the standard model supply chain policy in its tungsten protocol. However, the revised RMAP standards that entered into effect in June 2018 explicitly require “a documented, effective, and publicly communicated supply chain policy”.

In the case of LBMA, the LBMA RGG version 6, which was in force until the end of 2017, did not explicitly require publication of the supply chain policy, although this could have been implicitly intended through the document’s reference to Annex II of the OECD Guidance and a later section referring to annual public reporting which states “Refiners should make available to the public their company policy regarding gold supply chain”<sup>54</sup>. Version 7, which was in effect throughout 2018, changed reporting requirements but again used “should” in relation to public reporting on gold supply chain due diligence policies<sup>55</sup>.

## 2. Annual public reporting on supply chain due diligence

With regard to companies’ annual due diligence reporting, the requirements of responsible sourcing programmes show variations which, while subtle, appeared to result in significant variances in the actual reporting undertaken by the processing companies. All five programmes generally advised companies to adhere to the five-step framework defined in the OECD Guidance (which includes specific expectations on regular public reporting). In reality, however, what was being reported by the companies during the review period largely depended on what responsible sourcing programmes prescribed in the industry standard and what was being checked in the programmes’ third-party audits. During the review period, the standards on public reporting set out by the OECD Guidance and responsible sourcing programme’s public reporting requirements did not align as concluded by the OECD Alignment Assessment. The industry standards’ disclosure requirements were across the board significantly weaker than required by the OECD

specifications.

In detail by programme:

- > The CFSP standards did not require public reporting for the majority of the review period. However, the RMI significantly strengthened public reporting requirements in the revised standard, the RMAP, which is in place since June 2018. Since then the RMAP standard has explicitly required the publication of a stand-alone annual report as well as of an audit summary report. The revised assurance procedure furthermore requires auditors to review the annual report.
- > The LBMA RGG encouraged companies that they should publicly report on compliance with the RGG. However, during this review period, LBMA had different audit requirements with regard to reporting, depending on the audit approach chosen by the gold refiner (the auditee). Refiners could choose between the ISO 19011:2011 standard or the ISEA 3000 standard. Under the ISEA 3000 audit standard, the auditee was required to publish, apart from the supply chain policy, a Refiner Compliance Report and an Assurance Report by a third-party auditor. The ISO 19011 audit guidance did not require a refiner to issue any report prior to the third-party audit. However, refiners were encouraged to complete a Self-Assessment prior to the third-party audit, which was not made public.
- > ITSCI member companies are required to produce a Step 5 report after one year of membership and active trading, and failure to do so will result in an incident being raised against the company.<sup>56</sup>
- > The revised RJC Chain of Custody Guidance from December 2017 introduced a Step 5 reporting requirement for companies. The previous RJC CoC Standard did not contain a specific Step 5 reporting requirement.
- > The DMCC required companies to publish Step 5 reports in their revised Standards and Audit Protocols from 2017, but provides few specific requirements.<sup>57</sup>

### 3. Publishing audit summaries

All 5 industry programmes require refiners and smelters to publish audit summaries or audit reports. However, this was not the case for earlier versions of the CFSP, RJC and the DMCC standards, which were in place during the assessment period.<sup>58</sup>

#### Corporate due diligence – Developments in China

China is not only the largest producer of tin, tungsten and gold,<sup>59</sup> but also a major importer of 3TG minerals from conflict-affected and high-risk areas.<sup>60</sup> In addition, China is home to a large part of the downstream industry such as manufacturing and consumer electronics companies.<sup>61</sup> Without the participation of Chinese smelters and refiners, global 3TG supply chain transparency, risk management and mitigation is not possible.

Responsible sourcing and business conduct have increasingly been recognised across various Chinese industries and been taken up by the government in the last decade, notably in relation to environmental risks and responsibilities.

At the highest level of government, greening supply chains was mentioned in a guiding opinion issued by China's State Council relating to supply chain innovation and application.<sup>62</sup> Related to China's overseas investment and trade, the (then) Ministry of Environmental Protection, Ministry of Foreign Affairs, National Development and Reform Commission and Ministry of Commerce published Guidance on Promoting Green Belt and Road in 2017, noting their intention to "intensify green supply chain management".<sup>63</sup> In March 2019 seven central government bodies launched the Green Industry Guideline Catalogue which sets out a comprehensive definition of "green" standards across the whole supply chains of six key

industries.<sup>64,65</sup>

Several ministries and regulatory commissions, including the China Ministry of Ecology and Environment, the Ministry of Finance and the Securities Regulatory Commission announced that China will gradually establish and improve the mandatory environmental information disclosure system for listed companies and bond issuers.<sup>66</sup> A *Reform Plan of Law-based*

*Environmental Information Disclosure* was approved by the Chinese central government by the end of 2020, and it emphasises the need of establishing a compulsory environmental information disclosure system in China.<sup>67</sup>

The China Chamber of Commerce for Minerals, Metals and Chemicals Importers and Exporters (CCCMC) published their own mineral due diligence guidelines in 2015<sup>68</sup>, largely reflecting the OECD five-step framework and supplementing with broader associated social and environmental risks taken from a 2014 guidance on overseas mining operations.<sup>69</sup> These Guidelines were developed in close cooperation with the OECD and some of the industry-led responsible sourcing programmes.<sup>70</sup>

In recent years, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) – one of China's border control agencies – engaged with international and domestic experts to develop a national-level standard related to the responsibility of importers to ensure they were not trading in minerals linked to conflict.<sup>71</sup> AQSIQ was part-subsumed into China's Customs body during the spring 2018 ministerial reorganisation and progress on the importing standard has stalled.

In parallel to the above there has also been heightened awareness of the role of China as a major market for many raw materials linked to risks including human rights and environmental harms. Global Witness alone has documented how jade from Myanmar, diamonds from Zimbabwe, lapis lazuli from Afghanistan, timber

from Papua New Guinea, oil from South Sudan and gold from the DRC have been associated with conflict financing, corrupt governance and illegality, with the resources being traded by Chinese entities.<sup>72</sup>

## METHODOLOGY

The following section sets out in summary the methodology undertaken and the means by which Global Witness sampled smelters and refiners.

This report is based on publicly available due diligence reporting from 1 January 2015 until 30 November 2018 published by companies with the following criteria:

1. Headquartered in mainland China, Hong Kong and Macau or controlled or owned by mainland Chinese nationals;
2. Operating as processing companies i.e. 3TG smelters and refiners;
3. Participating in responsible sourcing programmes and/or members of relevant industry groups (see section “Industry programmes: an introduction” above for further details).

75 companies were identified under the above criteria. The 75 entities included 19 tin processors, 23 tungsten processors, 21 tantalum processors and 12 gold refiners. All the entities were participating in industry-led responsible mineral supply chain programmes or relevant industry groups<sup>66</sup> at some time during the review period, but four entities were not participating in any of the aforementioned responsible sourcing programmes throughout the whole review period.

Systematic desk-based research in English and Chinese was conducted to identify and assess publicly available information. For the purpose

of this research ‘publicly available’ means information that is web-based, reflecting the international nature of the metal supply chains in question. Information researched and reviewed included company due diligence policies and plans, company audit or audit summary reports, annual due diligence reports and any other statement or mention of mineral supply chain due diligence released on a company’s website. Only information that is provided by the companies themselves, by third-party auditors and/or by a responsible sourcing programme and/or industry body on behalf of the specific company was considered as a source. Hence, the research was largely limited to the companies’ websites and the industry bodies’ websites.

For each company identified, the following broad questions were asked:

- > What is the extent of supply chain due diligence reporting by the company?
- > What type of information is published, in what format and in what language?
- > What supply chain risks are identified and reported by the company, if any?

By the end of our review in 2018, 68 entities were designated as conformant with one of the selected responsible sourcing standards. 63 were designated RMAP conformant, 11 were on the LBMA Good Delivery List (of which 2 exclusively), nine were ITSCI full members (of which 3 exclusively, two were RJC members and one was on the DMCC Dubai Good Delivery List). Three entities were “active” RMI (tin) smelters, meaning that these companies have committed to undergo an RMAP assessment but have not yet done so,<sup>73</sup> and four entities had been previously listed as conformant with the RMAP standard but were not listed anymore by the end of the review.

In 2019, Global Witness contacted all companies and industry programmes named in



the report prior to publication, requesting comment. All five industry programmes and 14 of the companies provided responses. They are integrated in the report and annexes, where relevant.

Global Witness assessed the accessibility and availability of publicly disclosed information, and then undertook an assessment of reporting quality in line with the internationally accepted OECD Guidance. (Detailed findings on company level can be found in Annex 2.

## INFORMATION DISCLOSURE BY SMELTERS AND REFINERS OPERATING IN CHINA WHICH ARE PARTICIPATING IN INDUSTRY SCHEMES

Distribution of selected Chinese metals processors that participated in responsible mineral sourcing programmes, between January 2015 and November 2018, located by administrative region.



The points marked have not been geolocated using GPS but are depicted at provincial level. Please see Annex 2 for further information by company. Source: Company and industry scheme websites.

## Accessibility of due diligence reporting information

In the first instance, company supply chain due diligence policies and their supply chain due diligence reporting were not easy to access.

> Some company websites could not or could only occasionally be accessed from outside of China.

> English translations of Chinese company names varied, making it difficult to identify the correct website for a particular smelter or refiner. For example, the tungsten smelter translates its company name as Jiujiang Nonferrous Metals Smelting Co., Ltd in its own due diligence report, available on the company website. However, the same company also goes by a different English name, Jiujiang Tanbre Co., Ltd or JJTC elsewhere.



A car factory welding assembly line in Beijing, China. Minerals move through global supply chains to find their way in an array of final products. © Chalffy/Getty Images

## Availability of due diligence information

Within the 47-month review period until November 2018, 61 out of 75 entities (81%) had published some information on supply chain due diligence on their websites or on a responsible sourcing programme's website, either in Chinese and/or in English. This means that 14 entities (19%) did not publish any information on due diligence at all.<sup>74</sup>

Nine of the 14 entities that did not publish any due diligence information on their websites were considered to be "conformant" with the RMAP. For six of the nine entities that were considered conformant with the RMAP, the RMI website displayed a broken link to a due diligence policy document. However, no policies were to be found on the English and Chinese versions of the websites either, including when accessed from within China.

Of the 75 companies analysed, only four

entities published all three components of expected due diligence disclosure: a supply chain policy, a report on their supply chain due diligence activities and an audit report or audit summary report.<sup>75</sup>

## 1. Supply Chain Due Diligence Policy

Of the 75 companies reviewed, 56 companies (75%) had a supply chain due diligence policy available on their website in 2018.

Companies without a publicly available supply chain due diligence policy have fallen at the first hurdle: they don't detail their internal processes and standards that should then allow their internally responsible entity to identify and assess any actual or potential risks in their supply chain.

If downstream companies, lenders and investors are unable to access information about the supply chain policies of smelters and refiners in their supply network, they are prevented from understanding whether the entities that they are buying from have the requisite processes in place to manage their supply chains responsibly in line with international standards, or the applicable framework. Industry programmes that profess to enable the responsible supply chain practices of affiliated companies must, at a minimum, ensure that supply chain policies are up-to-date and easily publicly available. Industry programmes must regularly review the links provided on their website and proactively hold companies accountable for updating their information and informing the industry programme about such updates. If this is not achievable, the industry programme must make clear on its website that they cannot guarantee that participating companies are providing this information, or if it is accurate.

## 2. Publication of an annual Due Diligence Report

As of November 2018, only eight of 75 entities in the Global Witness analysis had published some form of information about their supply chain due diligence activities for 2017. Not all of these publications constituted an annual report on supply chain due diligence in line with Step 5 of the OECD Guidance (see below).

Across the entire review period (1 January 2015 to 30 November 2018) only 18 of the 75 entities analysed (24%) published some form of the supply chain due diligence information which is set out in step 5 of the OECD Guidance. Most companies made only one report available on their website, which was usually not updated on an annual basis.

Often the content and quality of the published information varied. For example:

- > Five of the 18 reports available across the 47-month review period were not supply chain due diligence reports targeted at the public and structured as recommended by the OECD standard but were “refiner-compliance reports” as required for ISAE 3000 type audit under the LBMA Responsible Gold Guidance.
- > Two reports were identical: the companies Malipo Haiyu Tungsten and Xiamen Tungsten (H.C) are subsidiaries of the same parent company (Xiamen Tungsten) and have published identical reports for each subsidiary.
- > F&X re-published their 2016 due diligence report, simply changing the dates for 2017.
- > The “Due Diligence and Risk Control Report for 2018” of Guangdong Rising Rare Metals resembles a policy rather than a due diligence report and does not contain any information about actual steps taken for risk identification and management for example.

These findings suggest:

1. A majority of smelters and refiners operating in mainland Chinese territory, Hong

Kong or Macau that were participating in industry programmes did not publish information about their supply chain due diligence practices;

2. It is unclear whether smelters and refiners operating in mainland Chinese territory, Hong Kong or Macau have conducted their supply chain due diligence and chosen not to publish information about it, or whether the lack of published information means that they did not carry out any due diligence measures;

3. Even when entities did publish material, it was not of the type and detail of information as described by the OECD. (See also under section “Identification of, and response to, supply chain risk: what do the company reports tell us?”) It should be noted that for much of the analysis period of this review, publication of a stand-alone annual report was not a condition of participation in any of the industry programmes.<sup>76</sup> However, the OECD Guidance is clear that refiners are supposed to publish such reports.

