

# **Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains**

## **The Guidelines**

## About these Guidelines

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The China Chamber of Commerce of Metals, Minerals and Chemicals Importers & Exporters (CCC MC) embarked on developing *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains*. The objective of the *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains* is to operationalize and provide detail to Clause 2.4.6 of the *CCC MC Guidelines for Social Responsibility in Outbound Mining Investments*<sup>1</sup> by providing guidance to companies undertaking outbound mining investment, cooperation and trade to identify, prevent and mitigate their risks of contributing to conflict, serious human rights abuses and risks of serious misconduct.

The *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains* have been drafted to be aligned and consistent with the *OECD Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* and relevant Chinese laws and regulations in order to set Chinese company due diligence to the international standard and allow for mutual recognition with existing international initiatives and legislations. CCC MC and the OECD have signed a Memorandum of Understanding to cooperate in the development of Chinese-owned industry guidelines for responsible mineral supply chains.

**This document is a draft for public consultation; please send your comments to [rbc@cccmc.org.cn](mailto:rbc@cccmc.org.cn) before 7 November 2015.**

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<sup>1</sup> The *CCC MC Guidelines for Social Responsibility Outbound Mining Investment*, which were launched on 24 October 2014, call for Chinese mining companies undertaking outbound mining investment, cooperation and trade to strictly “observe the UN Guiding Principles on Business and Human Rights during the entire life-cycle of the mining project” and to strengthen “the responsibility throughout the extractive industries value chain”. The *CCC MC Social Responsibility Guidelines* further contain requirements to “conduct risk-based supply chain due diligence in order to prevent engagement with materials that may have funded or fuelled conflict” (Clause 2.4.6. of the Guidelines).

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For Consultation

## I. Background and Challenges

Extracting and trading natural resources has the potential to generate income, growth and prosperity, and foster a mutually beneficial relationship between the communities and the companies, cooperatives and individuals. However, in some countries or regions, especially in conflict-affected and high-risk areas the extraction and trade of natural resources has fueled serious violent conflicts and human rights abuses. For example, in Sierra Leone, Liberia, Cambodia, and Angola, natural resources exploitation and trade with diamonds, timber and minerals have exacerbated civil war and violent conflict. The so-called “3TG” minerals (tin, tantalum, tungsten and gold) originating from the African Great Lakes Region have also fueled much of the ongoing conflict in this area.

Over the past decade, the international community has sought to address the link between business and the violation of human rights. The international community has responded with different measures ranging from UN Resolutions to the “Kimberley Process” and ultimately developed global standards, laws, and regulations aimed at breaking the link between minerals and armed conflict, with their associated human rights abuses. In 2011, the UN Human Rights Council unanimously endorsed the “United Nations Guiding Principles on Business and Human Rights” which is the first corporate human rights responsibility framework supported globally.

The primary responsibility of companies is to ensure that they do not intentionally or unintentionally cause, contribute to, or benefit from human rights abuses or armed conflict. Responsible companies, therefore, must conduct comprehensive due diligence of the national and regional context of the areas where they operate or source natural resources from as well as the risks associated with their supply chains. The recognized international framework to conduct supply chain due diligence is the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas”(hereinafter referred to as “OECD Due Diligence Guidance”), which serves as the basis for most industry programs on responsible mineral supply chains<sup>2</sup> in many countries.

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<sup>2</sup>The international community developed a due diligence guidance for companies sourcing minerals from conflict-affected and high-risk areas, through a multi-stakeholder process, which included the International Conference on the Great Lakes Region (ICGLR), the Organization for Economic Co-operation and Development (OECD), and the UN Group of Experts. The United Nations Security Council (Resolution 1952) supported taking forward the due diligence recommendations contained in the final report of the UN Group of Experts, in response to long-term evidence of links between armed conflict and human rights abuses in the eastern Democratic Republic of Congo (DRC) and the trade in tin, tantalum, tungsten, and gold. The UN Security Council and the OECD Due Diligence Guidance were designed to be consistent.

## II. Objective

The Objective of these Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (hereinafter referred to as “The Guidelines”) is to operationalize and provide detail to Clause 2.4.6 of the Chinese Guidelines for Social Responsibility in Outbound Mining Investments (hereinafter referred to as “Chinese Responsible Mining Guidelines”)<sup>3</sup> by providing guidance to all Chinese companies which are extracting and/or are using mineral resources and their related products and are engaged at any point in the supply chain of minerals to identify, prevent and mitigate their risks of contributing to conflict, serious human rights abuses and risks of serious misconduct, as well as to observe the UN Guiding Principles on Business and Human Rights during the entire life-cycle of the mining project.

In so doing, the Guidelines will support companies to achieve legal and regulatory compliance for doing business with jurisdictions that have enacted or are in the process of enacting legislation requiring due diligence for responsible supply chains of mineral resources and/or achieve conformance with industry initiatives that improve market access.<sup>4</sup> Other expected benefits to implementing companies include:

- Increased ability to meet expectations of customers and markets on responsible mineral resources;
- Enhanced understanding, data collection and management on a company’s mineral resource supply chains and sourcing strategies, to enable more informed and strategic decision-making;
- Improve reputation of participating companies and of the Chinese industry;
- Decreased disruptions in supply caused by conflict and weak governance in producing countries;
- Provide guidance for companies wanting to undertake supply chain due diligence in natural resources other than minerals

<sup>3</sup> Clause 2.4.6 requires companies to “conduct risk-based supply chain due diligence in order to prevent engagement with materials that may have funded or fueled conflict”. The sub-clauses further demand to: “(a) conduct an assessment to define whether the mining project from which traded minerals originate or the mineral trading routes used are located in a conflict-affected and/or high-risk area; (b) adapt existing due diligence measures to the specific needs of conflict-affected and high-risk areas. Measures should be third-party audited and publically reported on; and (c) when operating in a conflict-affected and/or high-risk area, take steps to monitor the business relations, transactions, and flows of funds and resources and avoid the trade of conflict minerals.

