Due Diligence of Mineral Supply Chains during the COVID-19 Pandemic

A summary of consultations with the Multi-stakeholder Steering Group of the implementation programme for the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

This document brings together contributions from the Multi-stakeholder Steering Group (MSG) of the implementation programme for the OECD Due Diligence Guidance for Responsible Mineral Supply Chains on conducting due diligence during the COVID-19 pandemic. In particular, the Consultation Summary has collected insights and observations from MSG members on efforts to maintain the integrity of due diligence amid constraints linked to the pandemic and responses to it. Contributions span all MSG constituencies, including governments, industry and civil society. The document also addresses lessons learned from the pandemic related to strengthening the resilience of supply chain due diligence systems in anticipation of future disruptions.

The COVID-19 pandemic has disrupted supply chains and had widespread impacts on businesses of all sizes, and in every country and sector. Mineral supply chains have not been spared, with falling metal prices and site closures leaving livelihoods harmed, with those working in the artisanal and small-scale mining (ASM) sector disproportionately affected.

The Multi-Stakeholder Steering Group (MSG) of the implementation programme for the OECD Due Diligence Guidance for Responsible Mineral Supply Chains ("the Due Diligence Guidance") issued a Call to Action in May 2020 to highlight these issues and the risks they pose to maintaining strong due diligence of mineral supply chains.

The disruptions to mineral supply chains this past year exposed miners and their communities to elevated human rights risks as illicit actors and non-state armed groups reportedly took advantage of the pandemic and the increased logistical impediments to formal trade to further their involvement in the sector. These disruptions also created new challenges to identifying and responding to such risks through effective due diligence. Travel restrictions and lockdowns, for example, made it more difficult to conduct on-the-ground risk assessments and on-site audits. On a systemic level, lower mineral trade volumes and shifting donor priorities put due diligence programmes in mineral producing countries under financial pressure.

Besides calling on industry, governments, donors, CSOs and other supply chain actors and stakeholders to be sensitive to and help address such impacts through their funding and sourcing decisions, the Call to Action also identified the need to ensure the right balance of maintaining integrity and flexibility in due diligence efforts during this period. The MSG considers this critical to safeguarding the gains made over the past 10 years in supply chain due diligence.

In order to gather perspectives on achieving this balance, the OECD Secretariat organized a consultation with the more than 50-member MSG over several months, culminating in a virtual session to highlight key issues facing members. Contributions spanned different industry segments, CSOs, on-the-ground due diligence programmes, auditing programmes, and governments, all of whom have been involved in implementing, supporting or regulating due diligence practices. This document organizes such contributions by step of the Due Diligence Guidance.

Many of the challenges and responses that stakeholders described in the consultation could be instructive for companies as they seek to improve their resilience in anticipation of future supply chain disruptions. In particular, the consultation highlighted that having strong due diligence systems in place during normal times assists with a smoother adaptation to disruptions when they do occur, particularly by having strong networks for information sharing and risk identification in place on which companies can rely even at a distance. This conclusion also underlines the increasing relevance of due diligence to supply chain visibility and, by extension, security of supply. With the growing recognition of minerals as vital to the world's economy and to critical supply chains, this link will be of interest to a diverse set of stakeholders and policymakers. Recommendations are included throughout the document to highlight the adaptation strategies stakeholders consider most likely to contribute to future resilience.

Step 1: Establish strong company management systems

In addition to having a supply chain policy, due diligence management systems comprise the internal management structure and resources for implementing the policy, the system of controls and transparency over the supply chain, supplier engagement, and a grievance mechanism for all potentially impacted parties. The economic impacts, as well as the constraints on movement and travel brought about by the pandemic, have tested such management systems. Several challenges stand out.

Funding and resources for upstream due diligence programmes

Many upstream due diligence programmes pool resources from companies or other donors into joint efforts to collect and process information on minerals from conflict-affected and high-risk areas, among other due diligence activities (refer to other sections ["Steps"] of this document). The sharing of this information down the chain plays an integral role in the functioning of systems of control and transparency.

