Auditors
Peer Learning Webinar
12 August, 2013
Agenda

• Welcome

• Introduction to the OECD Due Diligence Guidance, Step 4 (15 minutes)

• View from Audit firms (40 minutes)
  – KPMG
  – E&Y
  – UL Responsible Sourcing

• Questions/Feedback (20 minutes)

• Next steps
Welcome

• **Objectives of Peer Learning:**
  – Foster open and constructive exchange of information
  – Learn from companies that are further along in due diligence implementation
  – Introduce tools and resources to you
  – Answer your questions

• **Deliverables from Peer Learning**
  – OECD Due Diligence Guidance introduction
  – Tools and Guides
  – Case studies
Peer learning process

June 5, 2013

Multi-stakeholder Steering Group

• Peer groups in Gold
  – Large Scale Miners
  – ASM
  – Refiners
  – Banks
  – Downstream Users
  – Industry initiatives
  – Auditors

• Leads identified

Calls with Peer Group leads

• Agenda for webinar
• Presenters
• Dates for webinars

Late June 2013

1st Peer Learning Webinar

• Introduction to OECD Guidance
• Examples from industry

July/August 2013

FUTURE Peer Learning Webinars?

End 2013/early 2014

2nd Peer Learning Webinar

• Case studies and tools
• Decision to continue with peer learning

June 5, 2013

Multi-Stakeholder Forum

• Outreach beyond Forum
THE OECD DUE DILIGENCE GUIDANCE

Tyler Gillard
Head of Project, Legal Adviser
OECD Investment Division
Overview of the OECD Due Diligence Guidance

**Objective:**
To provide clear, practical guidance for companies to ensure they do not contribute to conflict or abuses of human rights through their mineral and metal procurement practices.

**Method:**
5-step risk-based due diligence process

**Scope:**
Applies to all companies throughout the entire mineral supply chain that potentially use 3T and gold from conflict or high-risk areas.
Key features of the OECD Due Diligence Guidance

• **One set of expectations**
  A common framework for due diligence expectations throughout the entire mineral supply chain *from mines until end users*

• **Progressive approach**
  The promotion of *constructive engagement with suppliers* in order to gradually affect changes in their sourcing practices without embargoes!

• **Different treatment**
  Depending on mineral (e.g. Supplements on Gold, and 3Ts) and location of company in the supply chain (e.g. upstream and downstream companies), resulting in *complementary due diligence processes*
Due diligence is a dynamic, on-going process with the information collected and built, with quality progressively improved.

Companies are encouraged to integrate the due diligence standards and principles into existing due diligence practices and management systems.

The due diligence recommendations may be carried out jointly through industry or other multi-stakeholder initiatives to save costs and reduce audit fatigue.

Local industry initiatives can help companies implement the OECD Guidance within their sector and market! WGC, LBMA, Conflict-Free Smelter, RJC, DMCC and other industry programmes help operationalise OECD Guidance.
Structure of the OECD Due Diligence Guidance

Due Diligence Guidance includes:

1. A 5-step risk-based due diligence framework for all minerals from conflict-affected and high-risk areas (Annex I)

2. A model supply chain policy (Annex II):
   - **NO!** Sourcing from parties linked to serious abuses
   - **NO!** Direct of indirect support to non-state armed groups
   - **MITIGATE!** Direct or indirect support to public or private security forces
   - **MITIGATE!** Bribery in the supply chain, fraud or misrepresentation of chain of custody or traceability information
   - **MITIGATE!** Money-laundering through the mineral supply chain
   - **MITIGATE!** Non-payment by suppliers of taxes, fees and royalties related to mineral extraction, transport and export, or non-disclosure of payments by suppliers in accordance with EITI

3. Principles for risk mitigation (Annex III)

4. Supplement on Tin, Tantalum and Tungsten

5. Supplement on Gold, including a special Appendix on artisanal and small-scale mining
• **Applies to all companies in the supply chain:**

  – "*Upstream companies*" refers to all the companies **between the mine and the refiner**, e.g. mining companies, local exporters, traders of unrefined gold, recyclers, refiners

  – "*Downstream companies*" refers to all companies **after the refiner until the consumer**, e.g. jewellers, bullion banks, industrial users of gold
Supplement on Gold: Scope

Mined Gold
- Gold from artisanal source (ASM Gold)
- Gold from large-scale mines (LSM Gold)