<sup>4</sup> For example, legal requirements for responsible mineral supply chains are included in *Section 1502 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act* and in domestic laws of the Democratic Republic of Congo, Rwanda, and Burundi. Furthermore the member states of the International Conference of the Great Lakes Region (ICGLR) have developed a *Regional Initiative against the Illegal Exploitation of Natural Resources (RINR)* and a *Regional Certification Mechanism (RCM)* – the *ICGLR Mineral Tracking and Certification Scheme*. Industry-Initiatives include the *Conflict-Free Smelter Program* developed by the Electronic Industry Citizenship Coalition (EICC) and the *Global e-Sustainability Initiative (GeSI)*; the *Conflict Free Gold Standard* of the World Gold Council (2012); the *Responsible Gold Guidance* of the London Bullion Market Association (2012); the *Chain-of-Custody Certification* of the Responsible Jewellery Council (2012); and the *Fairtrade and Fairmined Standard for Gold from Artisanal and Small-Scale Mining* of the Alliance of Responsible Mining/Fairtrade Labelling Organizations International (2010). Further, complying with these Guidelines reinforces conformance with the recommendations of the Financial Action Task Force (FATF) for anti-money laundering and combatting-terrorist financing (AML/CFT), of which China is a member, as well as with the standard set forth under the Extractive Industries Transparency Initiative (EITI). Reporting payments made to governments for mineral extraction is required in 48 EITI implementing countries.

### III. Scope of Application

These Guidelines apply to all Chinese companies which are extracting and/or using mineral resources and their related products and are engaged at any point in the supply chain of minerals. This definition targets all Chinese companies which are engaged in upstream (exploration, development, etc.), midstream (trading, processing, including smelting and refining, storing, transporting, etc.) and downstream companies which are using mineral resources and their related products (for example, electronics, electrical appliances, instruments, jewellery, communications equipment, etc.).

Chinese companies engaged in the supply chain of other natural resources are also encouraged to use the Guidelines as a reference. “Chinese company” in this regard means any legal entity whose beneficial ownership fully or partially rests with a Chinese individual, or that is operating in China (including trading or mining), or is listed on a Chinese stock exchange, or is registered in China. The due diligence policies and practices of the present Guidelines will be aligned and consistent with the OECD Due Diligence Guidance in order to allow for mutual recognition with other international initiatives and legislations.

These Guidelines provide a basic 5-STEP model for carrying out risk-based supply chain due diligence. Nevertheless, the extent of due diligence that is appropriate will depend on individual circumstances and affected by factors such as the size of the enterprise<sup>5</sup>, the sector and nature of the products or services involved, as well as on the position of the company in the mineral supply chain, and the prevalence of risks in the supply chain. In addition to these Guidelines, CCCMC will release resource-specific audit protocols and supplementary materials which will provide detailed guidance for companies on how to carry out due diligence in the respective sectors.

These Guidelines apply to the global supply chains of all mineral resources, however, initially CCCMC will prioritise releasing audit protocols and supplementary materials covering the supply chains of the following minerals and related products:

1. Gold: Metals (including derivative metals), minerals, ores and mineral concentrates that contain gold
2. Cassiterite: Metals (including derivative metals), minerals, ores and mineral concentrates that contain tin (cassiterite and other tin minerals)
3. Wolframite: Metals (including derivative metals), minerals, ores and mineral concentrates that contain tungsten (wolframite and other tungsten minerals)
4. Coltan: Metals (including derivative metals), minerals, ores and mineral concentrates that contain niobium or tantalum (coltan, columbite, tantalite, niobite, pyrochlorite and other Nb-Ta minerals)

The audit protocols and supplementary materials for mineral resources which share similar characteristics in their supply chains shall be streamlined and harmonized to the maximum possible extent.

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<sup>5</sup> Smaller companies are not exempt from undertaking all the steps referenced in the Guidelines but may follow a process adapted to their size.

## IV. Definition and Basic Steps of risk-based Due Diligence

According to the UN Guiding Principles, company due diligence to address adverse human rights impacts should include “assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed”.<sup>6</sup> The OECD defines due diligence as “an on-going, proactive and reactive process through which companies can ensure that they respect human rights and do not contribute to conflict. Due diligence can also help companies ensure they observe international law and comply with domestic laws, including those governing the illicit trade in mineral resources and United Nations sanctions. Risk-based due diligence refers to the steps companies should take to identify and address actual or potential risks in order to prevent or mitigate adverse impacts associated with their activities or sourcing decisions.”<sup>7</sup>

Given the complex operating environments of conflict-affected and high-risk areas, where conditions can evolve and degenerate rapidly, due diligence is understood as an on-going process whereby companies take reasonable steps and make good faith efforts to identify and respond to risks of contributing to conflict and serious human rights abuses.

All Chinese companies which are extracting and/or using mineral resources and their related products and are engaged at any point in the supply chain of minerals fall under the definition of Section III of these Guidelines shall carry-out the 5-STEP risk-based supply chain due diligence framework which is outlined in these Guidelines. The 5-STEPS include:

<i>Step1</i>	<i>Establish sound risk management systems</i>
<i>Step2</i>	<i>Identify and assess risk in the supply chain</i>
<i>Step3</i>	<i>Design and implement a strategy to respond to identified risks</i>
<i>Step4</i>	<i>Carry out independent third-party audit at identified risk points in the supply chain</i>
<i>Step5</i>	<i>Report on process and results of supply chain risk management</i>

A step-by-step guide for carrying out the 5-STEP risk-based supply chain due diligence can be found in Section VIII and will be further specified in the resource-specific audit protocols and supplementary materials which are annexed to these Guidelines, or will be annexed in the future.

The nature and extent of due diligence that is appropriate will depend on individual circumstances and be affected by factors such as the size of the enterprise, the location of the activities, the situation in a particular country, the sector and nature of the products or services involved, as well as on the position of the company in the mineral supply chain, and the prevalence of risks in the supply chain.

<sup>6</sup> United Nations (2011): Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework, II.B.17.

<sup>7</sup> OECD (2013): Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, p. 13

## V. Risk Categories for Due Diligence

Risk-based due diligence is a flexible approach, meaning that the intensity of a company's due diligence requirements are proportional to their risks. The risks relevant for these Guidelines are defined in this Section. When a company identifies one of those risks in their supply chain or through their sourcing practices, they have to carry out enhanced due diligence, which includes more in-depth risk assessment and management practices, notably in STEP 2 and STEP 3 of the 5-STEP Framework. Section VII provides the basic 5-STEP due diligence framework for all Chinese mining companies whereas the audit protocols and supplementary materials which are annexed or in future will be annexed to these Guidelines provide detailed resource-specific guidance how to implement the 5-STEPS.