Early on in the pandemic, Asian countries with large smelting industries were among the first to institute lockdowns, resulting in reduced demand for minerals produced in Central Africa. Upstream due diligence programmes that rely on trade volumes for funding were hit hard, and sometimes forced to cut back. The

International Tin Supply Chain Initiative (ITSCI), for example, was forced to slash its operational budget by 60%. ITSCI adapted, in part, by prioritising follow-up of incidents related to the most serious risks covered under Annex II of the OECD Guidance. The organisation operating ITSCI, The International Tin Association (ITA), also carried out a joint fundraising campaign with the Responsible Minerals Initiative (RMI), with a view to mobilising more funding from downstream companies for upstream due diligence. While the campaign fell short of its goals, it opened a valuable conversation on sharing the costs of due diligence among a broader segment of the supply chain[1].

- Downstream companies may consider providing funding directly to upstream programmes to maintain the integrity of due diligence management systems, especially in periods of profound disruption and in cases in which downstream companies depend on such programmes for risk and incident data that inform their own due diligence exercise.

Strained supply chains in Central Africa

The Government of the Democratic Republic of the Congo also highlighted the financial distress of upstream companies during the pandemic, the same companies that bear most of the cost for ITSCI and several other upstream due diligence programmes, for example through the payment of export levies. This again calls attention to the way costs are shared in the upstream parts of supply chains, and the need to ensure that companies and programmes are not forced to sacrifice the quality and integrity of due diligence during supply chain shocks and disruptions.

Several member countries of the International Conference on the Great Lakes Region are studying the possibility of establishing publicly operated mineral chain-of-custody systems as a way of addressing the vulnerabilities of current models.

Engaging with suppliers

COVID-19 has brought about shifts in global supply chains, in addition to the regular changes to sourcing and business relationships that occur under normal circumstances. Companies should strive to institute the same level of control and transparency in such situations as they normally would, collecting information and documentation remotely as necessary, including information necessary for on-boarding new suppliers. Collecting sufficient information on new suppliers, however, has proved difficult for some companies, including members of the MSG, with on-boarding suspended by some companies until travel could resume.

> One company in the gold supply chain could envisage in future proceeding with on-boarding of new suppliers with some information that can be collected remotely, while verifying other kinds of information at a later date in person. Companies' responses to this challenge naturally depend on their risk appetite.

Stakeholders raised several important considerations for engaging with ASM during the pandemic and similar disruptions, particularly with a view to promoting the Call to Action's goal of fostering the sustainable inclusion of responsible ASM projects in global supply chains. International and local CSOs working on ASM formalization projects urged companies sourcing minerals not to mistake supply chain complexity or survival mechanisms like bartering for reasons not to engage. They should, however, take bartering's potential role in money laundering and indications of illegal activity, including smuggling, into account when determining if identified risks can be mitigated (refer to section ["Step"] 3 for more information on responding to risks).

Several ASM engagement projects involving industry partnerships spanning upstream and downstream members have continued operating during the pandemic, especially in precious stone supply chains. This may reflect the relatively high level of visibility such projects provide over ASM sourcing, giving downstream companies a degree of comfort working with ASM, and an element of resilience during downturns and disruptions. Stakeholders also underlined the importance of considering the role of local traders and intermediaries in the design of such initiatives, and accounting for the services such actors may provide both within the commercial ecosystem and in mining communities as a source of resilience.

Maintaining the flow of information and keeping grievance mechanisms accessible

With fewer on-site visits possible, less in-person contact between and within businesses, and some companies instituting their own COVID-19-related responses that restrict the movement and activities of workers, it has been important for companies to ensure that grievance mechanisms remain fully accessible to all potentially impacted parties. In particular, civil society actors in affected communities and countries can play a key role in collecting or validating information, and supporting parties to access grievance mechanisms.