Recycled Gold

Grand-fathered stocks
- Before 1 January 2012
Five Step Risk-Based Due Diligence

Step 1 • Establish strong company management systems

Step 2 • Identify and assess risks in the supply chain

Step 3 • Design and implement a strategy to respond to identified risks – *If red flag identified*

Step 4 • Carry out or ensure an independent third-party audit smelter/refiner’s due diligence – *If red flag identified*

Step 5 • Report annually on supply chain due diligence – *If red flag identified*
Regulation
US Dodd-Frank and EU Regulations

► July 2010 – Section 1502 of the US Dodd-Frank Act includes specific reporting requirements for companies using 3Ts and gold (DRC focus)

► August 2012 – Final US rules recognise OECD Due Diligence Guidance (OECD = global focus)

► 2014 – EU Regulations expected to be finalised (expected to support OECD Guidance)
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Organisations involved</th>
<th>Purpose</th>
<th>Participation type</th>
<th>Independent audit/review required?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict-Free Sourcing Initiative (CFSI)</td>
<td>Global e-Sustainability Initiative (GESI); Electronic Industry Citizenship Coalition (EICC)®</td>
<td>Verifies that the sources of 3T&amp;G processed by smelters are conflict-free. Enables downstream companies to identify and source from conflict-free smelters. Operationalises OECD Guidance for smelter/refiners.</td>
<td>Voluntary</td>
<td>Yes</td>
</tr>
<tr>
<td>WGC Conflict-Free Gold Standard and Tools</td>
<td>World Gold Council (WGC)</td>
<td>Establishes a common approach for mining companies to responsibly mine gold and demonstrates that their mining operations do not fuel conflict or the abuse of human rights. Operationalises OECD Guidance for mining companies.</td>
<td>Voluntary</td>
<td>Yes</td>
</tr>
<tr>
<td>LBMA Responsible Gold Guidance</td>
<td>London Bullion Market Association (LBMA)</td>
<td>Ensures that all gold feed stock and all gold produced by refiners are conflict-free. Enables downstream companies to identify and source from conflict-free refiners. Operationalises OECD Guidance for refiners.</td>
<td>Mandatory for LBMA London Good Delivery-accredited refiners</td>
<td>Yes</td>
</tr>
<tr>
<td>RJC Chain-of-Custody Certification Program</td>
<td>Responsible Jewellery Council (RJC)</td>
<td>Supports the identification and tracking of conflict-free gold throughout gold supply chains with the transfer of chain-of-custody documentation. Operationalises OECD Guidance.</td>
<td>Voluntary</td>
<td>Yes</td>
</tr>
<tr>
<td>DMCC Practical Guidance for market participants</td>
<td>Dubai Multi-Commodities Centre</td>
<td>Assists DMCC-licensed members and other industry participants in the UAE to enforce OECD due diligence.</td>
<td>Mandatory for all DMCC-licensed members</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Gold industry Initiatives – Example of complementarities

Support & Recognition throughout gold supply chain

Miners  Refiners  Jewellers

RJC Chain of Custody Covers All Actors

Source: LBMA Responsible Gold
Mutual recognition across the industry

<table>
<thead>
<tr>
<th></th>
<th>LBMA</th>
<th>RJC</th>
<th>CFSI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common Features:</strong> 3rd Party Audit, OECD &amp; SEC Compliance</td>
<td>London Bullion Market</td>
<td>Jewellery Supply Chain - Mine to Retail</td>
<td>Manufacturers</td>
</tr>
<tr>
<td><strong>Tailored Focus</strong></td>
<td>London Bullion Market</td>
<td>Jewellery Supply Chain - Mine to Retail</td>
<td>Manufacturers</td>
</tr>
<tr>
<td><strong>Audit outcome</strong></td>
<td>Continued Good Delivery Accreditation</td>
<td>CoC Certification</td>
<td>Validated Smelter/ Refiner list</td>
</tr>
<tr>
<td><strong>Harmonisation</strong></td>
<td>RJC CoC, CFS audits = Responsible Gold Requirement</td>
<td>LBMA, CFS = RJC</td>
<td>RJC, LBMA audits = CFS.</td>
</tr>
</tbody>
</table>

**One Audit Report – Three Programmes**

*World Gold Council and ARM Fairtrade/Fairmined initiatives support refiner due diligence*