Under these Guidelines, two different kinds of risks are being defined - Type 1 and Type 2 risks. Both kind of risks are derived from requirements which are outlined in the Chinese Responsible Mining Guidelines and which require specific attention.

- Type 1 Risks are those contributing to conflict and serious human rights abuses, as they are defined in the OECD Due Diligence Guidance. The OECD Due Diligence Guidance is the major reference point for international standards and regulations, and therefore crucial for compliance with legal requirements for trading with the markets where they apply, including e.g. with US-listed companies, in the African Great Lakes Region, and in EU countries (potentially in the future).
- Type 2 Risks go beyond the risks outlined in the OECD Due Diligence Guidance. They include those risks relating to serious misconduct, as defined in the Chinese Responsible Mining Guidelines. The Chinese Responsible Mining Guidelines in Clause 2.3.1 demand from Chinese mining companies to “issue a code of conduct which requires suppliers to fulfil [all] relevant requirements of the [Chinese Responsible Mining] Guidelines and encourage suppliers to sign this document”.

The occurrence of Type 1 Risks requires enhanced due diligence to be in conformance with the OECD Due Diligence Guidance. The occurrence of Type 2 Risks equally requires enhanced due diligence in line with the Chinese Responsible Mining Guidelines. Risk mitigation strategies for each risk are contained in the relevant clauses of the Chinese Responsible Mining Guidelines which are indicated below each risk.

### **Type 1 Risks: Risks of contributing to conflict and serious human rights abuses**

Risks of contributing to, profiting from, assisting with, or facilitating serious human rights abuses, including instances where the company or any of its business relationship are directly or indirectly involved in:

- any forms of torture, cruel, inhuman and degrading treatment

Related to Clause 2.4 of Chinese Responsible Mining Guidelines

- any forms of forced or compulsory labour, which means work or service



which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily;

Related to Clause 2.4 of the Chinese Responsible Mining Guidelines

- the worst forms of child labour

Related to Clause 2.5.1 of the Chinese Responsible Mining Guidelines

- other gross human rights violations and abuses such as widespread sexual violence, or failing to ensure non-complicity in human rights violations, including profiting or seem to be profiting or condoning or seeming to condone human rights violations by others

Related to Clause 2.4.1 and 2.4.2 of the Chinese Responsible Mining Guidelines

- war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

Related to Clause 2.4.1 and 2.4.2 of the Chinese Responsible Mining Guidelines

Risks of contributing to conflict include instances where the company or any of its business relationships are directly or indirectly involved in:

- Providing direct or indirect support to illegal organized armed groups and/or public or private security forces through the extraction, transport, trade, handling or export of mineral resources. This includes, but is not limited to, procuring mineral resources from, making payments to or otherwise providing logistical assistance or equipment to, illegal organized armed groups or their affiliates who:
  - a. illegally control resource extraction sites or otherwise control transportation routes, points where mineral resources are traded and upstream actors in the supply chain;
  - b. illegally tax or extort money or mineral resources at points of access to resource extraction sites, along transportation routes or at points where mineral resources are traded;
  - c. illegally tax or extort intermediaries, export companies or international traders.

Related to Clause 2.4.6. of the Chinese Responsible Mining Guidelines

- Providing direct or indirect support to public or private security forces at the mineral extraction sites and/or surrounding areas and/or along transportation routes which disrespect the rule of law and human rights, or neglect the security to workers, equipment and facilities, and the mineral extraction site or transportation routes from interference with legitimate extraction and trade.

Related to Clause 2.4.2 of the Chinese Responsible Mining Guidelines

- Failure to ensure that security forces are engaged in accordance with the Voluntary Principles on Security and Human Rights, particularly the adoption of screening policies to ensure that individuals or units of security forces known to have been responsible for gross human rights abuses are not hired

Related to Clause 2.4.2 of the Chinese Responsible Mining Guidelines

Risks of contributing to serious misconduct including instances where the company or any of its business relationships are directly or indirectly involved in:

- Directly or indirectly offering, giving, promising or demanding any bribes or any other undue advantages, and/or soliciting bribes to conceal or disguise the origin of mineral resources, to misrepresent taxes, fees and royalties paid to governments for the purposes of resource extraction, trade, handling, transport and export, or failing to follow relevant international standards and conventions for anti-corruption

Related to Clause 2.2.2 and 2.2.3 of the Chinese Responsible Mining Guidelines

- Engaging in money-laundering resulting from, or connected to, the extraction, trade, handling, transport or export of mineral resources derived from the illegal taxation or extortion of mineral resources at points of access to mineral extraction sites, along transportation routes or at points where mineral resources are traded by upstream suppliers
- Avoiding or misrepresenting taxes, fees, and royalties related to mineral resource extraction, trade and export from conflict-affected and high-risk areas and failure to disclose such payments in accordance with the principles set forth under the Extractive Industry Transparency Initiative (EITI) or related transparency initiatives

Related to Clause 2.2.5 of the Chinese Responsible Mining Guidelines

### Type 2 Risks: Risks of serious misconduct

Risks of contributing to serious misconduct including instances where the company or any of its business relationships directly or indirectly is involved in:

- Breaking Chinese or host country laws and regulations or industry minimum standards

Related to Principles 1.1 and 1.3 of the Chinese Responsible Mining Guidelines

- Employing children under the minimum working age as legally prescribed by the host country laws and regulations, or if there is no relevant host country law or regulation, employing children below the minimum working age of 16 years. Disrespecting the rights and interests of young workers.

Related to Clause 2.5.1 of the Chinese Responsible Mining Guidelines

- Extracting or sourcing resources from land where the free, prior and informed consent of local communities and indigenous peoples has not been obtained, including those for which the extractor holds a legal title, lease, concession, or license.<sup>8</sup>

<sup>8</sup> The concept of free, prior and informed consent is contained and further explained in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Article 10 of UNDRIP states that: "Indigenous peoples shall not be forcibly removed from their lands or territories. No relocation shall take place without the free, prior and informed consent of the

#### Related to Clause 2.4.5 of Chinese Responsible Mining Guidelines

- Extracting or sourcing resources from mining operations where the culture and heritage of local communities and indigenous peoples have not been respected and protected, or where traditional cultures of local peoples have been harmed.