- Stakeholders highlighted the importance of **adapting grievance mechanisms** to modes of communication and technology that are available where adverse impacts may occur.
- Considering the above issues, which are challenges in normal times, the Responsible Minerals Initiative reminded stakeholders that companies may establish or use existing joint grievance mechanisms[2].
- The international NGO *IMPACT* noted that **constructive engagement with civil society** can serve to create greater trust and confidence in a company's management system. There remain significant untapped opportunities for companies to utilise local civil society organisations in this way.
- Similarly, another international NGO, the Alliance for Responsible Mining (ARM), mentioned that it would behove companies to **involve CSOs in producing countries more directly in local monitoring**. This could strengthen their long-term capacity and enhance the resilience of systems of transparency and control during periods of disruption.

The stakeholder consultation also served to remind companies that they retain individual responsibility for generating and sharing verifiable, reliable, and up-to-date information on the qualitative circumstances of mineral extraction, trade, handling and export from conflict-affected and high-risk areas regardless of their membership in industry programmes and pandemic-related impacts on such programmes. This highlights the fact that due diligence programmes (including institutionalised mechanisms, multi-stakeholder or industry-run programmes) are not substitutes for companies' own due diligence management systems.

Step 2: Identify and assess risks in the supply chain

COVID-19 has influenced how companies identify and assess risks in their supply chains in several ways. Restrictions on large gatherings and limited in-person engagements reduced the level of risk reporting, particularly through some traditional, established channels like industry programmes or multi-stakeholder mechanisms. In addition, on-the-ground risk assessments have become more difficult due to travel restrictions.

Desk research, regular communication with suppliers and utilising local networks and sources of information are important parts of due diligence at all times, but have been especially critical during the pandemic. In this sense, the stakeholder consultation revisited a number of information sources and approaches for carrying out Step 2 of the Due Diligence Guidance applicable at all times, recognising that periods of disruption call for more of them to be employed jointly as part of an all-hands-on-deck strategy to adapting to the pandemic and similar crises.

Risk assessments

- **Identify and appoint an in-country assessment team** (ideally comprised of multiple different stakeholders) through industry networks, institutionalised mechanisms, civil society, academia, and international development organisations and coordinate their activities to meet the expectations, scope and analytical framework of the initially planned assessment.
- If teams cannot reach certain locations of mineral production or trade normally subject to on-the-ground assessments and related risks cannot be assessed through other means, **past reports as well as reports from nearby areas** should be taken into account as part of the risk identification and assessment process. Companies sourcing from such sites should **regularly review such sites' accessibility**. Even if past reports undertaken by a company are unavailable, the company or its assessors should seek to consult other open-source reports by other companies or stakeholders. Many risk assessments, especially those undertaken by multi-stakeholder teams, are freely available and can be found through desk research.
- **Leverage on-the-ground due diligence programmes and civil society present in producing and trading areas**: this may entail providing greater support to such programmes and civil society than companies have previously done, contributing to the establishment of new programmes or otherwise strengthening relationships with upstream companies and workers' associations. This may extend to include the provision of training by independent third parties to local CSOs.

It has been important to recognize that a lack of capacity among some CSOs in mineral producing countries is not indicative of a lack of knowledge of the sector and on-the-ground circumstances. They often possess invaluable information, but there can be challenges with how it is communicated. It is important to be aware to adapt to these challenges in order to benefit from their support.

Ongoing risk identification

- **Triangulate information from different sources**, particularly with regard to information on Annex II risks in one's supply chain. In cases in which there is a lower level of risk reporting and on-the-ground assessments, it may be more difficult to verify information. This means that companies should consult *and* compare information gathered across the full spectrum of potential sources, including suppliers, civil society, government and regulators, and the press, via both reports and direct communication. Companies should also compare such information to risks raised through grievance mechanisms.
- **Augment systems for collecting open-source information, supply chain data provided by suppliers, and supply chain mapping**: set regular data collection and submission intervals; automate some parts of the process to better focus manual analysis.
- **Record and collect chain of custody documentation and field reports through email or other remote communication**: to address any gaps in on-the-ground assessments that arise, companies and institutionalised mechanisms may consider insisting on collecting greater quantities of data at more regular intervals, with due regard for the capacity of artisanal and small-scale producers. This may entail collecting copies of original documentation on an ongoing basis instead of annual summary data, or holding frequent check-ins with suppliers on the conditions at sites of production and trade, and along transportation routes, for example, in addition to increasing reliance on CSOs and local community-based associations as independent researchers and assessors. Doing so may provide the additional context necessary to identify anomalies and serious risks despite a lack of on-the-ground assessments and a lower level of risk reporting through the usual channels.
- **Step up efforts to further build the capacity** of employees and suppliers involved in mineral purchasing, including those who buy directly at mine sites in addition to local civil society and community-based associations, in order to make them more effective eyes and ears of due diligence efforts. Companies may do this virtually or with local partners, or through a combination of the two approaches.
- **Give due attention to risks arising from restrictions on workers' movement related to COVID-19**, and the implications for the effective management of security contracting, including through the implementation of the Voluntary Principles on Security and Human Rights[3]. Companies should also give due attention to other heightened risks observed to be associated with the pandemic, including criminal activity, trade-based money laundering, mineral smuggling and restrictions on freedom of association and curtailed labour rights.
- **Participate in national dialogue platforms and structures in producing countries**, including virtually, in order to better understand changes to the risk landscape.