Source: LBMA Responsible Gold
### Other Great Lakes-based initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Organisations involved</th>
<th>Purpose</th>
<th>Participation type</th>
<th>Independent audit required</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITRI Tin Supply Chain Initiative (iTSCI)</td>
<td>ITRI; Tantalum Niobium International Study Center; Pact; Channel Research</td>
<td>Supports responsible sourcing from Central Africa through the development of (1) a physical chain-of-custody system that tracks and monitors minerals from mine to smelter and (2) a due diligence system that includes independent audits and mine site and transportation route assessments.</td>
<td>Voluntary</td>
<td>Yes</td>
</tr>
<tr>
<td>Certified Trading Chains</td>
<td>German Federal Institute for Geosciences and Natural Resources (BGR)</td>
<td>Supports responsible sourcing from Central Africa through the creation of a certification framework for artisanal mining sites.</td>
<td>Voluntary</td>
<td>Yes</td>
</tr>
<tr>
<td>ICGLR’s Regional Certification Mechanism</td>
<td>International Conference on the Great Lakes Region (ICGLR)</td>
<td>Establishes a certification mechanism for the mining and trading of conflict minerals from the Great Lakes Region.</td>
<td>Mandatory for member countries</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Source:** U.S. Government & Accountability Office
OECD Implementation Programme

✓ **Information-sharing and promotion of due diligence**
  – Tools, workshops and training seminars

✓ **Collaboration and problem-solving**
  – Supports consistency, harmonisation and mutual recognition of industry programmes
  – Develops common and coordinated solutions

✓ **Peer-learning**
  – 3T Pilot from Aug 2011 – December 2012
  – Gold implementation programme launched this year – due diligence training and case studies

✓ **ICGLR-OECD-UN GoE Forum**
  – In-person meeting held in May and November each year – next meeting on 13-15 November to be held in Kigali, Rwanda
Selection of OECD Multi-stakeholder Steering Group members

BEDEWA

Observatoire Gouvernance et Paix
Thank you!

For further information on this project and to download the OECD Due Diligence Guidance:

www.oecd.org/daf/investment/mining

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Shivani Kannabhiran
shivani.kannabhiran@oecd.org
Independent Audit of Conflict Minerals Report

Status

- The SEC has determined these audits will be performed under Generally Accepted Government Auditing Standards of the GAO.

- KPMG chairs the AICPA committee working group which will provide audit guidance. We believe the audit may have two steps:
  - Does Management’s assertion meet the framework of the OECD Guidance
  - Are the steps Management describes in completing due diligence auditable

Source: http://www.aicpa.org/InterestAreas/FRC/Pages/AICPAConflictMineralsResources.aspx
## The Scope of the Independent Audit

<table>
<thead>
<tr>
<th>Independent Third Party Audit</th>
<th>Steps Toward Conflict Minerals Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit objective is to express an opinion or conclusion as to:</td>
<td>1) <strong>File Form SD</strong></td>
</tr>
<tr>
<td>1) whether the DD framework materially conforms with a national or internationally recognized standard</td>
<td>• Identify 3TG in products</td>
</tr>
<tr>
<td>2) whether the issuer’s description of the DD measures it performed are consistent with the DD process the issuer actually undertook</td>
<td>• Conduct reasonable country of origin search</td>
</tr>
<tr>
<td></td>
<td>• Perform due diligence</td>
</tr>
<tr>
<td></td>
<td><strong>2) File a Conflict Minerals Report disclosing:</strong></td>
</tr>
<tr>
<td></td>
<td>• Due diligence on source and chain of custody</td>
</tr>
<tr>
<td></td>
<td>• Steps taken/to be taken to mitigate risk 3TGs benefited armed groups</td>
</tr>
<tr>
<td></td>
<td>• Any further steps to improve due diligence</td>
</tr>
<tr>
<td></td>
<td>• Country of origin in the Covered Countries, if known</td>
</tr>
<tr>
<td></td>
<td>• Smelting facilities that processed the 3TGs, if known</td>
</tr>
<tr>
<td></td>
<td>• Efforts to determine mine or origin with greatest possible specificity</td>
</tr>
<tr>
<td></td>
<td>• Describe products that are not DRC conflict free</td>
</tr>
<tr>
<td></td>
<td><strong>3) Independent Audit Report</strong></td>
</tr>
<tr>
<td></td>
<td><strong>4) Website link to disclosure</strong></td>
</tr>
<tr>
<td></td>
<td><em>Companies may file “Undeterminable” for 2 years if all three steps have been completed annually and neither category is known; no audit or product description required</em></td>
</tr>
</tbody>
</table>