#### Related to Clause 2.4.4 of Chinese Responsible Mining Guidelines

- Extracting or sourcing resources where a legal title, lease, concession, or license has been illegally obtained or violate national laws, or where there are pre-existing legitimate claims to the land by local populations, including those which are under customary, traditional or collective land tenure systems, or where the population residing in the extraction area has been involuntarily resettled

#### Related to Clause 2.4.3 of the Chinese Responsible Mining Guidelines

- Adverse impacts and gross violation of international and national laws and regulations regarding ambient soil, air, and water conditions, including manufacturing, trading, and using chemicals and hazardous substances subject to international bans due to their high toxicity to living organisms, environmental persistence, or potential for irreversible ecological impacts, and/or releasing arsenic and mercury emissions

#### Related to Clause 2.7.5 and 2.7.9 of the Chinese Responsible Mining Guidelines

- Failing to avoid, minimise, or if residual impacts remain, offset the environmental impact and ecological footprint throughout the mining life-cycle by conducting thorough environmental impact assessments, minimizing waste and emissions, ensuring mine closure and site rehabilitation, conserving resources and recycling, implementing environmental risk management, contributing to the conservation of biodiversity, and seeking continual improvement of their environmental performance. Offsetting shall always be the last resort and applied only if all efforts for avoiding or minimizing adverse impacts have been exhausted.<sup>9</sup>

#### Related to Clause 2.7 of the Chinese Responsible Mining Guidelines

- Extracting or sourcing resources from World Heritage Sites (WHS) or legally protected areas, or mining within the buffer zones of WHSs or legally protected areas; or transporting of mined resources through WHSs or legally protected areas, thereby providing a threat to the outstanding universal value for which these properties are protected<sup>10</sup>

indigenous peoples concerned and after agreement on just and fair compensation and, where possible, with the option of return.” Article 11.2 further states that “States shall provide redress through effective mechanisms, which may include restitution, developed in conjunction with indigenous peoples, with respect to their cultural, intellectual, religious and spiritual property taken without their free, prior and informed consent or in violation of their laws, traditions and custom. Further guidance is provided by the [FAQ](#) and in the *ICMM Position Statement on Indigenous Peoples and Mining*.

<sup>9</sup> Companies may want to refer to (PS6) for further guidance on best practice with regard to Biodiversity Conservation and Sustainable Management of Living Natural Resources. At least one resource-rich African country (Liberia) has recently required all companies operating within its borders, including those in the mining industry, to adopt and implement PS6. Other countries may follow Liberia’s lead.

<sup>10</sup> The General Conference of UNESCO adopted on 16 November 1972 the Convention Concerning the Protection of the World Cultural and Natural Heritage which the global reference for protecting world heritage sites.

Related to Clause 2.7.13 of the Chinese Responsible Mining Guidelines

- Failing to report, in a regular and timely manner to stakeholders, on their material impacts and disclose their ethical, social, and environmental performance to their stakeholders in ways that are appropriate and meaningful to their needs. This includes a comprehensive view of their policies, risks and results with regard to ethical, environmental, and social matters. It also includes proactively soliciting, respecting, and responding to stakeholder feedback and expectations including those from non-governmental organizations (NGOs) and local communities.

Related to Clause 2.1.5 of the Chinese Responsible Mining Guidelines

- Failing to take proactive steps to respect any other principles set forth in the Chinese Responsible Mining Guidelines that were not included under Type 1 and Type 2 risks.

For Consultation

## VI. Warning Signs

If companies encounter the aforementioned risks in their supply chain or through their sourcing practices, they are required to conduct enhanced due diligence. Thus, the trigger for enhanced due diligence rests with the occurrence of risks in the supply chain.

However, the location of origin can provide an important indication for whether or not those risks are likely to occur during the extraction, trade and use of mineral resources contributing to conflict, serious human rights abuses and/or instances of serious misconduct. Therefore, as part of their due diligence, it is necessary for all Chinese companies which are extracting and/or using mineral resources and its related products and/or are engaged at any point in the supply chain of minerals to gather sufficient information to trace their resources supply down to the specific location of origin – i.e. the extraction site and transport routes.<sup>11</sup>

There is no internationally agreed exhaustive definition of what constitutes a conflict-affected area. Most commonly, conflict-affected areas share one or more of the following features:

- the presence of armed conflict (armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, or civil wars)
- the presence of widespread violence, including violence generated by criminal networks
- fragile post-conflict areas
- areas witnessing weak or non-existent governance and security
- areas witnessing widespread and systematic violations of international law, including human rights abuses
- areas witnessing systematic discrimination against parts of the population
- areas with endemic corruption
- areas witnessing sexual and gender-based violence

As Type 2 risks go beyond the presence of conflict, by addressing issues of the environment, land rights and indigenous peoples, it is even harder to determine ex-ante locations for which enhanced due diligence is required.

For the purposes of these Guidelines, conflict-affected and high-risk areas can be defined as any area where the occurrence of Type 1 or Type 2 risks is well known and documented (see supplementary information below). Such areas are often characterized by political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, widespread violence and violations of national or international law, as well as a high prevalence of corruption, severe impacts on the environment, as well as land rights infringements.

To help determine whether a mineral resource originates from a conflict-affected or high-risk area, so-called “warning signs” are defined to trigger enhanced due diligence under STEP 2 and STEP 3 of the recommended process. All Chinese companies which are extracting

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<sup>11</sup> Company staff should rely on their own information sources on the ground in determining their supply chain risks. However, there are a variety of sources which can support company staff in determining the risk. The OECD recommends companies to “review research reports from governments, international organizations, NGOs, and media, maps, UN reports and UN Security Council sanctions, industry literature relating to mineral extraction, and its impact on conflict, human rights or environmental harm in the country of potential origin, or other public statements (e.g. from ethical pension funds). Companies should also refer to any criteria and indicators of conflict-affected and high-risk areas developed through multi-stakeholder initiatives, including ongoing work related to the implementation of this Guidance facilitated by the OECD.

and/or using mineral resources and its related products and are engaged at any point in the supply chain of minerals shall use good faith efforts to identify the presence of any of the following “warning signs” in their supply chains:

<p>Warning Sign locations of resource origin and transit</p>	<ul style="list-style-type: none"> <li>○ The mineral resources originate from or have been transported through a conflict-affected or high-risk area.</li> <li>○ The resources are claimed to originate from a country that has limited known reserves or stocks, or expected production levels of the mineral resource in question.</li> <li>○ The mineral resource is claimed to originate from a country through which resources from conflict-affected and high-risk areas is known or reasonably suspected to transit.</li> <li>○ The resource is claimed to originate from recyclable/scrap or mixed sources and has been processed in a country where this resource from conflict-affected and high-risk areas is known or reasonably suspected to transit.</li> </ul>
<p>Supplier Warning Signs</p>	<ul style="list-style-type: none"> <li>○ Suppliers or other known upstream companies operate in one of the above-mentioned warning sign locations, or have shareholder or other interests in suppliers from one of the above-mentioned warning sign locations.</li> </ul>
<p>Circumstantial Warning Signs</p>	<ul style="list-style-type: none"> <li>○ Anomalies or unusual circumstances are identified through the information collected in Step 1 which give rise to a reasonable suspicion that the mineral resources may contribute to conflict or serious abuses associated with the extraction, transport or trade of said resource.</li> </ul>

Assessing whether or not mineral resources are sourced from or mined in conflict-affected or high risk areas does NOT mean that sourcing from or extracting mineral resources in conflict-affected or high risk areas should necessarily be suspended. Determining the location - and ultimately the extraction-site – of origin is only a means to determine whether or not the resources obtained or used are related to the risks defined in Section V of these Guidelines.

If reasonable information is obtained that resources are acquired from conflict-affected or high-risk areas, i.e. that “warning signs” emerge, and/or risks have been identified, several options exist to mitigate these risks with the suppliers. These options include:

- continuing trade throughout the course of risk mitigation efforts,
- temporarily suspending trade while pursuing ongoing risk mitigation,
- disengaging with a supplier either after failed attempts at mitigation or where the company deems mitigation not feasible or the risks unacceptable.

## VII. Framework and Processes for Due Diligence

While specific due diligence requirements and processes will differ depending on the mineral resource and the position of the company in the supply chain, companies should review their choice of suppliers and sourcing decisions and integrate into their management systems the following five-step framework for risk-based due diligence for responsible mineral supply chains of natural resources. The 5-STEPS will be further specified in the resource-specific audit protocols and supplementary materials which are annexed to these Guidelines, or in future will be annexed.

### 1. Establish sound risk management systems. Companies should:

- a. Adopt, and clearly communicate to suppliers and the public, a company policy for the mineral supply chain originating from conflict-affected and high-risk areas. This policy should incorporate the standards against which due diligence is to be conducted, addressing the risks defined in Section V, and being consistent with the standards set forth in the model supply chain policy in Annex I.
- b. Structure internal management to support supply chain due diligence.
- c. Establish a system of controls and transparency over the mineral supply chain. This includes a chain of custody or a traceability system or the identification of upstream actors in the supply chain.
- d. Strengthen company engagement with suppliers. A supply chain policy should be incorporated into contracts and/or agreements with suppliers, consistent with Clause 2.3.1 of the Chinese Responsible Mining Guidelines. Where possible, assist suppliers in building capacities with a view to improving due diligence performance.
- e. Establish a company-level, or industry-wide, grievance mechanism as part of an early-warning risk-awareness system.

### 2. Identify and assess risk in the supply chain. Companies should:

- a. Examine traceability and other transparency information and engage with suppliers to identify and confirm basic source information of materials and any potential warning signs in the supply chain.
- b. For suppliers, sources or circumstances with any potential warning signs, undertake enhanced due diligence to identify risks in their supply chain. In general, this would include:
  - **FOR RAW MATERIAL SOURCES:** On the ground risk assessments, done individually or through collaborative efforts, to gather information on qualitative conditions of production and trade.
  - **FOR RECYCLED SOURCES:** Risk-based assessments of the likelihood that raw materials are laundered through recycled channels to conceal or hide its origin.



c. Assess risks of adverse impacts in light of Section IV of these Guidelines and the standards of their supply chain policy consistent with the Model Supply Chain Policy (Annex I) and the due diligence recommendations in this Guidance.

**3. Design and implement a strategy to respond to identified risks.** Companies should:

a. Report findings of the supply chain risk assessment to the designated senior management of the company.

b. Devise and implement a risk management plan. Devise a strategy for risk management by either *i)* continuing trade throughout the course of measurable risk mitigation efforts; *ii)* temporarily suspending trade while pursuing ongoing measurable risk mitigation; *iii)* disengaging with a supplier after failed attempts at mitigation or where a company deems risk mitigation not feasible or unacceptable. To determine the correct strategy, companies should review Annex I and consider their ability to influence, and where necessary take steps to build leverage, over suppliers who can most effectively prevent or mitigate the identified risk. If companies pursue risk mitigation efforts while continuing trade or temporarily suspending trade, they should consult with suppliers and affected stakeholders, including local and central government authorities, international or civil society organisations and affected third parties, where appropriate, and agree on the strategy for measurable risk mitigation in the risk management plan.

c. Implement the risk management plan, monitor and track performance of risk mitigation efforts and report back to designated senior management. This may be done in cooperation and/or consultation with local and central government authorities, upstream companies, international or civil society organisations and affected third-parties where the risk management plan is implemented and monitored in conflict-affected and high-risk areas.

d. Undertake additional fact and risk assessments for risks requiring mitigation, or after a change of circumstances.

**4. Carry out independent third-party audit at identified risk points in the supply chain.**

Companies at identified points (as indicated in the audit protocols and supplementary materials) in the supply chain should have their due diligence practices audited by independent third parties. Such audits may be verified by an independent institutionalised mechanism.

**5. Report on process and results of supply chain risk management.**

Companies should publicly report on their supply chain due diligence policies and practices, including identified risks, and may do so by expanding the scope of their sustainability, corporate social responsibility or annual reports to cover additional information on mineral resource supply chain due diligence.

## VIII. Audit, certification and oversight

### 1. The Assurance Model

Companies have an individual responsibility to carry out their supply chain due diligence, conduct a third party audit thereof, and publish their due diligence policies and practices, according to these Guidelines.

The primary objective of seeking assurance is the expression of confidence to external stakeholders that a company has appropriate and effective policies and practices in place to prevent, identify, and mitigate risks in their mineral supply chains and source conflict-sensitively and responsibly. It is important to note that the assurance provided is targeted at the effectiveness of management systems and processes of a given company and cannot guarantee conflict-sensitivity and responsibility for the mass balance of minerals and their related products which are handled by the company.