Global Witness contacted each of the entities who had not published a supply chain report for 2017 and 2018 for comment. Three companies, Jiangxi New Nanshan Technology, Yunnan Tin and Jiangxi Yaosheng Tungsten said that they had not been required or requested to publish such a report. One company, Metalor Technologies (Suzhou) Ltd, responded by providing a link to a webpage with details of participation in responsible sourcing programmes. Another company, Yanling Jincheng Tantalum & Niobium explained that its due diligence reports were published under the name of another company, RFH Metals & Chemicals, for the period of time up to and including 2018.

Global Witness also contacted the industry programmes to ask for their comment on our findings and questions as set out below.

- a) Regarding RMI’s RMAP, Global Witness asked:
- > Why entities passed the re-audit when no

supply chain information is made public;

- > What steps RMI is now taking to ensure companies verified as ‘conformant’ publish supply chain due diligence reports;
- > What the criteria is for RMI withdrawing “conformant” status from a company;
- > What process the RMI has in place in the event that a company does not make information public, per the programme’s own standards and requirements.

RMI told Global Witness that companies included in the review were conformant with the previous version of the RMAP standard (2013), which does not include a requirement for a public report. The new standard, RMAP 2017, (with which none of the companies surveyed by Global Witness during the time of the review was conformant) does require this. Furthermore, it is global in scope, as opposed to the previous requirement which applied only to 3TG from DRC and neighboring countries.

RMI told Global Witness that while the most recent version of the RMAP standard came into effect in June 2018, RMI allowed for an “on-ramping” process meaning that until December 2018, smelters and refiners could choose to be assessed under the previous version but that from January 2019, it was compulsory to be assessed against the new version. RMI stated that once a smelter or refiner is designated conformant with the 2017 standard, the reporting information listed under supply chain policy, due diligence report and assessment summary report are posted to the RMI website. RMI provided Global Witness with a list of 23 smelters/refiners that ‘voluntarily’ underwent an assessment against the new RMAP standard, in 2018, before this became a mandatory requirement, but the list did not include any company covered in our review.

RMI told Global Witness that while they strive to keep information on supply chain policies on their website up-to-date, companies may make changes throughout the year and that the most efficient way to verify the existence and

implementation of the policy was through the auditor's on-site assessment. RMI stated that under the most recent Version 2017 standard, companies that do not have a Step 5 report will have a "non-conformance" and will be required to take corrective actions. If they fail to do so, they will be removed from or considered not eligible for the public conformant smelter and refiner list.

b) Global Witness asked LBMA:

- > What steps they are taking to ensure companies on the Good Delivery List (GDL) publish supply chain due diligence report in line with Step 5 of the OECD Guidance;
- > What the criteria for the LBMA removing a company from the GDL are;
- > What process LBMA has in place in the event that a company does not make information public, per the programme's own standards and requirements.

Overall, LBMA told Global Witness that they disagreed with the implications of the analysis and conclusions set out in our findings. LBMA stated that from January 2019, all refiner reports will be in line with Step 5 of the OECD Due Diligence Guidance and that in the case of a breach of supply chain due diligence obligations, the LBMA initiates an incident review process which can lead to suspension or removal from the GDL. LBMA told Global Witness that public reporting was required prior to the launch of version 8 of the RGG in January 2019, but that the word "should" was amended to the word "must" in version 8 in recognition that the former term "may not impress strongly enough that a reporting obligation is mandatory". The LBMA stated that it published the supply chain due diligence audit reports of all GDL refiners on its website during the period of the Global Witness review. They stated that refiners who opted for the ISAE3000 auditing standard provided reports "limited in content and detail" [according to Global Witness], because they were summary documents of longer full reports which are not public.

LBMA told Global Witness that in the event of non-compliance in connection with supply chain due diligence, LBMA initiates an 11-step review process which can lead to suspension or removal of a refiner from the GDL and that refiners have been suspended or removed in response to "violations of sanctions, financial mismanagement and fraudulent activity".

LBMA stated that it reviews all of the supply chain due diligence audit reports submitted to it.

c) Global Witness asked ITSCI:

- > What steps ITSCI is now taking to ensure members publish supply chain due diligence reports especially given that it is a requirement of the programme;
- > What the criteria are for ITSCI "raising an incident" with a company;
- > What process ITSCI has in place in the event that a company does not make information public, per the programme's own standards and requirements.

ITSCI told Global Witness that companies remain ultimately responsible for their due diligence and ITSCI does not wish to be accountable for the content of reports which are "prepared by, and are the responsibility of companies". ITSCI indicated that they have had concerns about member reports 'sometimes presenting a more positive view of company activities than other information available to us would have supported' and have made it clear they do not verify the content of reports. Their website states: "These reports are not verified by ITSCI, and the contents are the responsibility of the company".

ITSCI stated that following the OECD Alignment Assessment of 2016 and a 2017 Global Witness report, they reviewed their approach to publication of member reports resulting in some uncertainty over the "balance of activities that could be performed by ITSCI" versus their members. Combined with the issues mentioned

above this impacted their ability to publish reports on their website in 2018 or to remind members to submit and therefore prevented ITSCI from opening incident reports on non-responses. ITSCI stated that, in respect to 2018, “this was a year that should not be considered normal”, and that they have since taken action to remind companies of the need to submit and have also received proactive submissions. They also told Global Witness that several reminders would be issued to a company before formal incidents would be raised. ITSCI added that they “generally review the reports to ensure it is not identical to the previous year’s or other company’s” but emphasised that they “believe it is the responsibility of every company in the supply chain to check if their contracted supplier has published an annual report and review the content”.

ITSCI told Global Witness that RMAP performs auditing of smelters and it is their responsibility to determine the extent of smelter due diligence annually. They stated, “As an industry scheme ITSCI should not take responsibility for the format or content of member reports but can be responsible for ensuring reports are available.”

d) Global Witness asked RJC what steps they are taking to ensure members publish supply chain due diligence reports in line with Step 5 of the OECD Guidance:

> The RJC told Global Witness that the 2019 Code of Practice is the most extensive yet and addresses a range of elements, including a Step 5 reporting requirement consistent with Annex II of the OECD Guidance and that it includes detailed guidance on due diligence reporting requirements for member companies across the supply chain.

e) Global Witness asked DMCC what steps they are taking to ensure members publish supply chain due diligence reports in line with Step 5 of the OECD Guidance:

> DMCC told Global Witness that it has

established a robust review system, with mechanisms in place to request additional information when required. As part of the annual renewal process of Dubai Good Delivery (DGD)- accredited members, DMCC reviews audited supply chain due diligence reports and provides a link to them on its website, as per Step 5 of the OECD Guidance.

### 3. Publication of an audit summary report

Audits are supposed to instill trust in other companies in a supply chain and other stakeholders that a company meets responsible sourcing standards set up by an industry scheme. Depending on the auditing requirements of industry schemes, smelters and refiners accredited by international standards are required to produce a number of audit reports, but only a summary audit report<sup>77</sup> for gold refiners and an audit report with due regard taken of business confidentiality for 3T smelters needs to be published as required under Step 5 of the OECD Guidance.<sup>78</sup>

Properly undertaken, smelter or refiner audits may provide information for end-user companies to supplement their analysis of the quality of the due diligence being undertaken by the mineral processors from which they source. However, audit reports alone cannot be used to determine that a smelter or refiner’s activities are in line with the standard set out of by the OECD Guidance. The information provided is insufficient as a means of assessing responsible business conduct and understanding the factual circumstances along the mineral supply chain. Furthermore, audits are often not done in line with the spirit and letter of the OECD Guidance - as Global Witness’ research<sup>79</sup> and the OECD Alignment Assessment have illustrated.<sup>80</sup>

Between January and November 2018, 20 of 75 entities analysed, or 27%, published an audit report summary. This is an increase on the previous year, January to December 2017, when

only 12 entities published an audit report summary.

From 2015 to 2017, only gold refiners (on LBMA's Good Delivery List and RJC members) published audit summary reports. In 2018, eight metals smelters also published audit summary reports. The increase can be explained by the requirement of the revised RMAP audit standards which came to explicitly require the publication of an audit summary report.

The audit summaries based on the RMI templates do not contain any material information with regard to the audit practices and procedures of the respective companies and are not relevant with regard to the information required under Step 5 of the OECD Guidance. (See Annex 1 for more details on requirements.)

Only six of the companies which had not published annual audit summary reports within the period of research have responded.<sup>81</sup> Hunan Chunchang pointed to audit reports being kept by their industry programmes; Jiangwu H C Starck and Jiangxi Tonggu Non-ferrous Metallurgical & Chemical indicated that it was a result of not being permitted to obtain or publish reports from their relevant industry programme. Jiangxi New Nanshan Tech, Jiangxi Yaosheng Tungsten Co and Yunnan Tin referred to publication not being required by their relevant industry programme. Two of these five responding companies, Jiangxi Tonggu Non-ferrous Metallurgical & Chemical Co and Jiangxi Yaosheng Tungsten Co also indicated that annual reporting had not taken place due to an audit being conducted only once every three years.

## **GENERAL OBSERVATIONS**

### **Content of the published information: indications about responsible sourcing in practice are in short supply**

Where supply chain reporting was publicly available, the reports reviewed by Global Witness were generic, lacking descriptions of specific supply chain incidents, human rights risks identified or measurable indicators of risk management performance.

### **Identification of, and response to, supply chain risk: what do the company reports tell us?**

Company due diligence activities should cover, at a minimum, the full scope of risks that are set out in Annex II of the OECD Guidance. However, our review revealed that none of the Chinese smelters or refiners assessed identified any specific Annex II risks in their public reporting. Metal processors included statements of visits to new suppliers, or failure by suppliers to hand over documents in a timely basis, but did not identify any human rights, corruption or other social or environmental risks, throughout their sourcing networks.

For example, the publicly available audit summary report for 2016 from Great Wall Precious Metals, an LBMA Good Delivery List refiner, noted some "medium risk non-compliance" where mines they sourced from were not forthcoming with permitting or licensing information. The 2017 audit summary report mentions that this situation was resolved – but gives no details as to how what steps had been taken. This information does suggest that the refiner has taken a closer look at its supply chain. However, this – and other similar assessments – fall far short of detailed risk assessment outlined by the OECD Guidance. The company did not respond to an invitation to comment when contacted by Global Witness.

## Over-use of Conflict Free Statements

Ten companies in our analysis published a “Conflict Free Statement” in place of a supply chain due diligence report, all of which were almost identical in wording and included a self-assessment by the company that it did not source from “civil war areas”. Furthermore, all but 12 entities during the review period referred to their supply chain policy as a “conflict minerals” policy, “conflict free policy statement” or “conflict free policy”.

“Conflict free” declarations such as these suggest that smelters and refiners have not yet understood the ongoing, reactive and proactive process that is due diligence, and continue to view supply chain scrutiny as an annual compliance exercise that demonstrates that they are “risk-free”. Supply chain due diligence does not require, or aim for a 100% “conflict free” assurance – nor is a risk-elimination approach realistic for most metal sourcing, globally. Rather, the process is about being able to confidently manage supply chain risks and publicly demonstrate efforts to do so. Supply chain risk is a reality of doing business in any sector, anywhere in the world. Through detailed public reporting, companies can demonstrate how they have identified problems and weaknesses within their supply networks and how they are addressing and mitigating these as appropriate.

Taking a “conflict free” approach fundamentally

misinterprets the OECD due diligence framework, which the industry programmes covered in this analysis seek to support and to which their participants should, in theory, ascribe.

Smelters and refiners engaging in responsible sourcing from any location, globally, should also bear in mind lessons learnt from the irresponsible private sector response to transparency measures in the DRC. Some companies sourcing from the DRC attempted to “de-risk” by taking a “Congo free” approach in the early years after Section 1502 of the Dodd Frank Act was passed in 2010. Global Witness has submitted public comment to the Securities and Exchange Commission about the negative impacts that this “de-risking” has had on livelihoods of miners and mining communities.<sup>82</sup>

Those smelters and refiners operating in mainland Chinese territory, Hong Kong or Macau that are seeking to source and process minerals in responsible ways, i.e. that do not contribute to human rights, environmental or social harms must learn from these early mistakes.

Compliance-based sourcing in which supply chain scrutiny is viewed as an annual exercise to demonstrate that companies are “risk free” will not result in reformed and improved business practice nor will it mitigate negative impacts for communities in artisanal or large-scale mining areas.





New Cobar gold mine, New South Wales is a gold and copper mine which has been in operation in 1873 © shells1 / istockphoto

## Sourcing from specific locations

Responsible sourcing principles as laid out by the OECD Guidance apply to all mineral sourcing globally. However, of fifty-eight smelters and refiners that published due diligence policies, forty-one refer to the ten African Great Lakes countries covered by Section 1502 of the US Dodd Frank Act<sup>83</sup> or to “Level 2” and “Level 3” countries as required by earlier CFSP audit protocols. Out of the 75 entities reviewed, only two - Yunnan Tin and Heraeus, a gold refiner - made specific mention of risk assessments undertaken outside of Central Africa.

Responsible sourcing principles are to a certain degree established where minerals from the DRC and its surrounding countries are concerned, in large part because of the US regulation. However, the guidance has global reach. Apart from assessing and reacting to risks related to supply chains in the African Great Lakes Region, smelters and refiners must also assess their mineral supply chains from other areas where there are potential risks. Undiscerning

international demand for minerals from particular high-risk mines in Sudan,<sup>84</sup> Afghanistan,<sup>85</sup> Venezuela or Myanmar for example, where links between conflict and mineral extraction have been established, risks linking smelters and refiners to severe human rights and social abuses unless rigorous due diligence is undertaken and risks identified and mitigated.<sup>86</sup>

This global nature of supply chain risk is recognised by the EU regulation on due diligence in mineral supply chains which requires Union importers to disclose risks regardless of geography – however, the EU only refers to 3TG (cobalt?) even though risks exist with regards to other minerals.

