



Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains

Project Brief

May 2015

I. Project

The China Chamber of Commerce of Metals, Minerals and Chemicals Importers & Exporters (CCCMC) has embarked on developing *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains*.

CCCMC operates under the guidance of the Ministry of Commerce of China and is registered with the Ministry of Civil Affairs of China. With a membership of more than 6,000 companies, CCCMC represents a significant share of Chinese foreign trade companies in the extractive industry.

II. Objective

The *CCCMC Guidelines for Social Responsibility Outbound Mining Investment*¹, 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 *CCCMC 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).

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 *CCCMC Guidelines for Social Responsibility in Outbound Mining Investments* 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* will be aligned and consistent with the *OECD Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* in order to set Chinese company due diligence to the international standard and allow for mutual recognition with existing international initiatives and legislations. CCCMC and the OECD have signed a Memorandum of Understanding to cooperate in the development of Chinese-owned industry guidelines for responsible mineral supply chains.

In so doing, the Guidelines will support companies to achieve legal and regulatory compliance for doing business in 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 compliance with industry initiatives that improve market access.

¹ See at <http://www.cccmc.org.cn/docs/2014-10/20141029161135692190.pdf>



III. Scope of Application

The Guidelines will apply to all Chinese mining companies which are using or are engaged at any point in the supply chain of minerals and related products (“mineral resources”). Companies using or engaged in the supply chain of other natural resources are also encouraged to use the Guidelines as a reference.

The Guidelines will provide a basic 5-STEP model for carrying out risk-based supply chain due diligence. Nevertheless, 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 enterprise², 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.

Initially, CCCMC will prioritise releasing audit protocols and supplementary materials covering the supply chains of the metals (including derivative metals), minerals, ores and mineral concentrates that contain gold, tin, tungsten or tantalum.

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

IV. Audit and Monitoring

The implementation of the Guidelines will initially be voluntary. CCCMC will seek close cooperation with a number of pilot companies and Chinese companies that implement the *OECD Due Diligence Guidance*.

Companies have an individual responsibility to carry out their supply chain due diligence and conduct a third party audit thereof according to the Guidelines. However, CCCMC will explore options to establish a mechanism for assessing conformity with the *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains*, e.g. through an independent body.

V. Process

CCCMC has prepared a first draft of the Guidelines which will now be reviewed by an advisory group to CCCMC which is comprised of Chinese government institutions, research institutions/think tanks, NGOs, commercial CSR consultancies, and mining companies. The draft will also be discussed with international stakeholders at this 9th Responsible Mineral Supply Chains Forum. Throughout the process of preparing the first draft, CCCMC has cooperated closely with the OECD and Global Witness, and has consulted with industry programs, as well as with the EU Commission.

A second draft of the Guidelines will be opened up for public consultation. The public consultation is expected to be launched towards the end of May/beginning of June. The draft will be put online for 30 days in Chinese and English. The public consultation will be accompanied by a stakeholder workshop in Beijing.

The second half of the year will be devoted to develop audit protocols and supplementary materials, as well as defining and setting up the assurance system. Final Guidelines are envisaged to be launched by the end of this year.

² Smaller companies are not exempted from undertaking due diligence but may follow a process adapted to their size.