Assurance also supports companies with improving market access and legal compliance. The assurance requirements shall not conflict with international standards and with forthcoming legislation. These guidelines provide for two levels of assurance:

- Independent third-party audit (as defined in STEP 4)
- Certification
  - a. Basic responsible sourcing certification
  - b. Basic responsible sourcing certification (making progress)
  - c. Extended responsible-sourcing certification

The independent third-party audit is an indispensable part of mineral supply chain due diligence as defined in STEP 4 of these Guidelines. This Chapter provides the principles, scope, and procedures of how the third-party audits need to be conducted and sets out the standard for the choice and qualifications of auditors or audit firms.

Companies can go further and seek assurance that their due diligence practices and policies are in conformity with the requirements defined in these guidelines by undergoing certification. The certification is an additional layer of assurance for companies, in which the third-party audit is validated by an independent oversight body. The tasks and composition of the independent oversight body are listed in Annex II.

Companies can choose between three different options on how to approach certification:

- Option 1: Companies choose to get only certified for “Basic responsible sourcing”, which assures conformance with the 5 STEPS of due diligence requirements regarding Type 1 risks. The third-party audit and certification process must be renewed every year.
- Option 2: Companies get certified for “Basic responsible sourcing” and seek assurance for progress with due diligence policies and practices with regard to selected Type 2 risks. The progress will be formally acknowledged, but no additional certificate will be issued until full conformance with the Guidelines is achieved (see Option 3).

- Option 3: Companies choose to get certified for “Extended responsible sourcing”, which assures conformance with the 5 STEPS of due diligence requirements regarding Type 1 and Type 2 risks. Companies which receive both certifications must renew the full third-party audit and certification process every year.

## 2. Audit

### The Audit Standard

The audit should determine the conformity of the implementation of a company’s due diligence policies and practices against the Guidelines, the relevant audit protocol and supplementary information annexed to these Guidelines.

In the annexes, these guidelines provide audit protocols and supplementary materials which will further specify the requirements and steps of these Guidelines. The audit protocols are based on the principles and guidance of international standards [to be determined] for auditing management systems.

These audit protocols and supplementary materials pay respect to different sizes of the enterprise, the nature of the products or services involved, as well as on the position of the company in the mineral supply chain.

More audit protocols will be developed and customized to the characteristics of the respective mineral supply chains. As a principle, audit protocols and supplementary materials for mineral resources which share similar characteristics in their supply chains shall be grouped together, or streamlined and harmonized to the maximum possible extent.

### The Audit Scope

The audit scope should include all activities, processes and systems used by the company to implement mineral supply chain due diligence. This includes, but is not limited to, relevant policies and procedures, controls over the mineral supply chain, communications with actors in the mineral supply chain, the information disclosed to downstream companies on suppliers, chain of custody and other traceability information, risk assessments including the on-the-ground research, and strategies for risk management.

The auditor will look at the satisfaction of three areas:

- Audit of core due diligence requirements: The auditor will assess whether the company has fulfilled core requirements, such as the publication of the STEP 5 report, the publication of a due diligence policy, publication of previous audit findings, etc.
- Audit of adherence to the company’s internal policy: the auditor will assess
  - whether the internal due diligence policy is adequate;
  - then audit whether the company has effectively implemented this policy
  - assess the implementation of recommendations required by preceding audits
- Audit of due diligence implementation: the auditor will check a) whether the company took appropriate steps to actively collect information on risks and to evaluate the

information received by third parties b) whether the company has taken effective and adequate action to mitigate the risks identified.

### 3. Auditing and Certification Procedures

- Companies which intend to get audited and certified under these guidelines need to inform the Secretariat of their intention thereof
- The Secretariat will provide assistance in explaining procedures and requirements, support companies with conducting a self-assessment
- Companies can decide to get audited and shall communicate this to the Secretariat. The Secretariat will coordinate, and cooperate closely with the company, with regard to the selection and contracting of an accredited auditor.
- The list of upcoming, ongoing and finalized audits will be posted on a website maintained by the Secretariat
- If a company seeks to obtain certification they have to submit a high-level policy statement thereof and will henceforth be listed on the oversight body's website as "seeking certification"
- Third parties will be able to submit information to the auditors prior to and during the audit. This information will be made available to the Secretariat and the Assurance Committee [and may be published on the website, if the third parties agree to it].
- After being posted on the "seeking certification" list, companies have three months to plan and organize an audit. Companies further have twelve months in order to undergo the audit and certification processes including a maximum of 90 days for mitigating potential corrective actions before failing their certification.
- The auditor will include in the audit report a recommendation to the Assurance Committee whether a company should be certified as "Basic responsible sourcing" and/or "Extended responsibly-sourcing" or suggest corrective actions to be taken in 90 days before the next audit.
- If the company disagrees with the audit, it can appeal to the Assurance Committee which will examine the claims and seek clarification from the auditor. The Assurance Committee can vote to decide to overturn the recommendation of the auditor if it has not established its decisions based on the Guidelines, audit protocols and supplementary materials.
- If the Assurance Committee disagrees with the findings of a specific audit, it can itself vote to overturn the decision of the auditor. If needed, the assurance committee can undertake fieldwork to assess the conformance of the company with its due diligence requirements.

#### Mutual Recognition

Companies are encouraged to participate in other initiatives, including international due diligence or traceability schemes, and share information with business relationships. However, supply chain due diligence and conformance with these Guidelines ultimately remains the sole responsibility of the individual company.

**Grievance Mechanism**

Stakeholders can lodge complaints with regard to “the Guidelines”. The grievance mechanism is formulated separately in the appendix.

For Consultation

## Annex I: Model Supply Chain Policy

The Chinese Responsible Mining Guidelines demand from member companies to “issue a code of conduct which requires suppliers to fulfil the relevant requirements of the Chinese Responsible Mining Guidelines and encourage suppliers to sign this document” in Clause 2.3.1

The following “Model Supply Chain Policy” can serve as a template for priority issues contained in a Supplier Code of Conduct. Companies are, however, encouraged to include the full set of requirements stipulated in the Chinese Responsible Mining Guidelines in their Supply Chain Code of Conduct in accordance with Clause 2.3.1.