## Recent steps to align the industry schemes with the OECD standard

As has been demonstrated by this research, the reviewed companies barely reported the absolute minimum of what was required of them by the industry-led responsible sourcing programmes'

standards and audit requirements. Therefore, it is crucial that the industry programmes' conformance requirements reflect the letter and the spirit of the OECD Guidance.

The initial OECD Alignment Assessment identified "insufficient attention to the Step 5 reporting requirements set out in the OECD Guidance"<sup>87</sup> as a common area across industry programmes where improvement was needed in both standards and implementation. This led to a substantial improvement of the expectations and requirements formulated in revised standards and audit protocols of responsible sourcing programmes with regard to Step 5 reporting.<sup>88</sup>

We have highlighted improvements during the period of our review above. Further developments since then were:

> The RMI has updated the respective standards for Tin, Tantalum and Tungsten, as well as for Gold in February 2020. The revisions place an increased emphasis on the review of management systems and applies a global definition of Conflict-Affected and High-Risk Areas (CAHRAs). RMI also strengthened reporting requirements, including a recommended template and report writing guidance for annual Step 5 reports reports (from 2019 and 2018 respectively).<sup>89</sup>

> LBMA has published version 8 of the Responsible Gold Guidance, effective for production beginning in the Fiscal Year 2019, and a respective Third-Party Audit Guidance in December 2018. In version 8, the LBMA strengthened the publication criteria for the due diligence policy, by requiring that the policy be published in English, on the company website and be updated annually. Critically version 8 states "Refiners must [emphasis added] publicly report on their gold supply chain Due Diligence policies and practices".<sup>90</sup> Furthermore, since 1 January 2019, only ISEA 3000 type audits are accepted by the LBMA RGG v.8. This means that all gold refiners that are on the LBMA's Good Delivery List must publish annually a Refiner

Compliance Report, which closely resembles a Step 5 report under the OECD Guidance. As of January 2019, LBMA has made Step 5 reporting a requirement (via a Refiner Compliance Report) but will not assess the conformance of the content of the report with Step 5 OECD requirements.

> In 2019 RJC has published a version of its Code of Practices (COP), which defines the requirements for establishing responsible business practices throughout the jewellery supply chain, from mine to retail and includes due diligence reporting requirements.<sup>91</sup>

> DMCC's issued Version 2 of its Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain in 2020.<sup>92</sup> The DMCC standards were aligned with the OECD standard according to the 2018 Alignment Assessment but the report notes that most refiners' reports under DMCC accreditation did not meet the standards of scope, transparency and detail set out in the OECD Guidance.<sup>93</sup>

Overall, the steps industry schemes have taken towards further alignment with the OECD Guidance standards are promising but it is yet to be determined whether in the future the actual reporting of companies will improve accordingly.

## CONCLUSION

The findings of this review hold significant implications for the role and treatment of industry-led responsible sourcing programmes and highlight the necessity of regular and individualized scrutiny of company supply chain due diligence efforts.

Supply chain due diligence, when conducted properly, in line with prevailing international standards, can play an important role in ensuring that companies do not profit from harms to people and planet. Detailed public reporting provides the evidence of companies' efforts to properly manage their supply chains responsibly by identifying and addressing risks

over time. When public reporting on due diligence is absent or insufficiently detailed, it raises significant questions about what steps companies are taking in practice to mitigate harms in the supply chain, or indeed, if they are taking any at all.

None of the 75 assessed companies reported in line with the OECD Guidance standard. Of the 75 companies analysed, only four entities published all three components of expected due diligence disclosure. Where supply chain reporting was publicly available, the reports reviewed by Global Witness were generic, lacking descriptions of specific supply chain incidents, human rights risks identified or measurable indicators of risk management performance. All companies covered by this review were participating in industry-led responsible sourcing programmes, suggesting their behaviour may be perceived as best in class in their sector. However, our findings make clear that participation in an industry programme provided no guarantee that companies were publicly reporting on their supply chain due diligence practices, even when public reporting was required by the standard of the programme to which they were affiliated. This casts doubt on claims by industry programmes that their participants source or trade ‘more responsibly’ than companies which are not affiliated with a particular programme. In the relatively few instances where due diligence reporting was made available, none reached the international standard of risk reporting as set out in the OECD Guidance, to the extent that information on supply chain risk in public reporting was almost non-existent. This finding is consistent with the first OECD Alignment Assessment, which concluded that public reporting requirements of the industry-led schemes considered in this report were lower than the standards set out within Step 5 of the OECD Guidance.<sup>94</sup>

In addition, for those companies that did publish some supply chain reporting, the focus

was restricted to countries in the Great Lakes region of Africa. This fails to account for the global nature of supply chain risk, exposing the concern that companies are ignoring risks simply because they are occurring in another part of the world.

Additional requirements introduced by the industry-led programmes following the OECD’s Alignment Assessment, to bring their paper-based standards more closely in line with the OECD Guidance may in part address these weaknesses. If industry programmes want to ensure alignment with international sourcing standards, they must enforce appropriate public reporting of material information relating to their supply chain due diligence practices. Critically, scrutiny of participating companies’ reporting efforts will be necessary, once the first reporting cycles have been completed, and must be repeated regularly by concerned stakeholders, to accurately assess, on an ongoing basis, whether companies are meeting the standards in practice.

Transparency through public reporting is a critical factor in effective due diligence by which companies can work hand-in-hand across the supply chain to assess and respond to risk. The findings of this review therefore have significant implications for downstream companies purchasing either directly or indirectly from the Chinese mineral processors considered in this report, raising questions about whether they are in fact properly scrutinising supplier efforts, as is required by the OECD Guidance, or are exclusively relying on participation in an industry programme as evidence of good practice.

These findings are especially pertinent in the context of the EU Minerals Regulation, given its emphasis on participation in industry-led programmes that are recognised by the Commission to inform the compilation of the so-called “White List” of “global responsible smelters and refiners”. Our findings, based on

an assessment of 75 Chinese<sup>95</sup> mineral processors practices over almost three years, demonstrates that participation in an industry programme provides no guarantee that smelters and refiners will publicly report, on an annual basis, on their individual supply chain due diligence efforts in line with prevailing international standards. Instead the “white list” could provide a loophole for companies that are failing to publish credible evidence of responsible sourcing simply because they participate in an industry-led sourcing programme.

At a minimum, industry-led responsible sourcing programmes should be actively monitoring the due diligence practices of participating companies. They are well placed to carry out this function. Regulatory bodies should not see them as providing an inherent guarantee that participating companies are carrying out due diligence to the standard set out in the OECD Guidance, or indeed to the standard of the industry programme itself.

Legislators and downstream companies must remain cognisant of this if they wish to take serious and credible efforts to shape a minerals sector so that responsible sourcing becomes a reality on the ground to which companies are held to account.

Ignoring the issues illuminated by this review risks undermining the progressive implementation of robust due diligence, carried out in line with international standards, to affect positive change in the lives of people involved in, or impacted by, minerals supply chains across the globe.

## ANNEXES

### Annex 1: Due Diligence Reporting Requirements by Responsible Sourcing Programme

Public reporting is a quintessential component of mineral supply chain due diligence. The globally accepted framework, the *OECD Due Diligence Guidance for Responsible Mineral Supply Chains from Conflict-affected and High-risk Areas*, lays out detailed reporting requirements for refiners and smelters in its Step 5:<sup>96</sup>

1. **Company Management Systems:** Report on steps taken to implement Step 1. Included in such reporting companies should set out the company's supply chain due diligence policy; explain the management structure responsible for the company's due diligence and who in the company is directly responsible; describe the internal systems of transparency, information collection and control over the gold supply chain from Step 1(C) and Step 3(B), explaining how this operates and how it has strengthened the company's due diligence efforts in the reporting period covered; describe the company's database and record keeping system and explain the methods for identifying all suppliers, down to the mine of origin and the methods for sharing the information about due diligence throughout the supply chain; disclose information on payments made to governments in line with EITI criteria and principles (where relevant).
2. **Company risk assessment in the supply chain:** Report on steps taken to

implement Step 2. Included in such reporting, companies should explain how the company identified red flag operations or red flags in their supply chain, including the verifications of supplier representations proportional to risk; describe the red flags identified in the gold supply chain; describe the steps taken to map the factual circumstances of those red flag operations and red flagged supply chains; outline the methodology, practices and information yielded by the on-the-ground assessment team, including whether and how the company collaborated with other upstream companies, and how the company ensured that all joint work duly takes into consideration circumstances specific to the individual company; disclose the actual or potential risks identified. For the sake of clarity, companies should not report risks identified for potential suppliers with whom they have not done any business.

3. **Risk management:** Report on steps taken to implement Step 3. Included in such reporting, companies should describe how company internal control systems, such as chain of custody or traceability systems, have been strengthened to collect and maintain reliable up-to-date information on red flagged gold supply chains; describe the steps taken to manage risks, including a summary of the strategy for risk mitigation in the risk management plan, and capability-training, if any, and the involvement of affected stakeholders; disclose the efforts made by the company to monitor and track performance for risk mitigation

and all the instances and results of follow-up after 6 months to evaluate significant and measurable improvement. Disclose the number of instances where the company has decided to disengage with suppliers and/or supply chains, consistent with Annex II, without disclosing the identity of those suppliers, except where the company deems it acceptable to do so in accordance with applicable laws. Companies should aim to report all instances of disengagement to relevant international and national investigative bodies and/or law enforcement authorities, having regard for the potential harmful effects of that reporting, and in accordance with applicable laws.

4. Audits: Publish the summary audit reports of refiners with due regard taken of business confidentiality and other competitive or security concerns. The summary audit report should include:
  - a) Refiner details and the date of the audit;
  - b) The audit activities and methodology, as defined in Step 4(A)(4), where an Industry Programme or Institutionalised Mechanism in conformance with this Guidance and as defined in Step 4(B)(2) has not published these details;
  - c) The audit conclusions, as defined in Step 4(A)(4), as they relate to each step in this Guidance.<sup>97</sup>

Many companies, if not all, that implement the OECD Guidance, are participants in a responsible sourcing programme.. This overview intends to shed light on what the five

responsible sourcing programmes referred to in this review require their participant processing companies to disclose and how this relates to the expectations created in the OECD Guidance and its mineral-specific supplements. The following overviews show requirements from the programmes' own standards and from their respective audit protocols.

## Summary table of due diligence policy requirements by international responsible sourcing programme

|   | <b>LBMA RGG<br/>(v.8 December<br/>2018)</b>   | <b>LBMA RGG<br/>(v.6 September 2017)</b>   | <b>CFSI/ CFSP Supply<br/>Chain Transparency<br/>Smelter Audit Protocol<br/>for Tin and Tantalum</b>   | <b>RMI Responsible<br/>Mineral Assurance<br/>Process, 3TG<br/>Smelter/ Refiner<br/>Standards<br/>(December 2017)</b>   | <b>ITSCI (website)</b>   | <b>DMCC Rules for Risk-based<br/>Due Diligence in the Gold<br/>and Precious Metals Supply<br/>Chains (Version 1.1/2017)</b>   | <b>Responsible<br/>Jewellery Council,<br/>Chain-of- Custody<br/>Certification<br/>Guidance (December<br/>2017)</b>  | <b>OECD DD Guidance/<br/>Gold supplement</b>   | <b>Alignment<br/>Assessment Tool</b>   |
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| <b>Requirement of having a due diligence policy</b> | <p>Refiners should adopt a gold supply chain policy which is consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and also extends to Environment and Sustainability responsibilities.</p> <p>In addition the following topics should be addressed in detail in the internal policy:</p> | <p>Refiners should adopt a gold supply chain policy which is consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.</p> <p>In addition the following topics should be addressed in detail in the internal policy:</p> | <p>The policy will explicitly state that the smelter avoids minerals that directly or indirectly finance or benefit illegal armed groups from conflict-affected regions.</p> <p>Key Components of an acceptable policy are:</p> | <p>The auditee shall have a documented, effective, and publicly communicated supply chain policy for procurement of tungsten (tin, tantalum, gold) containing materials.</p> <p>The policy will be implemented within the auditee's management processes and include the following components:</p> | <p>Companies who are committed to due diligence and wish to be recognised as responsible suppliers apply to become members of ITSCI to demonstrate that commitment to business partners, as well as publicly. Applicant companies submit important information such as ownership, trade history, due diligence policies and plans, which are assessed for risks in a preliminary assessment by our independent evaluator. In the case of companies that are then accepted as members, a summary of their status, due diligence understanding and risks are published, together with recommended improvement actions.</p> | <p>Each Accredited Member must implement and maintain a robust documented policy and detailed processes (Policy) to include common principles, standards and processes for responsible supply chain management. The policy should be consistent with the standards set forth in the model supply chain policy in Annex II of the OECD Guidance and should, as a minimum, include the following:</p> | <p>Entities shall adopt and communicate to their suppliers and the public a supply chain policy for sourcing gold and PGM from conflict-affected and high-risk areas. The policy shall be consistent with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.</p> | <p>Adopt and commit to a supply chain policy for identifying and managing risks for gold potentially from conflict-affected and high-risk areas. This policy, for all companies in the supply chain, should include:</p> | <p>Adopt a policy, applicable to the company and its suppliers, providing the principles and standards for identifying and managing the risks in the supply chain of minerals potentially from conflict-affected or high-risk areas, against which the company will assess itself and the activities and relationships of suppliers.</p> |