Step 3: Design and implement a strategy to respond to identified risks

Coordinating risk mitigation with suppliers and local stakeholders

International and local travel restrictions may pose challenges to responding to identified risks. Information gaps may complicate the design of risk mitigation plans, including the decision to continue or suspend trade over the course of mitigation, or disengage from a supplier if risk mitigation is unfeasible or unacceptable. Likewise, working with local stakeholders to design and implement risk mitigation plans may be challenging. Stakeholders brought up several strategies companies may consider in order to continue mitigating risks in their supply chains despite such challenges:

- **Maintain communication with suppliers and local stakeholders**, including civil society, in areas of mineral production and trade via phone, email and messaging apps during periods when they cannot meet in person in order to reach agreement on risk mitigation plans and cooperate in their implementation.
- **While** fewer people may be traveling to and within areas of mineral production, trade and processing, **companies should consider including those who continue to do so as part of essential business and community functions more fully in due diligence efforts**. Companies should prioritise training of such employees and suppliers accordingly. Collecting their observations will also be useful for reviewing the effectiveness of agreed risk mitigation strategies. Stakeholders have successfully systematised virtual train-the-trainer approaches to accelerate capacity building when unable to hold in-person trainings.
- **Strengthen links to other actors present at mine sites, trading and processing facilities, and transportation routes**, for example regulators, workers' associations, women's associations, community-based organisations and local civil society, and involve them in implementing risk mitigation plans.
- If teams cannot reach certain locations of mineral production or trade normally subject to on-the-ground assessments and related risks cannot be assessed through other means, **past reports as well as reports from nearby areas should be taken into account** as part of risk mitigation planning and sourcing decisions.
- **Companies may consider adjusting risk mitigation timelines in agreement with suppliers, customers and local stakeholders** if they are unable to meet previously agreed milestones due to exceptional pandemic-related impacts, provided they make measurable progress in the implementation of the mitigation plan within six months of adopting the plan. Adjusting mitigation timelines is not appropriate in cases in which a delayed response would lead to an irremediable adverse impact. Companies should ensure to communicate publically on the basis and nature of all adjustments to mitigation timelines.

Enabling greater market access for ASM

Considering the disproportionate impacts on ASM communities from the pandemic and the important role they play in building responsible mineral supply chains, stakeholders highlighted the need to renew efforts to responsibly engage with ASM producers consistent with the MSG's Call to Action. Growing ASM producers' access to formal channels of trade is particularly important during periods of disruption in order to prevent illicit or criminal actors taking advantage of obstacles to formal trade to take a larger share of the market. Stakeholders suggested the following approaches to ease engagement with ASM during this time, many of which MSG members are piloting themselves:

- Do business with ASM producers on less stringent trading terms, provide pre-financing, assume logistics costs
- Provide credit to ASM producers with longer repayment periods or at low interest
- If possible, purchase higher volumes of ASM-produced minerals to promote economies of scale and reduce trade friction
- Explore partnership and co-operation opportunities between large-scale mining (LSM) operators and ASM producers in order to use the logistical capabilities of LSMs to bring ASM minerals to

market despite disruptions to normal transport links. This is most relevant to the ASM gold sector since much of this high-value, low-volume commodity is moved through passenger air transport, which has been particularly impacted by pandemic-related travel restrictions.