### Preamble

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

### 1. Serious human rights abuses

We will neither tolerate nor by any means profit from, contribute to, assist with or facilitate the commission by any party of:

- any forms of torture, cruel, inhuman and degrading treatment;
- any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily;
- the worst forms of child labour;
- other gross human rights violations and abuses such as widespread sexual violence;
- war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

### Risk Mitigation

We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious human rights abuses.

## 2. Direct or indirect support to illegal organized armed groups and public or private security forces

We will not tolerate any direct or indirect support to illegal organized armed groups through the extraction, transport, trade, handling or export of mineral resources. “Direct or indirect support” to illegal organized armed groups through the extraction, transport, trade, handling or export of mineral resources includes, but is not limited to, procuring resources from, making payments to or otherwise providing logistical assistance or equipment to, illegal organized armed groups or their affiliates who:

- illegally control extraction sites or otherwise control transportation routes, points where mineral resources are traded and upstream actors in the supply chain; and/or
- illegally tax or extort money or mineral resources at points of access to extraction sites, along transportation routes or at points where mineral resources are traded; and/or
- illegally tax or extort intermediaries, export companies or international traders.

We will eliminate direct or indirect support to public or private security forces who illegally control extraction sites, transportation routes and upstream actors in the supply chain; illegally tax or extort money or mineral resources at point of access to extraction sites, along transportation routes or at points where mineral resources are traded; or illegally tax or extort intermediaries, export companies or international traders.

We recognize that the role of public or private security forces at the extraction sites and/or surrounding areas and/or along transportation routes should be solely to maintain the rule of law, including safeguarding human rights, providing security to workers, equipment and facilities, and protecting the extraction site or transportation routes from interference with legitimate extraction and trade.

Where we, any company in our supply chain, or any business relationship contract public or private security forces, we commit to or we will require that such security forces will be engaged in accordance with the Voluntary Principles on Security and Human Rights. In particular, we will support or take steps, to adopt screening policies to ensure that individuals or units of security forces that are known to have been responsible for human rights abuses will not be hired.

We will support efforts, or take steps, to engage with central or local authorities, international organizations and civil society organizations to contribute to workable solutions on how transparency, proportionality and accountability in payments made to public security forces for the provision of security could be improved.

We will support efforts, or take steps, to engage with local authorities, international organizations and civil society organizations to avoid or minimize the exposure of vulnerable groups, in particular, artisanal operators where mineral resources in the supply chain are extracted through artisanal or small-scale operators, to adverse impacts associated with the presence of security forces, public or private, on extraction sites.

## **Risk Mitigation**

We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to illegal organized armed groups.

In accordance with the specific position of the company in the supply chain, we will immediately devise, adopt and implement a risk management plan with suppliers and other stakeholders to prevent or mitigate the risk of direct or indirect support to public or private security forces, who illegally control mine sites, transportation routes and upstream actors in the supply chain; illegally tax or extort money or minerals at point of access to mine sites, along transportation routes or at points where minerals are traded; or illegally tax or extort intermediaries, export companies or international traders, where we identify that such a reasonable risk exists. In such cases, we will suspend or discontinue engagement with suppliers after failed attempts at mitigation within six months from the adoption of the risk management plan.

### **3. Corruption, Money Laundering and Payments to Governments**

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

We will prohibit bribery in all business practices and transactions, including those of agents and other third-parties, and set criteria and approval procedures with respect to the offer or acceptance of gifts; use the greatest efforts to promote responsible business practices with all business partners.

We will support efforts, or take steps, to contribute to the effective elimination of money laundering where we identify a reasonable risk of money-laundering resulting from, or connected to, the extraction, trade, handling, transport or export of mineral resources derived from the illegal taxation or extortion of mineral resources at points of access to extraction sites, along transportation routes or at points where mineral resources are traded by upstream suppliers.

We commit to take effective measures to prevent the involvement in money laundering and financing of terrorism, e.g. by establishing and publishing the identity and beneficial ownership of suppliers and customers; monitoring transactions for unusual or suspicious activity; and maintaining records of cash transactions that occur above the relevant defined financial threshold under applicable law.

We will ensure that all taxes, fees, and royalties related to mineral resources extraction, trade and export from conflict-affected and high-risk areas are paid to governments and, in accordance with the company's position in the supply chain, we commit to disclose such payments in accordance with international standards.



## **Risk mitigation**

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

### **4. Land rights, emissions and artisanal operators**

We will not engage in or tolerate extracting resources or otherwise benefiting from land where the free, prior and informed consent of local communities and indigenous peoples has not been obtained, including those for which the extractor holds a legal title, lease, concession, or license. We will not engage in or tolerate extracting resources or otherwise benefiting from mining operations where the culture and heritage of local communities and indigenous peoples have not been respected and protected, or where traditional cultures of local peoples have been harmed.

We will not engage in or tolerate extracting resources or otherwise benefiting where a legal title, lease, concession, or license has been illegally obtained or violates national law. We will ensure avoiding major adverse impacts and gross violation of local laws and regulations regarding ambient soil, air, and water conditions, including manufacturing, trading, and using chemicals and hazardous substances subject to international bans due to their high toxicity to living organisms, environmental persistence, or potential for irreversible ecological impacts, and/or releasing arsenic and mercury emissions.

We commit to regularly assess and mitigate the adverse impacts on soil, air, and water by the mining operation, consider ambient soil, air, and water conditions, and apply technically and financially feasible pollution prevention principles and techniques that are best suited to avoid, minimize, and control pollution, monitor emissions and discharges of all possible pollutants according to the relevant laws and regulations of host countries, follow up and remedy pollution issues in a timely manner, and clearly record and make public the results, as well as employ emissions control and reduction strategies.

We agree to ensure and surpass applicable legal requirements with regard to chemicals and toxic substances, avoid manufacturing, trading, and using chemicals and hazardous substances subject to international bans due to their high toxicity to living organisms, environmental persistence, or potential for irreversible ecological impacts, including rigorously suppressing arsenic and mercury emissions and managing cyanide according to the highest international standards and ensure that hazardous wastes are handled, stored, transported, treated, and disposed according to laws and regulations and in a way that eliminates leaks, spills, or other releases to the environment.

We will prohibit extracting resources from World Heritage properties or legally protected areas, thereby providing a threat to the outstanding universal value for which these properties are protected.