Sources: 1) [http://www.sec.gov/News/PressRelease/Detail/PressRelease/1365171484002#.UgPg7tJweSo](http://www.sec.gov/News/PressRelease/Detail/PressRelease/1365171484002#.UgPg7tJweSo)  
2) [http://www.aicpa.org/InterestAreas/FRC/Pages/AICPAConflictMineralsResources.aspx](http://www.aicpa.org/InterestAreas/FRC/Pages/AICPAConflictMineralsResources.aspx)
## The Scope of the Independent Audit

### Categories that trigger an audit *(Illustrative)*

<table>
<thead>
<tr>
<th>Category</th>
<th>Audit required</th>
<th>Description</th>
<th>SEC Fact Sheet reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict Free - Covered Countries</td>
<td>Yes</td>
<td>Company has determined that products contain 3TG from the DRC and surrounding countries</td>
<td>“What Must Be included in the Conflict Minerals Report” – DRC Conflict Free</td>
</tr>
<tr>
<td>Gold – recycled / scrap – Covered Countries</td>
<td>Yes</td>
<td>Currently, gold is the only conflict mineral with a nationally or internationally recognized due diligence framework for determining whether it is recycled or scrap, which is part of the OECD Due Diligence Guidance</td>
<td>“What Must Be included in the Conflict Minerals Report” – Recycled or Scrap Due Diligence</td>
</tr>
<tr>
<td>Not Conflict Free</td>
<td>Yes</td>
<td>Company has determined its product(s) do not contain 3TG from the DRC and surrounding countries</td>
<td>“What Must Be Included in the Conflict Minerals Report” Not Been Found to Be “DRC Conflict Free”</td>
</tr>
<tr>
<td>Undeterminable</td>
<td>No</td>
<td>During the temporary transition period company must include for “Undeterminable” the same information required in a report for products that have not been found to be DRC Conflict Free</td>
<td>“What Must Be Included in the Conflict Minerals Report” – DRC Conflict Undeterminable</td>
</tr>
<tr>
<td>Recycled / Scrap Tin, Tantalum, Tungsten</td>
<td>No</td>
<td>If a company’s 3T are derived from recycled or scrap sources, the company is required to describe the DD measures to determine this status</td>
<td>“What Must Be Included in the Conflict Minerals Report” – Recycled or Scrap Due Diligence</td>
</tr>
</tbody>
</table>

Sources:
1) [http://www.sec.gov/News/PressRelease/Detail/PressRelease/1365171484002#_UgPg7tJweSo](http://www.sec.gov/News/PressRelease/Detail/PressRelease/1365171484002#_UgPg7tJweSo)
2) [http://www.aicpa.org/InterestAreas/FRC/Pages/AICPAConflictMineralsResources.aspx](http://www.aicpa.org/InterestAreas/FRC/Pages/AICPAConflictMineralsResources.aspx)
OECD Due Diligence Guidance

The SEC final rule requires an issuer’s due diligence to follow a nationally or internationally recognized framework.

The Organization for Economic Co-operation and Development (OECD) has the only framework currently recognized.

OECD’s is based on the following 5-step framework:

1 - Establish Management Systems
   - Establish and communicate company policy
   - Structure management to support supply chain DD
   - Establish controls and transparency over the supply chain
   - Establish early-warning risk awareness systems
   - Strengthen supplier engagement

2 - Assess the Supply Chain
   - Identify smelters/refiners in supply chain if possible
   - Identify risks in the supply chain
   - Assess risk of adverse impacts
   - Support promotion of supply chain transparency
   - Support promotion of clear chain of custody

3 - Response to Supply Chain Risk
   - Report findings to Sr. Mgt.
   - Devise risk management plan: System to address first-level suppliers and industry-wide initiatives to build leverage over sub-suppliers
   - Track performance of risk mitigation efforts
   - Re-assess based on changing circumstances

4 - Audit opinion to address
   - Whether the DD framework materially conforms with a national or internationally recognized standard
   - Whether the issuer’s description of the DD measures it performed are consistent with the DD process the issuer actually undertook

5 - Annually report on supply chain due diligence policies and practices
   (GAO has indicated existing GAGAS “Yellow Book” standards will apply.)
As companies and auditors await further guidance, some are electing to conduct a readiness assessment or gap analysis in preparation for the external auditor review based on the OECD Guidance and what is currently known. Generally this analysis could be used to support the audit.
Readiness Assessment Observations

Company 1 – Large retailer
• Lack of organized documentation and information collection, storage; need to get more organized in preparation for external audit.
• RCOI analysis needs to be more robust and well-documented
• Protocols regarding follow up efforts for non-responsive suppliers needs to be more consistent and well-documented
• Need to maintain an outside perspective (auditor type questions).
• Need to focus on particular products/divisions and how they would roll in a new impacted division or product to the existing CM team / processes.