Disengagement from ASM

Whether due to commercial considerations or failed mitigation efforts, stakeholders have observed companies disengaging from suppliers at a higher rate during the pandemic. This has put significant burdens on ASM producers. Categorical disengagement from ASM or high-risk areas runs counter to the aims of the Due Diligence Guidance and can undermine responsible mineral supply chains. Disengagement is only recommended in cases in which a specific supplier's supply chain is associated with serious human rights abuses or conflict financing, or if risk mitigation has failed or is not feasible. In cases in which supply chain disruptions contribute to the decision to disengage, stakeholders urged companies to consider the following measures.

- To mitigate the social and economic impact on such miners, stakeholders recommended providing residual material support to upstream producers, particularly workers' associations, to transition economically, either to supplement their income through working in a different sector or changing their business model.
- Other support could include capacity-building or in-kind donations of equipment to maintain responsible and safe production practices after disengagement. Companies should continually re-evaluate the possibility of re-engaging with suppliers.

The nature and extent to which companies utilise these steps will likely depend on a number of factors, including the dependency of vulnerable mining communities on specific customers (e.g. the share of production supplied) and the tenor and duration of specific supplier relationships affected (e.g. the length of time a specific supplier has been a business relationship for the company). The responsibility to take steps to mitigate the impacts of disengagement is higher for companies when their decision to disengage substantially contributes to further harm on mining communities.

Step 4: Carry out independent third-party audit of smelters/refiner's due diligence practices

Travel restrictions have made on-site visits for Step 4 audits difficult to carry out in some cases. The changing and unpredictable nature of the restrictions, the availability of virtual solutions and distinct sets of circumstances in different upstream locations have necessitated a flexible posture, albeit one with clear parameters and safeguards to maintain the integrity of the audit process. There is no one right way to adapt to the disruptions brought about by the pandemic, but stakeholder experiences have demonstrated an effort to balance the need to maintain supply chain transparency with the compliance burden on supply chain actors, as well as to reach a level of assurance commensurate with the risk.

When designing an adapted audit policy, including with remote or virtual components, it is important to keep in mind that audits are not a standalone element of the due diligence process, but should instead draw on the information generated through the other steps. Nor does the Due Diligence Guidance call for audits at all segments of the supply chain—Step 4 audits are to be carried out at the control point in the supply chain, typically the smelter or refiner (SOR).

Initial responses for adapting audit policies and practices

The first step that stakeholders overseeing audit programmes have typically taken during the pandemic has been to communicate with members and auditees, gather information on impacts in the supply chain and react to such changes by making quick adjustments to programming and measures that support the audit process. The International Conference on the Great Lakes Region, the government of the Democratic Republic of the Congo, the Responsible Minerals Initiative, and the Responsible Jewellery Council provided the following examples of such responses.

- Communicate with members and auditees to get a better picture of how suppliers and sub-suppliers have been affected, with regard to both business and due diligence impacts.
- Survey members and auditees to identify the greatest challenges facing them: auditees reported disruptions to their supply chains, mine closures, fractured transportation networks, and significant impacts on ASM communities.
- Shift trainings to virtual format for trainee audiences able to access material in this format.
- Provide remote assistance with self-assessments.
- Require prospective auditees to continue carrying out on-the-ground risk assessments of their suppliers, and publish the results of such risk assessments.
- Engineer auditing systems, including having the resources and auditors in place, so that they are ready to expedite the resumption of in-person audits as soon as possible.
- Make more audit documents available remotely for desktop review prior to in-person audits to limit the time auditors spend at auditee facilities.
- Provide extensions and grace periods to auditees under certain circumstances (refer to the next sub-section for additional information).
- Pilot virtual assessments with lower-risk or downstream companies to assist the design of remote audit approaches for SORs.
- Establish programmes to train and accredit more auditors based in upstream producing and refining locations.