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| <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Expectations for Content in Due Diligence Policy</b></p> | <ul style="list-style-type: none"> <li>&gt; Scope;</li> <li>&gt; Organisation and responsibilities ties;</li> <li>&gt; Identification and assessment of risks, including all risks described in Annex II of the OECD Guidance;</li> <li>&gt; Criteria for high-risk gold supply chain that meet, at a minimum, the requirements under Step 2.2 of this <i>Guidance</i>;</li> <li>&gt; Detailed and meaningful supply chain and KYC Due Diligence processes that meet, at a minimum, the requirements under Step 2.2 of this <i>Guidance</i>;</li> <li>&gt; Monitoring of transactions that meet, at a minimum, the requirements of Step 2.2 of this <i>Guidance</i>;</li> <li>&gt; Maintaining records of due diligence documents and supply chain traceability system;</li> <li>&gt; Employee training.</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Scope;</li> <li>&gt; Organisation and responsibilities;</li> <li>&gt; Criteria for high-risk gold supply chain;</li> <li>&gt; Supply chain due diligence, inclusive of the Know Your Customer process;</li> <li>&gt; Monitoring of transactions;</li> <li>&gt; Maintaining records;</li> <li>&gt; Training;</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Covers tin/tantalum materials as relevant to that smelter,</li> <li>&gt; Covers the DRC and adjoining countries,</li> <li>&gt; is imbedded into the smelter's standard operating procedures and relevant individuals will be trained,</li> </ul> | <p>The policy acknowledges the issue it pertains to, including the identification of the material and supply chain risks covered by the policy and procurement practices. The policy must be consistent with the Standards set forth in the OECD Guidance Annex II Model Policy.</p> <p>It shall set out a clear and coherent management process for risk management and commit the auditee to the due diligence steps described in the Tin, Tantalum and Tungsten/Gold Supplement of the OECD Guidance.</p> |  | <ul style="list-style-type: none"> <li>&gt; Scope</li> <li>&gt; Responsibilities</li> <li>&gt; Criteria for supply chain due diligence</li> <li>&gt; Main elements of KYC process</li> <li>&gt; Monitoring and surveillance</li> <li>&gt; Training</li> </ul> | <p>Points to consider:</p> <ul style="list-style-type: none"> <li>&gt; Establish a supply chain policy that clearly states your company's position on responsible sourcing from CAHRAs.</li> <li>&gt; See Annex 1 for a template of a suggested supply chain policy (based on Annex II of the OECD Guidance)</li> <li>&gt; Address, where applicable, each risk identified in Annex II of the OECD Guidance.</li> <li>&gt; Try to involve all those staff affected by the policy in its development. That means, for example, consulting staff from departments responsible for developing company procedures, material procurement, production and communications, etc. It</li> <li>&gt; may also be worth consulting key suppliers, customers and other external stakeholders. Such an inclusive approach will help ensure that your policy can be practically implemented.</li> </ul> | <ul style="list-style-type: none"> <li>&gt; A policy commitment setting forth common principles and standards for responsible supply chains of gold from conflict-affected and high-risk areas, against which the company will assess itself and the activities and relationships of suppliers. This policy should be consistent with</li> <li>&gt; the standards set forth in the model supply chain policy in Annex II of the Guidance.</li> <li>&gt; A clear and coherent management process to ensure risks are</li> <li>&gt; adequately managed. The company should commit to the due diligence steps and recommendations outlined for the various levels identified in this Supplement.</li> </ul> | <p>Ensure that the supply chain policy is consistent with the standards provided in Annex II of the Guidance.</p> <p>Within the supply chain policy, set out a clear and coherent management process for risk management. Commit to the due diligence steps as described in the relevant Supplement.</p> |
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| <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Expectations toward Publication of Policy</p> | <p>Refiners must also make their Precious Metal supply chain Due Diligence policies publicly available, in English, on their website. These policies should be updated annually, reflecting developments in sourcing activities and reporting on any responsible sourcing initiatives or projects. Refiners and auditors should refer to the model supply chain policy in Annex II of the OECD Guidance. Refiners' policies are within scope of the audit.</p> | <p>Refiners should make available to the public their company policy regarding gold supply chain.</p> | <ul style="list-style-type: none"> <li>&gt; is shared with suppliers</li> <li>&gt; Is publicly communicated</li> </ul> | <p>Is publicly communicated, such as posting on the auditee's website, contained within a Corporate Responsibility Report, Supplier Code of Conduct or other official public company communications, and/ or posted on an industry association website. The auditee shall communicate the expectations on responsible supply chains to supplier(s) providing relevant materials that contain tungsten (tin, tantalum and gold), as well as the supply chain policy.</p> |  |  | <p>Use the policy as a communications tool to clarify your position and expectations to suppliers and other stakeholders by:</p> <ul style="list-style-type: none"> <li>&gt; making it publicly-available (for example, on your website or in institutional literature);</li> <li>&gt; sending it directly to immediate suppliers via contracts or other notifications; and subject to available resources, training suppliers and building</li> <li>&gt; their capacity to better understand and adhere to your requirements.</li> </ul> | <p>Clearly communicate to suppliers and the public, a company policy.</p> |  |
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## Summary table of due diligence reporting expectations by international responsible sourcing programme

|  | RMI Responsible Mineral Assurance Process, 3TG Smelter/ Refiner Standards (December 2017)   | LBMA RGG (v.8 December 2019) Only ISAE 3000  | LBMA RGG (v.6 September 2017) ISAE 3000  | ITSCI (Website)  | Responsible Jewellery Council, Chain-of-Custody Certification Guidance (December 2017)   | DMCC Rules for Risk-based Due Diligence in the Gold and Precious Metals Supply Chains (Version 1.1/2017)   | OECD Guidance, Gold Supplement, p. 111-112.   |
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| Expectations towards reporting on step 2 | <p>The OECD Guidance encourages auditees to publish annual reports on supply chain due diligence policies and practices with due regard to business confidentiality and other competitive concerns. Business confidentiality and other competitive concerns means price information and gold supplying counterparty relationships without prejudice to subsequent evolving interpretation.</p> <p>As auditees of this program are considered an upstream entity for the purposes of the OECD Guidance, they must conform to the OECD Step 5 reporting requirements for upstream companies, including the specific requirements for refiners. The Responsible Minerals Assurance Process requires all auditees to report publicly on their due diligence program.</p> <p>Below is an outline of categories that are recommended to be included in these reports. This outline is recommended for all auditees; however, the scope and level of detail may reasonably be reduced in low-risk contexts. It is recommended to provide examples where possible to illustrate application of due diligence concepts and to demonstrate improvement over time.</p> | <p>Refiners must publicly report on their gold supply chain Due Diligence policies and practices, with appropriate regard for security, proprietary information and the legal rights of the other supply chain actors. Refiners should publicly report on their compliance with this Guidance on an annual basis, which will cover activities over</p> <ul style="list-style-type: none"> <li>&gt; a 12-month reporting period.</li> </ul> <p>Refiners are required to compile a Refiner Compliance Report, including the following information:</p> | <p>Refiners should publicly report on their gold supply chain due diligence policies and practices, with appropriate regard for security, proprietary information and the legal rights of the other supply chain actors. Refiners should publicly report on their compliance with this Guidance on an annual basis, which will cover activities over a 12-month reporting period.</p> <p>For assurance engagements based on ISAE 3000, Refiners are required to</p> <ul style="list-style-type: none"> <li>&gt; compile a Refiner Compliance Report, including the following information:</li> </ul> | <ul style="list-style-type: none"> <li>• All our member companies are reminded to publish a report on their due diligence practices each year in order to highlight what progress has been made, and what challenges they face. These reports are not verified by ITSCI, and the contents are the responsibility of the company. However, ITSCI helps companies to make the reports public since many do not have their own websites.</li> </ul> | <p>5A. Annual reports</p> <ul style="list-style-type: none"> <li>&gt; Regular public reports offer an effective tool for transparency—one that can generate public confidence in the measures you are taking to manage and monitor risk in your supply chain.</li> <li>&gt; Make sure you report publicly on your due diligence systems and practices at least once a year, for example, through your company website or institutional literature.</li> </ul> <p>Reporting requirements vary according to business type (see Table 6 for a list of key information that different types of business should make available through annual reports).</p> | <ul style="list-style-type: none"> <li>&gt; Rule 4.6 Annual Report on Supply Chain Due Diligence. Each Accredited Member shall produce an annual report. This shall include a summary of the Review in accordance with Step 5 of the OECD Guidance and Sections 16 and Section 19 (as applicable) of the DMCC Review Protocol.</li> <li>&gt; Rule 5.1 Each Accredited Member is required to publicly report annually on its supply chain due diligence in compliance with Step 5 of the OECD Guidance in order to generate public confidence in the measures that it has implemented.</li> <li>&gt; Rule 5.2 Minimum Requirements of Public Reporting. At minimum, each Accredited Member shall (a) publicly acknowledge its requirements under these Rules and (b) comply with Rule 4.6.</li> </ul> | <p>Annually report or integrate into annual sustainability or corporate responsibility reports, additional information on due diligence for responsible supply chains of gold from conflict-affected and high-risk areas, with due regard taken of business confidentiality and other competitive or security concerns.</p> |

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| <p><b>Auditee Introduction</b></p> <ul style="list-style-type: none"> <li>&gt; Auditee Name</li> <li>&gt; Smelter Company ID (CID)</li> <li>&gt; Location</li> <li>&gt; 3TG materials processed</li> </ul> <p><b>Company Management System</b></p> <ul style="list-style-type: none"> <li>&gt; Supply Chain Policy</li> <li>&gt; Management Structure and Responsibility</li> <li>&gt; System of Controls and Transparency</li> <li>&gt; Record keeping system</li> </ul>   | <ul style="list-style-type: none"> <li>&gt; Name of Refinery;</li> <li>&gt; Time period of compliance;</li> <li>&gt; Summary of activities undertaken during the period to demonstrate compliance;</li> <li>&gt; Refiner's level of compliance with each Step of this Guidance;</li> <li>&gt; Management conclusion statement on compliance with this Guidance;</li> <li>&gt; An Annex listing the countries of origin of gold and amount received from each origin for the reporting period.</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Name of Refinery;</li> <li>&gt; Time period of compliance;</li> <li>&gt; Summary of activities undertaken during the period to demonstrate compliance;</li> <li>&gt; Refiner's level of compliance with each Step of this Guidance;</li> <li>&gt; Management conclusion statement on compliance with this Guidance;</li> <li>&gt; An Annex listing the countries of origin of gold and amount received from each origin for the reporting period.</li> </ul> |  | <ul style="list-style-type: none"> <li>&gt; Supply chain policy</li> <li>&gt; Management structure and responsibilities for due diligence programme</li> <li>&gt; Internal control systems and processes for information collection</li> <li>&gt; Record-keeping system and processes for identifying material origin</li> </ul>  |   | <p><b>Report on Steps taken to implement Step 1.</b></p> <ul style="list-style-type: none"> <li>&gt; Company's supply chain due diligence policy;</li> <li>&gt; explain the management structure responsible for the company's due diligence and who in the company is directly responsible;</li> <li>&gt; describe the internal systems of transparency, information collection and control over the (gold) supply chain from Step 1(C) and Step 3(B),</li> <li>&gt; describe the company's database and record keeping system and explain the methods for identifying all suppliers, down to the mine of origin and the methods for sharing the information about due diligence throughout the supply chain;</li> <li>&gt; disclose information on payments made to governments in line with EITI criteria and principles (where relevant).</li> </ul> |
| <p><b>Risk Assessment</b></p> <ul style="list-style-type: none"> <li>&gt; Risk assessment process, methodology and results</li> <li>&gt; Methodology, practices and information yielded in on-the-ground assessments</li> <li>&gt; Where the auditee utilizes an upstream assurance mechanism, some of the information may be published by this system and does not need</li> <li>&gt; to be repeated by the auditee. This concerns, in particular, descriptions of methodologies or systems of control over the supply chain. It is the responsibility of the auditee to request and obtain this information from the up-stream assurance mechanism and to make it available for the due diligence audit. Auditees, auditors, and the program may be subject to</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Summary of activities undertaken during the period to demonstrate compliance;</li> <li>&gt; Refiner's level of compliance with each Step of this Guidance;</li> <li>&gt; Management conclusion statement on compliance with this Guidance;</li> </ul>  | <ul style="list-style-type: none"> <li>&gt; Summary of activities undertaken during the period to demonstrate compliance;</li> <li>&gt; Refiner's level of compliance with each Step of the LBMA Responsible Gold Guidance;</li> <li>&gt; Management conclusion statement on compliance with the LBMA RGG;</li> </ul>  |  | <ul style="list-style-type: none"> <li>&gt; Systems for identifying red flag locations</li> <li>&gt; Description of red flags in supply chain</li> <li>&gt; Steps taken to map red flag supply chains</li> <li>&gt; Methods, practices and information yielded by on-the-ground assessment teams</li> <li>&gt; Actual and potential risks identified (not for potential suppliers)</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Rule 5.1 Each Accredited Member is required to publicly report annually on its supply chain due diligence in compliance with Step 5 of the OECD Guidance in order to generate public confidence in the measures that it has implemented.</li> <li>&gt; Rule 5.2 Minimum Requirements of Public Reporting. At minimum, each Accredited Member shall (a) publicly acknowledge its requirements under these Rules and (b) comply with Rule 4.6.</li> </ul> | <p><b>Report on steps taken to implement Step 2.</b></p> <ul style="list-style-type: none"> <li>&gt; explain how the company identified red flag operations or red flags in their supply chain, including the ver-ifications of supplier representations proportional to risk;</li> <li>&gt; describe the red flags identified in the gold supply chain;</li> <li>&gt; describe the steps taken to map the factual circumstances of those red flag operations and red flagged supply chains;</li> <li>&gt; outline the methodology, practices and information yielded by the on-the- ground assessment team including whether and how the company collaborated with other upstream companies, and how the company en- sured that all joint</li> </ul>  |