Company 2 – Mobile device manufacturer
• Lacks a strong governance model with the program being managed by one individual
• Identified a need to validate and qualify supplier survey responses, and document the responses
• Data and survey information should be held in a centralized location

Company 3 – Wholesale pharmaceutical company
• Challenged with de-centralized operations and multiple procurement functions
• Lack of understanding of consistent documentation and appropriate sign-offs
• Had to assess level of effort for a business held for sale

“Think – Audit”
A company may be doing everything right, but is it auditable?
Auditing against the WGC Responsible Gold Standard

- What disclosure is required from Mining companies?
- What needs to be assured? (Scope)
- What assurance standard?
- Assurance process
  - Evidence to gather
  - Site selection
  - Use of existing certifications
- Output of assurance process: the Assurance Report and Management Report
- Non Conformances
- Assurance provider capabilities – what to look for
- First Time Reporters
- Main Audit Differences with other Conflict Minerals Initiatives, e.g. CFS, LBMA and the RJC

### Applicable parts of the Standard for the company to report on

<table>
<thead>
<tr>
<th>Standard</th>
<th>Relevant parts of Standard for each mining operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part A – Conflict Assessment</td>
<td>Is the operation located in an area assessed to be ‘conflict-affected or high-risk’?</td>
</tr>
<tr>
<td>Part B – Company Assessment</td>
<td>Is gold transported through an area assessed to be ‘conflict-affected or high-risk,’ while in the custody of the company?</td>
</tr>
<tr>
<td>Part C – Commodity Assessment</td>
<td></td>
</tr>
<tr>
<td>Part D – Externally Sourced Gold Assessment</td>
<td></td>
</tr>
<tr>
<td>Part E – Management Statement of Conformance</td>
<td></td>
</tr>
</tbody>
</table>

- **Yes**
- **No**
Auditing against the WGC Responsible Gold Standard (cont.)

The three-party relationship involved in the Conflict-Free Gold Report assurance engagement

1. Company Management
2. Assurance Provider
3. Intended User
Refinery audits
Andrew Britton

OECD - Auditors peer learning webinar
12 August 2013
Presentation contents

► Illustrative gold refinery supply chain
► Overview of the assurance process
► Observations on industry progress
About color themes
Choose the appropriate design theme for your presentation.
The first two options on the design tab are correct EY themes, these two are the only ones that should be used. (1) dark backgrounds for onscreen; (2) light backgrounds for handouts.

Illustrative gold refinery supply chain

Recycled gold
Intermediate processor/trader
Jewellery/scrap dealers
Jewellery/scrap dealers
Source: Private individuals

Mined gold
Gold exchange
Source: Commercial mine
Source: ASM producers
### Management interviews
- Obtain evidence to support functioning of management system

### Policy gap analysis
- Assess whether policy meets OECD and any additional requirements (e.g. LBMA / DMCC)

### Due diligence testing
- Assess evidence for implementation of management system on client accounts and transactions

### Compliance report review
- Assess balance and accuracy of disclosures in the company’s compliance report

### Assurance statement
- Provide assurance statement for inclusion in the compliance report
Observations on industry progress

- OECD requirements bring new types of risk onto Compliance Officers’ agendas (e.g. security, human rights)
- Awareness and understanding of how to identify and manage these risks will take time to develop, particularly in supply chains comprised of smaller companies in developing countries
- Many refiners are increasing internal due diligence efforts, including in some instances physical visits to suppliers, but resource constraints can be a concern for many
- Refiners don’t usually have ‘control’ over their suppliers, so achieving change in supply chains requires education/awareness-raising and diplomacy
- For many organisations a key change is the need to formally document activities in order to provide evidence for compliance audits
- Existing AML procedures can be expanded for wider-reaching OECD due diligence requirements
- ASM and smaller-scale commercial miners provide a particular challenge – multi-stakeholder support is required (particularly governmental support)
Thank you

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EICC-GeSI Conflict Free Smelter and Responsible Jewellery Council Chain of Custody Program

August-2013

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EICC GeSI CFS assessments

EICC = Electronic Industry Citizenship Coalition
GeSI = Global e-Sustainability Initiative
CFS = Conflict Free Smelter

• EICC-CFS is applicable to smelters
• Smelters have to demonstrate “through an independent third party assessment that the raw materials they procured did not originate from sources that contribute to conflict in the Democratic Republic of Congo”
• Verification of 100% of inputs in a given period for Tantalum, Tin, Tungsten and Gold smelters
RJC Chain of Custody standard

RJC CoC = Responsible Jewellery Council Chain of Custody

• Mission: To advance responsible ethical, social and environmental practices, which respect human rights, throughout the diamond and gold jewellery supply chain, from mine to retail.”

