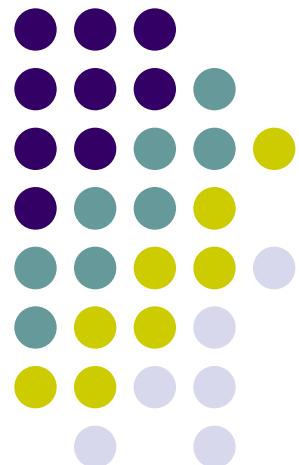
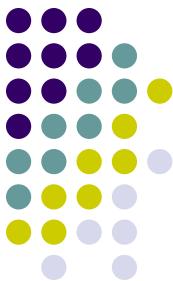


Detailed findings and practical challenges for upstream implementation of due diligence

Step-by-Step Presentation.





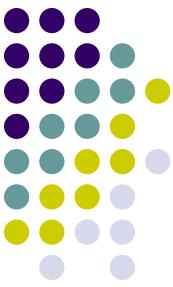
5 step framework

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

A. Adopt and Commit to a supply chain policy



- 100% declare to have either adopted a supply chain policy or committed to the Model supply chain policy.
- 60% indicated they have provided their policy to iTSCi



Challenges

- Formalizing commitments to the Model Supply chain policy.
- Creation supply chain policies that cover both standards and risk management strategies.
- Communication of supply chain to suppliers, employees and the general public.
- Strengthening of the role of collaborative initiatives in relation to recommendation IA.



Illustrative examples

- *Communication of a supply chain policy towards the general public*

“9. We agree to comply with the OECD ‘Model Supply Chain Policy’, set under Annex II of the OECD ‘Due Diligence Guidance for Responsible Global Supply Chains of Minerals from Conflict-Affected and High-Risk Areas’ (the OECD Guidance). All our Suppliers are issued a copy of the OECD Guidance and committed to adhering to its requirements, which we, as a company and a group, whole heartedly support.”



Illustrative examples

- *Communication of a supply chain policy towards suppliers*

Toute marchandise livré chez Phoenix Metal Ltd devra être dument taguée suivant la procedure donnée par l'OGMR et celle de Phoenix Metal Ltd.

Le Fournisseur s'interdit toute activité de trading et/ou de collecte de minerais dont l'origine ne serait pas celle de leur gisement.

Le Fournisseur s'engage à n'exploiter que des gisements officiels et reconnus par le ministère des mines dans ses attributions et l'OGMR.

Le Fournisseur s'engage à travailler en toute transparence et accepte toutes les visites et audits que le client jugera nécessaire.



Illustrative examples

- *Communication of a supply chain policy towards employees*

One company has created a due diligence and procedure department (DDP). To ensure that critical information reaches relevant employees and suppliers, the DDP department frequently organises workshops and meetings that heads of departments and suppliers usually attend.

Two companies have also distributed copies of the OECD Guidance and of their company policy to all relevant employees and has included relevant responsibilities in their job descriptions when applicable.



Points for discussion

- *What does committing to the Model Supply chain policy entail?*
- *Why is it important to have a supply chain policy that covers both standards and risk management strategies?*
- *How can a company communicate its supply chain to its suppliers, its employees and the general public?*
- *What could be the role of industry associations in relation to recommendation IA with specific regard to the dissemination of the company's supply chain policy?*

C. Establishing a system of controls and transparency over the mineral supply chain



Requirement C sums up 9 types of information that accompany minerals along the supply chain and demands companies to use **either a chain of custody or traceability system**.

- 75 % of the participants uses the iTSCI traceability system and relies upon the logbooks of the iTSCI system to collect the necessary information.



Challenges

- Currently not all information required is collected under the iTSCI system.
- Especially in places where iTSCI is not (yet) operational, other chain of custody and/or traceability systems should be considered.



Points for discussion

- *To what extent can iTSCI be relied upon by members to establish a chain of custody and/or traceability systems ?*
- *To what extent can iTSCI be relied upon by members to collect the necessary information that should accompany minerals along the supply chain?*
- *What is the relationship between due diligence, traceability and chain of custody?*



IC 3. Avoid, where practicable, **cash purchases** and ensure that all unavoidable cash purchases of minerals are supported by verifiable documentation

IC 4. Support the implementation of the principles and criteria set forth under the Extractive Industry Transparency Initiative (**EITI**)

- The Guidance does not recommend that companies refuse payments in cash

→ *Clarification of the Guidance can be found on page 22 of the upstream report.*
- Almost none of the participants in the implementation phase seem to be familiar with the Extractive Industry Transparency Initiative.

→ *Clarification of the Guidance can be found on page 31 of the upstream report*

STEP II. Identify and assess risk in the supply chain



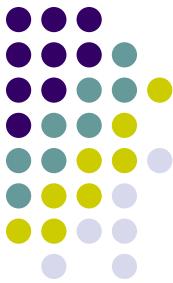
- Most participants only buy minerals that are tagged under the iTSCI system, and/or at least encourage their suppliers to join the iTSCI so they are subjected to the risk assessment procedure of iTSCI
- Some actors wrongly assume that buying tagged minerals means that risks are non-existent and risk assessments become redundant.
- Confusion regarding the interpretation of ‘armed groups’ persists.
- Some participants are unsure how to address issues regarding child labour.



Points for discussion

- *To what extent can iTSCI be relied upon by members to carry out on-the-ground risk assessment and management?*
- *What are the different interpretations of the notion of ‘armed groups’ among upstream and downstream actors in the supply chain?*
- *How should issues of child labour at mine sites be addressed?*

Step III. Design and implement a strategy to respond to identified risks



- During the first cycle of this pilot phase, no company has shared its risk management plan with the team.
- Despite the fact that companies have not systematically devised and adopted risk management plans, some good examples of risk management have been already elaborated.



Illustrative examples

- *Risk management regarding security related issues*

idea of creating a sort of ***trust or similar fund***
from which salaries of security forces could be paid.



avoid the recurring situation in which badly paid security forces impose illegal taxes on artisanal miners, the has been considered amongst companies



Illustrative examples

- *Risk management regarding adverse impacts for artisanal miners*

- installation of streetlights, which work on solar energy in the villages.
- import basic necessities such salt, cooking oil or soap which can be very expensive in remote mining areas, and then re-selling them at affordable prices.



improve the living conditions for artisanal miners and to give them incentives to settle down in certain areas



Illustrative examples

- *Risk management regarding adverse impacts for artisanal miners*

Creation of a technical team that goes to the mining sites

- to give training and advise on how to extract minerals more efficiently
- bringing in compressors and jack hammers,
individual and collective protection equipment,
a water pump and pipes, a generator, etc



improve the working conditions for artisanal miners and to
give them incentives to settle down in certain areas