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| <p>confidentiality agreements in regards to information generated by the upstream assurance mechanism.</p>   |   |  |  |  |  | <p>work duly takes into consideration circumstances specific to the individual company;</p> <ul style="list-style-type: none"> <li>&gt; disclose the actual or potential risks identified. For the sake of clarity, companies should not report risks identified for potential suppliers with whom they have not done any business.</li> </ul>  |
| <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>&gt; Risk mitigation strategy</li> <li>&gt; Involvement of affected stakeholders</li> <li>&gt; Descriptions of efforts to track and monitor progress</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Summary of activities undertaken during the period to demonstrate compliance;</li> <li>&gt; Refiner's level of compliance with each Step of this Guidance;</li> <li>&gt; Management conclusion statement on compliance with this Guidance;</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Summary of activities undertaken during the period to demonstrate compliance;</li> <li>&gt; Refiner's level of compliance with each Step of this Guidance;</li> <li>&gt; Management conclusion statement on compliance with the LBMA RGG;</li> </ul> |  | <ul style="list-style-type: none"> <li>&gt; Match the level of detail in your report with the level of risk in your supply chain. For example, if you don't source from a CAHRA, you don't need to include information related to OECD Step 3.</li> <li>&gt; If you source from a CAHRA, report on:</li> <li>&gt; How internal control systems have been strengthened to collect reliable information from red flag supply chains</li> <li>&gt; Steps taken to manage risks, including involvement of affected stakeholders</li> <li>&gt; Efforts made to monitor and track performance for risk mitigation</li> <li>&gt; Number of instances where member has decided to disengage from suppliers</li> <li>&gt; All instances of risk mitigation and results of follow-up after six months</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Rule 5.1 Each Accredited Member is required to publicly report annually on its supply chain due diligence in compliance with Step 5 of the OECD Guidance in order to generate public confidence in the measures that it has implemented.</li> <li>&gt; Rule 5.2 Minimum Requirements of Public Reporting. At minimum, each Accredited Member shall (a) publicly acknowledge its requirements under these Rules and (b) comply with Rule 4.6..</li> </ul> | <p><b>Report on steps taken to implement Step 3.</b></p> <ul style="list-style-type: none"> <li>&gt; describe how company internal control systems, such as chain of custody or traceability systems, have been strengthened to collect and maintain reliable up-to-date information on red flagged gold supply chains; describe the steps taken to manage risks, including a summary of the strategy for risk mitigation in the risk management plan, and capability-training, if any, and the involvement of affected stakeholders;</li> <li>&gt; disclose the efforts made by the company to monitor and track performance for risk mitigation and all the instances and results of follow-up after 6 months to evaluate significant and measurable improvement;</li> <li>&gt; disclose the number of instances where the company has decided to disengage with suppliers and/or</li> <li>&gt; supply chains, consistent with Annex II, without disclosing the identity of those suppliers, except where the company deems it acceptable to do so in accordance with applicable laws.</li> </ul> |

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|  | <p><b>Audit Summary</b></p> <ul style="list-style-type: none"> <li>&gt; Date of last audit</li> <li>&gt; Audit period</li> <li>&gt; Lead auditor name</li> <li>&gt; Link to most recent publicly available audit report</li> </ul> | <p>The assurance report is prepared by the auditor and discloses details of the assurance engagement and the conclusion. The assurance report should be publicly disclosed with the Refinery's Compliance Report or clearly sign posted to where it can be accessed.</p> <p>In addition to the mandatory ISAE 3000 disclosures, the assurance statement should include the following statements (but not be limited to):</p> <ul style="list-style-type: none"> <li>&gt; The scope of the assurance engagement consists of the Refiner's Compliance Report;</li> <li>&gt; For 'limited assurance', a description of the assurance procedures performed;</li> <li>&gt; Assurance conclusion on whether the Refiner's Compliance Report describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion, is in accordance with the LBMA Responsible Sourcing Guidance; and</li> <li>&gt; A declaration statement stating that the auditor satisfies the competency requirements.</li> </ul> <p>ISAE 3000 does permit the assurance report to be expanded to include other information and explanations that are not intended to affect the auditor's conclusion, such as key observations or findings made as part of the assurance engagement. However, there is a risk that the inclusion of additional findings is subjective, and may undermine the conclusion and confuse the reader of the report. It may be preferable for the Refiner to report on any observations for improvement within the body of the Refiner's Compliance Report, as distinct from the assurance report.</p> | <p>Regardless of the third-party audit approach chosen, Refiners should also submit a Corrective Action Plan when there is a Medium / High-Risk / Zero Tolerance non-compliance and/or the Refiner fails to satisfy one or more of the requirements as set out in Steps 1 to 5 of this <i>Guidance</i>. The Refiner's Corrective Action Plan should include (for each Medium / High-Risk / Zero Tolerance non-compliance identified):</p> <ul style="list-style-type: none"> <li>&gt; A description of the issue;</li> <li>&gt; Reference to the relevant section in the LBMA Responsible Gold Guidance;</li> <li>&gt; Assigned risk rating of the non-compliance;</li> <li>&gt; Corrective actions to be taken for each non-compliance identified;</li> <li>&gt; The timeframe for completion of corrective actions for each non-compliance identified; and</li> <li>&gt; The person responsible for the implementation of each corrective action.</li> </ul> | <ul style="list-style-type: none"> <li>&gt; The auditors speak several languages and keep a consistent approach by following an audit checklist of ~300 line items specific to each Step of the OECD Guidance. The checklist remains confidential but ITSCI publishes findings and recommendations for improvement in these audit reports. ITSCI members receive audit reports several months before they are uploaded here.</li> </ul> | <p>Summary audit report with due regard taken of business confidentiality and other competitive security concerns, details of audit dates, activities, methodology and conclusions (either directly or through co-operation with an industry programme or institutionalised mechanism).</p> | <p>The Reviewer's Assurance Report and Accredited Member's Compliance Report shall be published by the Accredited Member on its website and in accordance with Rule 5 of the DMCC Rules for RBD-GPM.</p> <p>Each Review Report must</p> <ul style="list-style-type: none"> <li>&gt; (a) identify the Accredited Member and period under Review;</li> <li>&gt; (b) a description of the review activities conducted;</li> <li>&gt; (c) whether a corrective action plan or measures have been recommended;</li> <li>&gt; (d) Details of any disengagement with suppliers during the audit period and its reasons;</li> <li>&gt; (e) assessment of the actions taken/ corrective actions implemented over the previous corrective action plan or measures recommended; and</li> <li>&gt; (f) a conclusion statement on compliance with the DMCC Rules for RBD.</li> </ul> | <p><b>In addition to the above refiners should also:</b></p> <p>Publish the summary audit reports of refiners with due regard taken of business confidentiality and other competitive or security concerns. The summary audit report should include:</p> <ul style="list-style-type: none"> <li>&gt; Refiner details and the date of the audit;</li> <li>&gt; The audit activities and methodology, as defined in Step 4(A) (4), where an Industry Programme or Institutionalised Mechanism in conformance with this Guidance and as defined in Step 4(B)(2) has not published these details;</li> <li>&gt; The audit conclusion as defined in Step 4(A)(4), as they relate to each step in this Guidance;</li> </ul> |
|--|--|--|--|---|---|---|---|

## Annex 2: Summary table of due diligence reporting by 75 metals processing companies headquartered in mainland China, Hong Kong and Macau or controlled or owned by mainland Chinese nationals which were participating in international responsible sourcing programmes, 1 January 2015 and 30 November 2018

\*In the table below, “1” in the columns headed “Publication of due diligence policy”/ “of audit or audit summary report”/ “of due diligence report”, indicates some publicly available information with reference to the subject heading of the column, in the year 2017 or 2018. A “0” indicates that our researchers were unable to locate publicly-available information. A “1” in the columns headed “Audit /Summary Published 2018” and “DD Published 2018” indicates that new information was published in 2018. This is to distinguish between companies that provided updated public reporting from those which provided the same information they had published the previous year.

| Companies surveyed                                | Mineral  | Region of registration | Publication of due diligence policy |      | Publication of audit or audit summary report |      | Audit/ Summary Published | Publication of due diligence report |      | Due Diligence Report published | Broken Links | Participation in Industry Programme(s) |                    |          |      |      | Summary responses received from companies to Global Witness findings |
|---|----------|------------------------|-------------------------------------|------|--|------|--------------------------|-------------------------------------|------|--------------------------------|--------------|--|--------------------|----------|------|------|--|
|   |          |                        | 2017                                | 2018 | 2017   | 2018 |                          | 2018                                | 2017 |                                |              | 2018                                   | 2018               | RMI 2018 | LBMA | DMCC |  |
| Changsha South Tantalum Niobium Co., Ltd.         | Tantalum | Hunan                  | 1                                   | 1    | 0  | 1    | 1                        | 0                                   | 0    | 0                              |              | Conformant                             |                    |          |      |      |  |
| Chenzhou Diamond Tungsten Products Co., Ltd.      | Tungsten | Hunan                  | 1                                   | 1    | 0  | 0    | 0                        | 0                                   | 0    | 0                              |              | Conformant                             |                    |          |      |      |  |
| Chenzhou Yunxiang Mining and Metallurgy Co., Ltd. | Tin      | Hunan                  | 1                                   | 1    | 0  | 1    | 1                        | 0                                   | 0    | 0                              | 1            | Conformant                             |                    |          |      |      |  |
| China Tin Group Co., Ltd.                         | Tin      | Guangxi                | 1                                   | 1    | 0  | 0    | 0                        | 0                                   | 0    | 0                              |              | Conformant                             |                    |          |      |      |  |
| Chongyi Zhangyuan Tungsten Co., Ltd.              | Tungsten | Jiangxi                | 1                                   | 1    | 0  | 0    | 0                        | 0                                   | 0    | 0                              |              | Conformant                             |                    |          |      |      |  |
| CNMC Chifeng Dajingzi Tin Industry Co., Ltd.      | Tin      | Inner Mongolia         | 0                                   | 1    | 0  | 0    | 0                        | 0                                   | 0    | 0                              |              | Conformant                             |                    |          |      |      |  |
| Daye Nonferrous Metals Co., Ltd.                  | Gold     | Hubei                  | 0                                   | 0    | 1  | 1    | 1                        | 1                                   | 1    | 1                              |              |  | Good Delivery List |          |      |      |  |
| Dongguan CIEPO Environmental Engineering          | Tin      | Guangdong              | 0                                   | 0    | 0  | 0    | 0                        | 0                                   | 0    | 0                              |              | Active                                 |                    |          |      |      |  |

|  |          |           |   |   |   |   |   |   |   |   |   |            |                    |  |  |  |  |   |
|--|----------|-----------|---|---|---|---|---|---|---|---|---|------------|--------------------|--|--|--|--|---|
| Co., Ltd   |          |           |   |   |   |   |   |   |   |   |   |            |                    |  |  |  |  |   |
| Duoluoshan Sapphire Rare Metal Co. Ltd of Zhaoqing | Tantalum | Guangdong | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |   |            |                    |  |  |  |  | x |
| F&X Electro-Materials Ltd.                         | Tantalum | Guangdong | 0 | 1 | 0 | 0 | 0 | 1 | 1 | 1 |   | Conformant |                    |  |  |  |  | x |
| FIR Metals & Resource Ltd.                         | Tantalum | Hunan     | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 0 |   | Conformant |                    |  |  |  |  |   |
| Fujian Jinxin Tungsten Co., Ltd.                   | Tungsten | Fujian    | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |  |  |  |  |   |
| Ganzhou Haichuang Tungsten Co., Ltd.               | Tungsten | Jiangxi   | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 0 |   | Conformant |                    |  |  |  |  |   |
| Ganzhou Huaxing Tungsten Products Co., Ltd.        | Tungsten | Jiangxi   | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |                    |  |  |  |  |   |
| Ganzhou Jiangwu Ferrotungsten Co., Ltd.            | Tungsten | Jiangxi   | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |                    |  |  |  |  |   |
| Ganzhou Seadragon W & Mo Co., Ltd.                 | Tungsten | Jiangxi   | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |                    |  |  |  |  |   |
| Gejiu Fengming Metallurgy Chemical Plant           | Tin      | Yunnan    | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 0 |   | Conformant |                    |  |  |  |  |   |
| Gejiu Jinye Mineral Company                        | Tin      | Yunnan    | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |  |  |  |  |   |
| Gejiu Kai Meng Industry and Trade LLC              | Tin      | Yunnan    | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |                    |  |  |  |  |   |
| Gejiu Non-Ferrous Metal Processing Co., Ltd.       | Tin      | Yunnan    | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |  |  |  |  |   |
| Gejiu Yunxin Nonferrous Electrolysis Co., Ltd.     | Tin      | Yunnan    | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |                    |  |  |  |  |   |
| Great Wall Precious Metals Co., LTD. of CBPM       | Gold     | Sichuan   | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 0 |   |            | Good Delivery List |  |  |  |  |   |