• RJC CoC is a cross-sector standard covering miners, refiners, traders, manufacturers and retailers

• Assessments focus on:
  - the provenance of the gold containing products purchased from suppliers
  - The management systems in place to ensure appropriate due diligence is carried out when sourcing gold containing material, identifying high-risk material and implementing an effective risk mitigation strategy.
  - In addition, the assessments evaluate internal control mechanisms in place to ensure eligible gold is maintained segregated from non-eligible gold throughout the refining process.
Comparison of EICC and RJC traceability assessments

**RJC Chain of Custody Certification**
1. Management systems as they relate to the implementation of the RJC Chain of Custody Standard
2. Internal material control mechanisms
3. Outsourcing contractors (if applicable)
4. Systems to confirm eligibility of gold bearing material for certification
5. Eligible material declarations and Chain of Custody Transfer documentation
6. Consumer claims and intellectual property rights (IP)
7. Conflict-sensitive sourcing of gold bearing material.

**EICC CFS assessments**
1. Procurement Policy
2. Mine and Country of Origin documentation for metal ore
3. Onsite inventory
4. Mass balance
5. Lot traceability
Comparison of methodology

Common Elements:
• Refinery plant tour
• Management interviews
• Employee interviews
• Chain of custody documentation review
• Lot to lot traceability information gathered
• Inventory checks
• Management systems overview

Differentiators:
• Material segregation for RJC
• Issuance of RJC certificates for outputs
• RJC requires KYC procedures for recycled gold
• 100% documentation of origin review for non-secondary sources for EICC
• Different documentation requirements to prove CF origin

<table>
<thead>
<tr>
<th></th>
<th>Observation: Physical Walkthrough</th>
<th>Documentation Review</th>
<th>Interviews</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Inventory</td>
<td>Material Segregation</td>
<td>Chain of Custody</td>
</tr>
<tr>
<td>EICC-GeSI</td>
<td>✅</td>
<td></td>
<td>✅</td>
</tr>
<tr>
<td>RJC CoC</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
</tbody>
</table>
Audit flow - EICC

1. Opening Meeting
2. Documentation:
   - Procurement Policy
   - Total Inventory (audit period)
   - Total Sales Volume
   - Inventory of received material
3. Walkthrough
4. Review recycled material to determine inclusion / exclusion
5. Mass Balance
6. Check of sales receipts
7. Physical check of inventory
8. Lot traceability exercise
9. 100% Mine and country of origin documentation review for:
   - Receipt or purchase of material
   - Existing inventory

Closing Meeting
## Common Concerns

<table>
<thead>
<tr>
<th>Concern</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>Sourcing from Level 3 and/or ASM yields missing documentation on mine site of origin</td>
<td></td>
</tr>
<tr>
<td>Internal accounting discrepancies between mass balance and receipts (EICC)</td>
<td></td>
</tr>
<tr>
<td>Chain of custody traceability from mine to export center</td>
<td></td>
</tr>
<tr>
<td>Opaque supply chains for recycled material</td>
<td></td>
</tr>
<tr>
<td>Preparation work is required or the audit cannot actually be completed</td>
<td>within the timeframe specified</td>
</tr>
<tr>
<td>Data on plausible amounts of material from countries of origin or from a</td>
<td>given supplier are hard to verify</td>
</tr>
</tbody>
</table>
Thank you for your attention.

Nicholas Allen
Program Manager
Research and Program Development Department

UL Responsible Sourcing
Nicholas.allen@ul.com
W: ul.com\responsible-sourcing
Q&A, FEEDBACK
Next steps

• Forum meeting 13-15 November 2013 in Kigali, Rwanda

• Feedback to this webinar (content, approach) – written comments welcome

• Possible future webinar: What Audit firms need to know about refiners?

• OECD website or Google **OECD Mining**: [http://www.oecd.org/daf/inv/mne/mining.htm](http://www.oecd.org/daf/inv/mne/mining.htm)

• Webinar materials available after August 15 on OECD website