We will pay specific attention to risks of forced labour, child labour, unsafe working conditions, uncontrolled use of hazardous substances and other significant environmental impacts with regard to sourcing from artisanal and small-scale producers and work together and seek a productive relationship with artisanal and small-scale operators in the extraction area.

### **Risk mitigation**

In accordance with the specific position of the company in the supply chain, we will immediately devise, adopt and implement a risk management plan with suppliers and other stakeholders to prevent or mitigate the risk of infringing land rights, causing major adverse environmental impacts, or specific risks regarding artisanal and small-scale operators, where we identify that such a reasonable risk exists.

For Consultation

## **Annex II: Composition and Tasks of the Independent Oversight Body**

### **Mandate**

An independent body will oversee the audit and certification processes. The independent body will follow the principles of “fairness, openness and transparency” in order to guarantee the effective implementation of guidelines.

This body shall be a financially independent authority with a clear mandate. The functioning of the body with regard to certification and accreditation shall seek conformance with international standards for conformity assessments.

The independent body shall have a Secretariat with permanent staff headed by an Executive Secretary.

The independent body shall further have two affiliated decision-making bodies to fully exercise its oversight functions:

- The Accreditation Committee
- The Assurance Committee

### **Funding**

The body must ensure that its funding sources do not pose issues of conflicts of interest. The costs of audits are supposed to be borne by companies.

### **Tasks of the Secretariat**

- Assist the Accreditation and Assurance Committees with everyday activities
- Coordinate and cooperate closely with companies with regard to the selection and contracting of an accredited auditor or audit firm
- Provide assistance in explaining procedures and requirements, and support companies with conducting a self-assessment
- Based on the Guidelines and instructions of the Accreditation Committee, provide a public reporting template for the companies’ “due diligence report” on their due diligence policies and their implementation (including the risks they have found and the actions they took to mitigate them), as well as a country-of-origin list, with due regard taken of business confidentiality and other competitive or security concerns
- Provide a website for the publication of companies’ due diligence policies, their summary audit reports, the STEP 5 due diligence report, and associated materials, to assist companies with their conformance under STEPs 4 and 5.
- Undertake outreach activities to incentivize companies to become certified
- Establish and provide secretariat functions for a grievance mechanism, which is open to materially affected parties, as well as third parties, to file complaints
- Publish and update a database of certified companies and of companies seeking certification

## Oversight - Tasks and Composition of the Accreditation Committee

The Accreditation Committee serves as the main oversight body and as the guardian of the mineral supply chain due diligence standard.

The tasks of the Accreditation Committee include:

- Developing, reviewing and updating auditor standards in line with Chinese regulations, with the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains and with international standards
- Accreditation of auditors and audit firms and publishing a “recommended service provider list”
- Exercising checks on randomly selected audits of each accredited auditor or audit firm, proportional to the number of their audits conducted, at the minimum for one audit per auditor or auditing firm per year. These checks will assess the effectiveness of the audits in line with the Guidelines, including the audit protocols and supplementary materials. The Accreditation Committee can request additional information from the company, access third party submissions and if needed send representatives or a third party to assess the audit wherever required.
- Providing formal recommendations to auditors and auditing firms to improve their auditing practices
- Voting on “blacklisting” of auditors and audit firms (auditors or audit firms can be excluded from the process for up to 5 years)
- Providing formal recommendations to companies to improve their due diligence practices
- Reviewing the Guidelines every three years
- Voting on revisions to the Guidelines
- Ascertaining the credibility of the assurance model

## Composition of the Accreditation Committee

The Accreditation Committee will be comprised of ten persons, which include the Executive Secretary as well as balanced representation from industry associations or industry regulatory bodies, companies, civil society, as well as topical experts, etc. (with adequate geographical representation). The members will be organized in three constituencies.

## Decision-making in the Accreditation Committee

Each representative has the same voting power. The decisions are reached by a qualified majority vote. The quorum required for a decision is that at least six members are present and cast a “yes” vote.

The Accreditation Committee is a standing committee, which meets physically at least once per year, or as often as it may decide by quorum. For urgent decisions, the Committee may decide to take decisions by other means of communication.

The members of the Accreditation Committee shall be compensated for their costs, according to financial needs, if the financial situation of the Committee permits.

## **Certification – Tasks and Composition of the Assurance Committee**

The tasks of the Assurance Committee include:

- Reviewing and approving third-party audits based on their application of the guidelines, its audit protocols and supplementary materials
- Reviewing the conformance with the company's reporting requirements under STEP 5
- Issuing corrective actions if needed, and monitoring the implementation of corrective measures identified during the certification process
- Voting on the certification of conformance with these guidelines

### **Composition of the Assurance Committee**

The Assurance Committee will be comprised of seven persons, which includes the Executive Secretary as well as balanced representation from industry associations or industry regulatory bodies, companies, civil society, as well as topical experts, etc. (with adequate geographical representation). The members will be organized in three constituencies.

Members of the Assurance Committee are automatically also members of the Accreditation Committee.

### **Decision-making in the Assurance Committee**

Each representative has the same voting power. The decisions are reached by a qualified majority. The quorum required for a decision is that at least five members are present and at least one representative from each constituency casts a "yes" vote.

### **The Audit Principles**

**Independence:** To preserve neutrality and impartiality of audits, the auditor or audit firm must be independent from the audited company as well as from its subsidiaries, licensees, contractors, suppliers and companies cooperating in a joint audit. This means, in particular, that auditors must not have conflicts of interests with the auditee including business or financial relationships with the auditee (in the form of equity holdings, debt, securities), nor have provided services for the auditee company related to the design, establishment or implementation of the company's due diligence practices and/or that of the supply chain actors assessed therein, within a 24 month period prior to the audit.

**Competence:** Auditors must have the personal attributes as well as scope specific competencies necessary to complete the third party audit. Personal attributes should include, but are not limited to integrity, objectivity, confidentiality, open mindedness, and professionalism. Scope specific competencies include, but are not limited to:

- Auditing principles, procedures and techniques.
- Supply chain due diligence principles, procedures and techniques.
- Mineral supply chains.
- The social, cultural and historical contexts of the conflict-affected areas of mineral origin or transport, including relevant linguistic abilities and culturally appropriate sensitivities for conducting audits.

- The Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains and the Chinese Guidelines for Social Responsibility in Outbound Mining Investments

For Consultation