|   |          |           |   |   |   |   |   |   |   |   |   |   |            |                    |   |   |  |   |
|---|----------|-----------|---|---|---|---|---|---|---|---|---|---|------------|--------------------|---|---|--|---|
| Guangdong Hanhe Non-Ferrous Metal Co., Ltd.       | Tin      | Guangdong | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |                    |   |   |  |   |
| Guangdong Rising Rare Metals-EO Materials Ltd.    | Tantalum | Guangdong | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | Conformant |                    |   | x |  |   |
| Guangdong Xianglu Tungsten Co., Ltd.              | Tungsten | Guangdong | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |   |   |  |   |
| Guangdong Zhiyuan New Material Co., Ltd.          | Tantalum | Guangdong | 0 | 1 | 0 | 0 | 0 | 1 | 1 | 0 |   |   | Conformant |                    |   | x |  |   |
| Guanyang Guida Nonferrous Metal Smelting Plant    | Tin      | Guangxi   | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |   |   |  |   |
| Geju zili Mining and Metallurgy Co., Ltd          | Tin      | Yunnan    | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |   | Active     |                    |   |   |  |   |
| Hengyang King Xing Lifeng New Materials Co., Ltd. | Tantalum | Hunan     | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |   |   |  |   |
| Heraeus Ltd Hong Kong                             | Gold     | Hong Kong | 1 | 1 | 1 | 1 | 1 | 0 | 1 | 1 |   |   | Conformant | Good Delivery List | x |   |  | x   |
| HuiChang Hill Tin Industry Co., Ltd.              | Tin      | Jiangxi   | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |   | Conformant |                    |   |   |  |   |
| Huichang Jinshunda Tin Co., Ltd.                  | Tin      | Jiangxi   | 0 | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 1 |   | Conformant |                    |   |   |  |   |
| Hunan Chenzhou Mining Co., Ltd.                   | Tungsten | Hunan     | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   |   | Conformant |                    |   |   |  |   |
| Hunan Chuangda Vanadium Tungsten Co., Ltd.        | Tungsten | Hunan     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |   | Conformant |                    |   |   |  |   |
| Hunan Chunchang Nonferrous Metals Co., Ltd        | Tungsten | Hunan     | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |   | Conformant |                    |   |   |  | In response to Global Witness' statement that Hunan Chunchang Nonferrous Metals Co., Ltd. did not publish an audit summary or due diligence report in 2017 or 2018, the company told Global Witness that it 'is a member of TI-CMC and is |



|   |          |                |   |   |   |   |   |   |   |   |  |  |            |                    |  |  |  |  |
|---|----------|----------------|---|---|---|---|---|---|---|---|--|--|------------|--------------------|--|--|--|--|
|   |          |                |   |   |   |   |   |   |   |   |  |  |            |                    |  |  |  | supposed to be audited every three years. All the audit reports are kept with the auditors.'   |
| Hunan Litian Tungsten Industry Co., Ltd.                        | Tungsten | Hunan          | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |  |  | Out        |                    |  |  |  |  |
| Inner Mongolia Qiankun Gold and Silver Refinery Share Co., Ltd. | Gold     | Inner Mongolia | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 |  |  | Conformant | Good Delivery List |  |  |  |  |
| Jiangwu H.C. Starck Tungsten Products Co., Ltd.                 | Tungsten | Jiangxi        | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 0 |  |  | Conformant |                    |  |  |  | <p>Jiangwu H.C. Starck Tungsten Products Co., Ltd. told Global Witness that the company did not publish audit summary reports during the period of the review because it could not obtain the report, which could only be published by CFSI.</p> <p>The company disputed Global Witness' interpretation of the OECD Guidance requirement to identify, mitigate and report on specific risks stating that 'If actual or potential risks are not identified, disclosure is not required in the annual report'. The company stated that they did not publish new due diligence information in 2018 because they were not required to publish due diligence reports as a CFSP compliant tungsten smelter. However, they stated that they had updated their due diligence report in May 2019 in line with the RMAP standard and provided Global Witness with a link 'covering the period from April 23, 2016 to May 9, 2019'; <a href="http://14964228.s21d-14.faiusrd.com/0/ABUIABA9GAAggq3z5gUox4X-eE7%9F%BF%E7%89%A9%E5%AE%A1%E9%AA%8C%E6%B5%81%E7%A8%8B%E5%85%AC%E5%B-C%80%E5%B0%BD%E8%81%8C%E8%B0%83%E6%9F%A">http://14964228.s21d-14.faiusrd.com/0/ABUIABA9GAAggq3z5gUox4X-eE7%9F%BF%E7%89%A9%E5%AE%A1%E9%AA%8C%E6%B5%81%E7%A8%8B%E5%85%AC%E5%B-C%80%E5%B0%BD%E8%81%8C%E8%B0%83%E6%9F%A</a></p> |

|  |          |         |   |   |   |   |   |   |   |   |   |            |                    |  |  |  |   |
|--|----------|---------|---|---|---|---|---|---|---|---|---|------------|--------------------|--|--|--|---|
|  |          |         |   |   |   |   |   |   |   |   |   |            |                    |  |  |  | 5%E6%8A%A5%E5%91%8A%EF%BC%88%E4%B8%AD%E8%8B%B1%E6%96%87%EF%BC%89-%E6%B1%9F%E9%92%A8%E4%B8%96%E6%B3%B0%E7%A7%91%E9%92%A8%E5%93%81%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8.pdf&v=1557976706   |
|  |          |         |   |   |   |   |   |   |   |   |   |            |                    |  |  |  | The publication date falls outside of the Global Witness review.  |
| Jiangxi Copper Co., Ltd.                     | Gold     | Jiangxi | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | Conformant | Good Delivery List |  |  |  |   |
| Jiangxi Dinghai Tantalum & Niobium Co., Ltd. | Tantalum | Jiangxi | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |  |  |  |   |
| Jiangxi Gan Bei Tungsten Co., Ltd.           | Tungsten | Jiangxi | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |  |  |  |   |
| Jiangxi Ketai Advanced Material Co., Ltd.    | Tin      | Jiangxi | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |                    |  |  |  |   |
| Jiangxi New Nanshan Technology Ltd.          | Tin      | Jiangxi | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |                    |  |  |  | ** Jiangxi New Nanshan Technology told Global Witness that they had not published audit summary reports during the period of the review because they had not received the report from RMI, and that RMI did not require them to publish it. In relation to the absence of a due diligence report in 2017 or in 2018, the company told Global Witness that they had 'not received any request for our due diligence report to be published' They also told Global Witness that, 'Our company, New Nanshan, has been shouldering its due social responsibility in response to our clients' demand. We operate pursuant to laws and regulations. Our clients demand that we participate in RMI and |

|   |          |         |   |   |   |   |   |   |   |   |   |            |  |  |  |  |  |  |
|---|----------|---------|---|---|---|---|---|---|---|---|---|------------|--|--|--|--|--|--|
|   |          |         |   |   |   |   |   |   |   |   |   |            |  |  |  |  |  | pass its audit, and we have accordingly done our best to participate in this program'.   |
| Jiangxi Tonggu Non-ferrous Metallurgical & Chemical Co., Ltd. | Tungsten | Jiangxi | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |  |  |  |  |  | <p>** In response to Global Witness' statement about the absence of an audit summary in 2017 and 2018, Jiangxi Tonggu Non-ferrous Metallurgical &amp; Chemical Co. Ltd. said that it 'passed CFSP audit on April 26, 2016, and its qualification as a compliant tungsten smelter expired on April 26, 2019' but that it did not publish the audit summary report during this period because it could not obtain it. The company told Global Witness that according to the CFSP, the company did not need to publish due diligence reports in 2017 and 2018, but that in April 2019 they had submitted their first due diligence report to RMI, covering the period from April 28, 2016 to April 25, 2019 and that RMI made this due diligence report available at:<br/> <a href="http://www.responsiblemineralsinitiative.org/media/docs/Jiangxi%20Tonggu_2019.pdf">http://www.responsiblemineralsinitiative.org/media/docs/Jiangxi%20Tonggu_2019.pdf</a>.<br/> The publication date of this report fell outside of the period of the Global Witness review.</p> |
| Jiangxi Tuohong New Raw Material                              | Tantalum | Jiangxi | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |  |  |  |  |  |  |
| Jiangxi Xinsheng Tungsten Industry Co., Ltd.                  | Tungsten | Jiangxi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |  |  |  |  |  | <p>** In response to Global Witness' statement about the absence of an audit summary in 2017 and 2018, Jiangxi Xinsheng Tungsten Industry Co., Ltd. told Global Witness that the requirement for auditing of tungsten smelters was once every three years and that therefore, audit summary reports and due diligence reports were not published in 2017 and 2018. Jiangxi Xinsheng Tungsten Industry Co., Ltd. provided Global Witness with a link to its supply</p>  |

|  |          |         |   |   |   |   |   |   |   |   |  |            |  |  |   |  |  |
|--|----------|---------|---|---|---|---|---|---|---|---|--|------------|--|--|---|--|--|
|  |          |         |   |   |   |   |   |   |   |   |  |            |  |  |   |  | chain policy in 2019:<br><a href="http://www.responsiblemineralsinitiative.org/media/docs/SupplyChainPolicy_Jiangxi_Xinsheng.pdf">http://www.responsiblemineralsinitiative.org/media/docs/SupplyChainPolicy_Jiangxi_Xinsheng.pdf</a>   |
| Jiangxi Xiushui Xianggan Nonferrous Metals Co., Ltd.                               | Tungsten | Jiangxi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  | Out        |  |  |   |  |  |
| Jiangxi Yaosheng Tungsten Co., Ltd.  | Tungsten | Jiangxi | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |  | Conformant |  |  |   |  | ** Jiangxi Yaosheng Tungsten Co. told Global Witness that they were first audited by RMI (then CFSI) in 2016 when this was required just once every three years and that therefore, the audit summary reports and due diligence reports were not published in 2017 and 2018, but that following the introduction of RMI's 2018 audit standard, the company is being audited according to the new standard.   |
| Jiujiang Janny New Material Co., Ltd.  | Tantalum | Jiangxi | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |  | Conformant |  |  |   |  |  |
| JiuJiang JinXin Nonferrous Metals Co., Ltd.  | Tantalum | Jiangxi | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 0 |  | Conformant |  |  | x |  | ** JiuJiang JinXin Nonferrous Metals stated that they had provided supply chain incident details in their 2018 report, and provided Global Witness with a copy of their 2018 due diligence report, which referred to incident numbers generated by the iTSCI programme and stated that the incident reports caused them to suspend buying from the supplier concerned. They also stated that they had undertaken visits to mine sites in Rwanda and DRC. This report was not available during the period of the Global Witness review. |
| Jiujiang Nonferrous Metals Smelting Company Limited aka , Jiujiang Tanbre Co., Ltd | Tantalum | Jiangxi | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 1 |  | Conformant |  |  | x |  |  |
| Jiujiang Zhongao   | Tantalum | Jiangxi | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 0 |  | Conformant |  |  |   |  |  |

|  |          |           |   |   |   |   |   |   |   |   |  |            |                    |  |  |   |  |
|--|----------|-----------|---|---|---|---|---|---|---|---|--|------------|--------------------|--|--|---|--|
| Tantalum & Niobium Co., Ltd.               |          |           |   |   |   |   |   |   |   |   |  |            |                    |  |  |   |  |
| King-Tan Tantalum Industry Ltd.            | Tantalum | Jiangxi   | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |  | Out        |                    |  |  |   |  |
| Maanshan Weitai Tin Co., Ltd               | Tin      | Anhui     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |  | Active     |                    |  |  |   |  |
| Malipo Haiyu Tungsten Co., Ltd.            | Tungsten | Yunnan    | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 0 |  | Conformant |                    |  |  |   | ** Malipo Haiyu Tungsten Co., Ltd. stated that they published the audit results in 2017 and in 2018 and provided Global Witness with a link ( <a href="http://www.cxtc.com/News_info.aspx?id=1213">http://www.cxtc.com/News_info.aspx?id=1213</a> ) to a webpage entitled 'Xiamen Jialu Metal Industry Co., Ltd. passed the annual review of the RMI Audit Committee'  |
| Metalink International Co. Ltd             | Tantalum | Jiangsu   | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |  |            |                    |  |  |   |  |
| Metalor Technologies (Hong Kong) Ltd.      | Gold     | Hong Kong | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |  | Conformant | Good Delivery List |  |  |   |  |
| Metalor Technologies (Suzhou) Ltd.         | Gold     | Jiangsu   | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |  | Conformant |                    |  |  | x | ** Metalor Technologies (Suzhou) disputed Global Witness' statement that they did not publish due diligence reports in 2017 and 2018 and provided a link: ( <a href="http://www.metalor.com/en/node_59/ISO-RJC-LPPM-and-LBMA-certifications">http://www.metalor.com/en/node_59/ISO-RJC-LPPM-and-LBMA-certifications</a> ) to a webpage with details of participation in responsible sourcing programmes                        |
| Ningxia Orient Tantalum Industry Co., Ltd. | Tantalum | Ningxia   | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 0 |  | Conformant |                    |  |  | x | ** In response to Global Witness' statement that 'Ningxia Orient Tantalum Industry did not publish an audit summary report in 2017 or in 2018', the company stated that the audit summary report of 2017 was published online on September 22, 2017. They also said that their 2018 audit summary report was delayed due to RMI and sent Global Witness a copy of the report citing updates to their website as the reason for |



|   |          |           |   |   |   |   |   |   |   |   |   |   |            |  |  |  |  | annual review of the RMI Audit Committee'   |
|---|----------|-----------|---|---|---|---|---|---|---|---|---|---|------------|--|--|--|--|---|
| Xinfeng Huarui Tungsten & Molybdenum New Material Co., Ltd. | Tungsten | Jiangxi   | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |  |  |  |  |   |
| Xinhai Rendan Shaoguan Tungsten Co., Ltd.                   | Tungsten | Guangdong | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | Conformant |  |  |  |  |   |
| XinXing HaoRong Electronic Material Co., Ltd.               | Tantalum | Guangdong | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | Conformant |  |  |  |  |   |
| Yanling Jincheng Tantalum & Niobium Co., Ltd.               | Tantalum | Hunan     | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |  |  |  |  | ** Yanling Jincheng Tantalum & Niobium told Global Witness that prior to 2018 the company's tantalum products were sold via RFH Metals & Chemicals Co., Ltd, in whose name they accepted annual audits. They further stated that they were audited jointly with RFH Metals & Chemicals Co., Ltd in 2018 and that they 'passed'. In relation to absent audit summaries and due diligence reporting, Yanling Jincheng Tantalum & Niobium also referred to audits and due diligence reports being published in the name of RFH Metals & Chemicals Co., Ltd. The company told Global Witness that in 2019, 'RMI website will remove RFH Metals & Chemicals Co., Ltd. from the list... and only keep the name of our company'. |
| Yichun Jin Yang Rare Metal Co., Ltd.                        | Tantalum | Jiangxi   | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |   | Out        |  |  |  |  |   |
| Yunnan Chengfeng Non-ferrous Metals Co., Ltd.               | Tin      | Yunnan    | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |   | Conformant |  |  |  |  | ** In response to Global Witness' statement that Yunnan Chengfeng Non-ferrous Metals Co., Ltd did not publish a due diligence report in 2017 or 2018, the company stated that they 'have not received any request for our due diligence report to be published'. They also stated that RMI did not require publication of   |





|   |          |        |           |           |           |           |           |           |           |          |           |            |                    |          |          |          |  |  |
|---|----------|--------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|------------|--------------------|----------|----------|----------|--|--|
|   |          |        |           |           |           |           |           |           |           |          |           |            |                    |          |          |          |  | through the RMI website or the Yunnan Tin website. |
| Zhongyuan Gold Smelter of Zhongjin Gold Corporation | Gold     | Henan  | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1        |           | Conformant | Good Delivery List |          |          |          |  |  |
| Zhuzhou Cemented Carbide Group Co., Ltd.            | Tantalum | Hunan  | 1         | 1         | 0         | 0         | 0         | 1         | 1         | 0        |           |            |                    |          | x        |          |  |  |
| Zijin Mining Group Co. Ltd                          | Gold     | Fujian | 1         | 1         | 1         | 1         | 1         | 0         | 0         | 0        |           | Conformant | Good Delivery List |          |          |          |  |  |
| <b>TOTAL</b>  |          |        | <b>51</b> | <b>56</b> | <b>12</b> | <b>20</b> | <b>18</b> | <b>16</b> | <b>18</b> | <b>8</b> | <b>21</b> | <b>63</b>  | <b>11</b>          | <b>1</b> | <b>9</b> | <b>2</b> |  |  |
| Companies by metal processed                        |          |        |           |           |           |           |           |           |           |          |           |            |                    |          |          |          |  |  |
| Tungsten  | 23       |        |           |           |           |           |           |           |           |          |           |            |                    |          |          |          |  |  |
| Tin   | 19       |        |           |           |           |           |           |           |           |          |           |            |                    |          |          |          |  |  |
| Tantalum  | 21       |        |           |           |           |           |           |           |           |          |           |            |                    |          |          |          |  |  |
| Gold  | 12       |        |           |           |           |           |           |           |           |          |           |            |                    |          |          |          |  |  |



- <sup>23</sup> Global Witness, May 2018, At any price we will take the mines: The Islamic state, the Taliban and Afghanistan's white talc mountain; <https://www.globalwitness.org/en/campaigns/afghanistan/talc-everyday-mineral-funding-afghan-insurgents/>
- <sup>24</sup> United Nations Office of the High Commissioner for Human Rights, 2011, 'Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework', [https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
- <sup>25</sup> <https://www.unglobalcompact.org/library/2>
- <sup>26</sup> OECD, 2016, "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third edition".
- <sup>27</sup> See "Arrêté ministériel no. 0057 CAB.MIN/MINES/01/2012 du 29 février 2012" [http://www.mines-rdc.cd/fr/wp-content/uploads/documents/Arrete\\_0057\\_2012.pdf](http://www.mines-rdc.cd/fr/wp-content/uploads/documents/Arrete_0057_2012.pdf) and "Ministerial Regulations No. 002//2012/ MINIRENA of 28/03/2012 on the Regional Certification Mechanism for Minerals" in Rwanda, [http://www.minirena.gov.rw/fileadmin/Mining\\_Sub-sector/Laws\\_Policies\\_and\\_Programmes/Laws/5.Ministerial\\_Regulation\\_Regional\\_Certification\\_Mechanism\\_for\\_Minerals.pdf](http://www.minirena.gov.rw/fileadmin/Mining_Sub-sector/Laws_Policies_and_Programmes/Laws/5.Ministerial_Regulation_Regional_Certification_Mechanism_for_Minerals.pdf)
- <sup>28</sup> Ordonnance ministérielle no. 760/CAB/584/2013 portant révision de l'Ordonnance ministérielle No. 760/214/1/3/2011 portant procédures de certification des substances minérales en République du Burundi.
- <sup>29</sup> International Conference of the Great Lakes Region, April, 2019, ICGLR Strategy for Artisanal and Small-Scale Gold, f.n. 19, <http://cosoc-gl.org/wp-content/uploads/2019/04/ICGLR-ASM-Gold-Strategy.pdf>
- <sup>30</sup> United Nations Security Council, Letter dated 22 September 2016 from the Chair of the Security Council Committee established pursuant to resolution 1591 (2005) concerning the Sudan addressed to the President of the Security Council, S/2016/805, XII, A., (e), [http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s\\_2016\\_805.pdf](http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2016_805.pdf); United Nations Security Council, 26 November 2018, Letter dated 26 November 2018 from the Panel of Experts on South Sudan addressed to the President of the Security Council, Interim report of the Panel of Experts on South Sudan submitted pursuant to resolution 2428 (2018), S/2018/1049, <https://undocs.org/S/2018/1049>; United Nations Security Council, Resolution 2153 (2014), Adopted by the Security Council at its 7163rd meeting, on 29 April 2014, <https://www.un.org/press/en/2014/sc11372.doc.htm>
- <sup>31</sup> The London Metal Exchange, 25 October 2019, sets out responsible sourcing requirements; <https://www.lme.com/News/Press-room/Press-releases/Press-releases/2019/10/LME-sets-out-responsible-sourcing-requirements>
- <sup>32</sup> OECD, 12 February 2019, Global Material Resources Outlook to 2060: Economic Drivers and Environmental Consequences - Highlights, <https://www.oecd.org/environment/global-material-resources-outlook-to-2060-9789264307452-en.htm>
- <sup>33</sup> Global Witness, Sophia Pickles, 25 March 2019, "System Update: How to fix the ethics problem in Germany's supply chains", <https://www.globalwitness.org/en/blog/system-update-how-fix-ethics-problem-germanys-supply-chains/>.
- <sup>34</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, 2016, Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain, Step 5, page 19, Supplement on Tin, Tantalum and Tungsten, Step 5, p. 52 and Supplement on Gold, Step 5, p. 111
- <sup>35</sup> For more information on reporting on risk, see Global Witness, 28 September 2009, Time to dig deeper, p.5-6 and OECD Guidance, Annex 3. Due diligence reporting is a means of both honouring and sharing responsibility: if a comprehensive record of risks exists in the public domain, bigger international minerals traders and handlers cannot reasonably brush them under the carpet. Companies may consider due diligence information which they have published useful as a legal defence if called upon. The recent Vedanta Resources judgement establishes that parent-sub-sidiary relationships do carry a duty of care. As such, public due diligence reporting, including for supply chain due diligence, may act as useful evidence of good faith efforts to identify and mitigate potential or actual environmental, social and governance risks, including risk of corruption and climate impact. See also Doug Cassel, 19 April 2019, Opinion Juris Vedanta vs Lungowe Symposium: Beyond Vedanta – Reconciling Tort Law with International Human Rights Norms, <http://opiniojuris.org/2019/04/19/vedanta-v-lungowe-symposium-beyond-vedanta-reconciling-tort-law-with-international-human-rights-norms%E2%BB%BF/>
- <sup>36</sup> Global Witness and Amnesty International, "Digging for Transparency: How U.S. companies are only scratching the surface of conflict minerals reporting", 22 April 2015, available at <https://www.globalwitness.org/en-gb/campaigns/conflict-minerals/digging-transparency/>; Global Witness, "Time to dig deeper: New analysis shows companies exporting and trading minerals from the African Great Lakes region have made some progress on responsible sourcing, but must do more", 30 August 2017, available at <https://www.globalwitness.org/en/campaigns/democratic-republic-congo/time-dig-deeper/>. For Chinese versions: <https://www.globalwitness.org/en/reports/digging-transparency-ch/> and <https://www.globalwitness.org/en/campaigns/democratic-republic-congo/time-dig-deeper/>
- <sup>37</sup> The European Coalition for Corporate Justice (ECCJ), 4 March 2019, "A Human Rights Review of the EU Non-Financial Reporting Directive", <https://corporatejustice.org/news/13195-eccj-study-of-non-financial-reporting-reveals-need-for-ungp-framework>
- <sup>38</sup> A 2019 study of an NGO coalition, which analysed 80 of the disclosure reports after the first year of the French devoir de vigilance law revealed that few companies had met the reporting requirements of the law in full, and some companies had not reported at all (Collectif Éthique sur l'étiquette, "Deux ans après l'adoption de la loi sur le devoir de vigilance, les entreprises dans le viseur des ONG", 21 February 2019; <https://ethique-sur-etiquette.org/Deux-ans-apres-l-adoption-de-la-loi-sur-le-devoir-de-vigilance-les-entreprises>
- <sup>39</sup> OECD (2018): OECD Due Diligence Guidance for Responsible Business Conduct. Page 69.
- <sup>40</sup> OECD (2016): OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Page 41-42, 86-97.
- <sup>41</sup> OECD (2016): OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Page 52-53, 111-112.
- <sup>42</sup> OECD (2016): OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Page 98, 103.
- <sup>43</sup> OECD (2016): OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Page 43, 97.
- <sup>44</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, 2016, Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain, page 47 and 106.<sup>45</sup> Section 1502 of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, better known as the Dodd-Frank Act. The law requires, among other things, U.S. listed companies to undertake due diligence to check if certain minerals in their products – tin, tungsten, tantalum and gold – are funding armed groups or fuelling human rights abuses in Congo and its neighbouring countries.
- <sup>46</sup> See "Arrêté ministériel no. 0057 CAB.MIN/MINES/01/2012 du 29 février 2012" in Congo ([http://www.mines-rdc.cd/fr/wp-content/uploads/documents/Arrete\\_0057\\_2012.pdf](http://www.mines-rdc.cd/fr/wp-content/uploads/documents/Arrete_0057_2012.pdf)) and "Ministerial Regulations No.002//2012/MINIRENA of 28/03/2012 on the Regional Certification Mechanism for Minerals" in Rwanda ([http://www.minirena.gov.rw/fileadmin/Min- ing\\_Subsector/Laws\\_Policies\\_and\\_Programmes/Laws/5.Ministerial\\_Regulation\\_Regional\\_Certification\\_Mechanism\\_for\\_Minerals.pdf](http://www.minirena.gov.rw/fileadmin/Min- ing_Subsector/Laws_Policies_and_Programmes/Laws/5.Ministerial_Regulation_Regional_Certification_Mechanism_for_Minerals.pdf)).

<sup>47</sup> The EU Regulation applies to companies whose imports of ores or metals containing tin, tantalum, tungsten or gold into the EU exceed certain specified annual thresholds. The law will require companies to conduct due diligence on their supply chains broadly in line with the OECD Guidance. Unlike the EU's Regulation, the OECD Guidance applies to all mineral resources and to the entire supply chain, including companies that buy or trade products containing the four minerals. The final text of the EU Regulation is available here: [https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/legal-texts-and-documents/index\\_en.htm](https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/legal-texts-and-documents/index_en.htm)

<sup>48</sup> OECD (2018): Alignment Assessment of Industry Programmes with the OECD minerals guidance. Page 20.

<sup>49</sup> RMI website, "RMAP indicators", accessed 7 December 2019; <http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/>

<sup>50</sup> LBMA website, "Current Membership", accessed 7 December 2019, <http://www.lbma.org.uk/current-membership>.

<sup>51</sup> Previously the Tantalum-Niobium International Study Center (T.I.C.) co-managed the ITRI programme together with ITA.

<sup>52</sup> OECD (2018): Alignment Assessment of Industry Programmes with the OECD minerals guidance. Page 20.

<sup>53</sup> In 2016, the OECD launched a project to develop and test an assessment methodology for evaluating the extent to which industry programmes align with the detailed recommendations of the OECD Guidance – the so-called Alignment Assessment. More specifically, the OECD carried out two assessments between 2016 and 2018. The initial OECD assessment found significant gaps between the standards set out in the industry programmes and the recommendations of the OECD Guidance. The Alignment Assessment identified "insufficient attention to the Step 5 reporting requirements set out in the OECD Guidance" as a common area across industry programmes where improvement was needed in both standards and implementation. This led to a substantial improvement of the expectations and requirements formulated in revised standards with regard to Step 5 reporting. (OECD, Alignment Assessment, 2018, p. 9, 32, 33).

<sup>54</sup> LBMA, LBMA Responsible Gold Guidance Version 6 – 14 August, 2015, Step 5 – Report on supply chain due diligence, <http://www.lbma.org.uk/assets/market/gdl/RGG%20v6.0%20201508014.pdf>

<sup>55</sup> LBMA Responsible Gold Guidance Version 7 Last updated 1st September 2017, Step 5 Report on supply chain due diligence; [http://www.lbma.org.uk/assets/downloads/responsible%20sourcing/Responsible\\_Gold\\_Guidancev7.pdf](http://www.lbma.org.uk/assets/downloads/responsible%20sourcing/Responsible_Gold_Guidancev7.pdf)

<sup>56</sup> OECD, April 2018, "Alignment Assessment of industry programmes with the OECD minerals guidance", pg. 60

<sup>57</sup> DMCC Rules for Risk Based Due diligence for Gold and Precious Metals (Version 1.1, 2017)

<sup>58</sup> OECD (2018): Alignment Assessment of industry programmes with the OECD minerals guidance", pages 49, 60, 72, 83, 96.

<sup>59</sup> U.S. Geological Services (2020): Mineral Commodity Summaries, pages 71, 173 and 179.

<sup>60</sup> UN Comtrade database. See <https://comtrade.un.org/data/>

<sup>61</sup> <https://intrepidsourcing.com/industry-reports/consumer-electronics-industry-report/>; <https://www.statista.com/chart/20858/top-10-countries-by-share-of-global-manufacturing-output/>;

<sup>62</sup> China's State Council, 13 October 2017, "Guiding Opinions of the General Office of the State Council on Vigorously Advancing the Innovation and Application of Supply Chains"; [http://www.gov.cn/zhengce/content/201710/13/content\\_5231524.htm](http://www.gov.cn/zhengce/content/201710/13/content_5231524.htm)

<sup>63</sup> Guidance on Promoting Green Belt and Road", 26 April 2017, published in the website of Ministry of Ecology and Environment of China, 26 April, 2017, [http://www.mee.gov.cn/gkml/hbb/bwj/201705/t20170505\\_413602.htm](http://www.mee.gov.cn/gkml/hbb/bwj/201705/t20170505_413602.htm)

<sup>64</sup> "Notice on the Issuance of Green Industry Guideline Catalogue (2019 edition)", published in the website of NDRC, 14 February 2019, [http://hzs.ndrc.gov.cn/newzwx/201903/t20190305\\_930020.html](http://hzs.ndrc.gov.cn/newzwx/201903/t20190305_930020.html)

<sup>65</sup> Further notable developments with regards to due diligence in China are:

- Awareness of environmental risks and responsibilities along supply chains of brand name firms have been highlighted through research and disclosure efforts of civil society organisations concerned with high pollution levels in mainland China (Financial Times, 28 May 2018, Emily Feng, "Xiaomi supplier accused of environmental failings"; <https://www.ft.com/content/7dfef4d6-5fef-11e8-9334-2218e7146b04>; Institute of Public and Environmental Affairs (IPE), "Green Supply Chain: Brand Map", <http://www.ipe.org.cn/GreenSupply-Chain/Main.aspx>).

In the timber sector, the National Forest and Grassland Administration organised a forestry green supply chain meeting in 2018, during which leading Chinese wood product manufacturers made pledges to construct global green forestry supply chains (China's National Forestry and Grassland Agency, June 2018, "International Symposium on Green Supply Chain of Forest Products", <http://www.cinfat.cn/index.php?m=announce&c=index&a=show&aid=40>).

In recent years, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) – one of China's border control agencies – engaged with international and domestic experts to develop a national-level standard related to the responsibility of importers to ensure they were not trading in minerals linked to conflict (General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ), 28 October 2015, The Customs Department organizes a special investigation on the "conflict minerals" supervision policy; [http://samr.aqsic.gov.cn/xgk\\_13386/ywx/tggl/201510/t20151028\\_452366.htm](http://samr.aqsic.gov.cn/xgk_13386/ywx/tggl/201510/t20151028_452366.htm)). AQSIQ was part-submerged into China's Customs body during the spring 2018 ministerial reorganisation but progress on the importing standard has stalled.

<sup>66</sup> China's Ministry of Ecology and Environment, 31 August 2016, "Guiding Opinions on Building a Green Financial System", [http://www.mee.gov.cn/gkml/hbb/gwy/201611/t20161124\\_368163.htm](http://www.mee.gov.cn/gkml/hbb/gwy/201611/t20161124_368163.htm)

<sup>67</sup> 新华网, 2020年12月30日, 《习近平主持召开中央全面深化改革委员会第十七次会议》, [http://www.xinhuanet.com/politics/2020-12/30/c\\_1126928497.htm](http://www.xinhuanet.com/politics/2020-12/30/c_1126928497.htm); The Siaset Daily, 'Xi stresses making greater breakthroughs in reform at new development stage' 8 January 2021 <https://www.siasat.com/xi-stresses-making-greater-breakthroughs-in-reform-at-new-development-stage-2062999/>

<sup>68</sup> China Chamber of Commerce of Metals, Minerals and Chemicals Importers & Exporters, "Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, 2015, available at <https://www.globalwitness.org/en/press-releases/global-witness-welcomes-progressive-new-chinese-mineral-supply-chain-guidelines/>.

<sup>69</sup> China Chamber of Commerce of Metals, Minerals and Chemicals Importers & Exporters, 24 October 2014, Guidelines for Social Responsibility in Outbound Mining Investments; <http://www.cccmc.org.cn/docs/2014-10/20141029161135692190.pdf>

<sup>70</sup> <https://mneguidelines.oecd.org/chinese-due-diligence-guidelines-for-responsible-mineral-supply-chains.htm>

<sup>71</sup> General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ), 28 October 2015, The Customs Department organizes a special investigation on the "conflict minerals" supervision policy, [http://samr.aqsic.gov.cn/xgk\\_13386/ywx/tggl/201510/t20151028\\_452366.htm](http://samr.aqsic.gov.cn/xgk_13386/ywx/tggl/201510/t20151028_452366.htm)

- <sup>72</sup> Global Witness, 23 October 2015, Jade: Myanmar's 'Big state secret: The biggest natural resources heist in modern history?', <https://www.globalwitness.org/en/campaigns/oil-gas-and-mining/myanmarjade/>; 6 June 2016, War in the Treasury of the People: Afghanistan, lapis lazuli and the battle for mineral wealth <https://www.globalwitness.org/it/campaigns/conflict-minerals/war-treasury-people-afghanistan-lapis-la-zuli-and-battle-mineral-wealth/>; 1 August 2017, Stained Trade: How US imports of exotic flooring from China risk driving the theft of indigenous land and deforestation in Papua New Guinea, <https://www.globalwitness.org/en/campaigns/forests/stained-trade/>; 5 July 2016, River of Gold: How the state lost out in an eastern Congo gold boom, while armed groups, a foreign mining company and provincial authorities pocketed millions, <https://www.globalwitness.org/en/campaigns/conflict-minerals/river-of-gold-drc/>; 6 March 2018, Capture on the Nile: South Sudan's state-owned oil company, Nilepet, has been captured by the country's predatory elite and security services, <https://www.globalwitness.org/en/press-releases/south-sudans-leadership-uses-state-owned-oil-company-nilepet-funnel-millions-brutal-security-services-and-ethnic-militias/>
- <sup>73</sup> <http://www.responsiblemineralsinitiative.org/smelters-refiners-lists/>
- <sup>74</sup> "Some information on supply chain due diligence" refers to the three main categories – due diligence policies, due diligence reports and/or audit (summary) reports. Other types of information, such as posting audit certificates or simple announcements of industry group participation were not counted.
- <sup>75</sup> Heraeus Ltd Hong Kong, Ltd., Metalor Technologies (Hong Kong) Ltd., Sichuan Tianze Precious Metals Co., Ltd. and Zhongyuan Gold Smelter of Zhongjin Gold Corporation.
- <sup>76</sup> After the June 2018 RMAP standard revisions, 13 entities were re-audited during the review period. However, of these, only nine published an audit summary and no entities published a Step 5 due diligence report for 2017 by November 2018 (although two of the re-audited entities, Ningxia Oriental Tantalum and Sichuan Tianze Precious Metals, had published a supply chain due diligence report for earlier years).
- <sup>77</sup> The audit summary should include refiner details, date of audit, audit activities and methodology and audit conclusions. (OECD Guidance, Gold Supplement, Step 5)
- <sup>78</sup> OECD (2016): OECD Guidance, page 53 and 111.
- <sup>79</sup> Global Witness (2014): City of Gold <https://www.globalwitness.org/en/archive/revealed-why-dubais-first-conflict-gold-audit-never-saw-light-day/>; Global Witness (2020): Beneath the Shine <https://www.globalwitness.org/en/campaigns/conflict-minerals/beneath-shine-tale-two-gold-refiners/>
- <sup>80</sup> See Global Witness, 2014, "City of Gold: Why Dubai's first conflict gold audit never saw the light of day". See also OECD Alignment Assessment (p13)
- <sup>81</sup> See Annex 2 for details of company responses to Global Witness' requests for comment
- <sup>82</sup> <https://www.sec.gov/comments/statement-013117/cll2-1648467-148482.pdf>
- <sup>83</sup> Section 1502 of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act requires, among other things, U.S.-listed companies to undertake due diligence to check if certain minerals in their products – tin, tungsten, tantalum and gold – are funding armed groups or fuelling human rights abuses in Democratic Republic of Congo and its neighbouring countries (these are: Angola, Burundi, the Central African Republic, the Republic of Congo, Uganda, Rwanda, South Sudan, Tanzania, and Zambia). In 2015 Global Witness and Amnesty International analysed 100 reports filed by companies with the Securities and Exchange Commission (SEC) under Section 1502 of the Dodd-Frank Act. See Global Witness and Amnesty International, 2015, "Digging for Transparency": <https://www.globalwitness.org/en/campaigns/conflict-minerals/digging-transparency/>.
- <sup>84</sup> Global Witness (2020): Beneath the Shine.
- <sup>85</sup> Upcoming GW report
- <sup>86</sup> Reuters, Yimou Lee and Joel Schectman, "How a rebel Myanmar tin mine may up-end a global supply chain", 28 November 2016 <https://www.reuters.com/article/uk-myanmar-tin-insight/how-a-rebel-myanmar-tin-mine-may-up-end-a-global-supply-chain-idUKKBN13N1XY>; International Crisis Group, "Gold and grief in Venezuela's violent south", 28 February 2019, <https://www.crisisgroup.org/latin-america-caribbean/andes/venezuela/073-gold-and-grief-venezuelas-violent-south>; The Guardian, Bram Ebus, "Venezuela's mining arc: a legal veneer for armed groups to plunder", 8 June 2019, <https://www.theguardian.com/world/2019/jun/08/venezuela-gold-mines-rival-armed-groups-gangs>.
- <sup>87</sup> OECD, 'Alignment Assessment of Industry Programmes with the OECD Minerals Guidance', 2018, page 32.
- <sup>88</sup> Due to the time needed for companies to implement and then be audited against the revised standards, implementation of the revised provisions was not re-assessed by the OECD in the pilot project. A full re-assessment of implementation was originally planned by the OECD for 2019/2020.57 However, this was subsequently reconsidered in favour of supporting the EU Commission's use of the methodology developed through the Alignment Assessment to assess whether industry programmes applying for "recognition" align with the OECD Guidance which underpins the regulation (A delegated Regulation (EU) 2019/429 of 11 January 2019 ('the Delegated Act') supplements the main Regulation by establishing the methodology and criteria that the Commission will use to assess whether due diligence programmes can be recognised as 'facilitating' a company's compliance with the Regulation. Companies which are participating in programmes that are "recognised" by the EU Commission as "facilitating" a company's compliance with the regulation will be placed on a so-called "approved list" of "global smelters and refiners which source responsibly" (See: [https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/index\\_en.htm](https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/index_en.htm)).
- <sup>89</sup> <https://www.responsiblemineralsinitiative.org/rmap/documents-and-tools/>
- <sup>90</sup> LBMA Responsible Sourcing Programme, Responsible Gold Guidance V8, 11.12.2018, Step 5. Report on supply chain Due Diligence <http://www.lbma.org.uk/assets/downloads/responsible%20sourcing/RGGV820181211.pdf>
- <sup>91</sup> <https://www.responsiblejewellery.com/standards/code-of-practices-2019/>
- <sup>92</sup> [https://www.dmcc.ae/application/files/3116/0083/7591/DMCC\\_Rules\\_RBD\\_GPM\\_-\\_v2\\_Final\\_002.pdf](https://www.dmcc.ae/application/files/3116/0083/7591/DMCC_Rules_RBD_GPM_-_v2_Final_002.pdf)
- <sup>93</sup> OECD (2018): Alignment Assessment of industry programmes with the OECD minerals guidance", page 49.
- <sup>94</sup> OECD (2018): Alignment Assessment of industry programmes with the OECD minerals guidance", page 33.
- <sup>95</sup> Global Witness has reviewed companies headquartered in mainland China, Hong Kong and Macau or controlled or owned by mainland Chinese nationals.
- <sup>96</sup> Below we refer only to the reporting standards set out under the Supplement on Gold of the OECD Due Diligence Guidance. They are slightly broader than those under the Supplement on Tin, Tantalum and Tungsten, which has been developed at an earlier stage. In line with the incremental approach of the OECD Due Diligence Guidance Global Witness is of the view that all refiners and smelters should follow the standards set out under the Supplement of Gold.
- <sup>97</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, 2016, Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain. Supplement on Gold.