Developing an approach to auditing during the pandemic

Audit programmes have used the above experiences to develop policies and approaches for carrying out remote and mixed audits, which have inevitably become a necessary fall-back in some circumstances arising from pandemic-related restrictions. Consulted stakeholders and the OECD are not in a position to determine the validity or alignment of any of these approaches with the Due Diligence Guidance — their use continues to be a learning experience.

However, stakeholders have highlighted shared considerations in the design of such approaches that appear to be central to reconciling the need to maintain audit integrity with the realities of the pandemic and avoiding unnecessarily exacerbating the economic and business impacts caused by the current crisis. Many of them were already is use prior to the pandemic, albeit as parts of auditing processes that also included in-person engagements. Audit programmes have reported deciding on the use of these approaches on a case-by-case basis.

- **Extensions and grace periods**: Audit programmes have granted extensions and grace periods to auditees under certain circumstances and contingent on other interim measures. Extensions are typically granted if remote audits are either logistically impossible or not recommended for reasons related to the auditee's risk profile. Sometimes, even in the latter case, *interim* virtual audits have been allowed to take place in situations in which an auditee's customer conditions the continuance of the business relationship with the auditee on some form of audit validation. Extensions and grace periods are often contingent on other interim measures (see below). They also appear to be more sensible in situations in which in-person engagements are likely to be able to resume soon.

- **Interim measures**: Interim measures are designed to provide a level of assurance that may fall short of that attained through normal, in-person audits, but meets a threshold considered sufficient for continuing trade. Such measures have included virtual mid-term reviews or gap assessments, self-assessments and submission of other due diligence documentation to the institutional mechanism operating the audit programme, such as company due diligence reports, sourcing changes, information about challenges with due diligence, risk assessments and information on pandemic-related impacts on the auditee, its supply chain and its due diligence systems.
- **Remote audits**: Remote audits have predated the pandemic but remain, in some ways, highly experimental and in flux in terms of how they are practically carried out, and the precise role they are able to play in meeting the objectives of Step 4 of the Due Diligence Guidance. Audit programmes make use of a variety of technological aids and tools to attain assurance through remote audits. These include virtual meetings with auditee management, document submission and review, virtual site walk-throughs, and interviews with workers. Some programmes have also explored combining remote audit management with in-person visits by in-country auditors in cases in which senior auditors are based abroad and unable to travel but more junior colleagues are able to conduct site visits. This gives the senior auditor someone to trust in executing certain site-level tasks, like visual observations and document sampling as well as confirming that interviews take place in a reasonable physical setting where candid discussion is possible when with workers (without management in the room).
- **Making use of other steps of the due diligence process:** The risk profile of auditees appears to be one of the most important factors in determining adjustments to the audit process. Stakeholders encouraged audit programmes to take information normally collected through Steps 1 and 2 or published as part of Step 5 into account when deciding interim measures for specific auditees. Ensuring that local networks, civil society and multi-stakeholder mechanisms are consulted and included in the due diligence process, particularly for Step 2, can assist with ascertaining the risk profile of auditees in this regard.
- **Provisional findings:** The range of different interim measures and remote audit configurations have led to varying degrees of assurance, or confidence, in audit findings pending a resumption of normal in-person audits. The level of assurance often depends on the seriousness of particular issues, whether related to a specific risk, sourcing or due diligence practice. This sometimes leads to qualified, "provisional" findings that must be validated by some kind of follow-up, often consisting of a subsequent in-person engagement.
- **Approaches to high-risk or critical issues**: Maintaining a risk-based approach is key to protecting the integrity of the due diligence process, including Step 4, as companies and audit programmes adapt to disruptions like COVID-19. Stakeholders and audit programmes have identified some scenarios and issues that are too critical and represent risk profiles that virtual audits are unable to fully address. Stakeholders have, for example, advised against using virtual audits for initial assessments, in certain high-risk sourcing situations, in situations in which the complexity or opacity of an auditee's supply chain pose unique challenges, or for auditees with open grievances and/or major non-conformances outstanding from previous assessments.
- **Being transparent about limitations**: Stakeholders agree that companies and audit programmes should clearly explain what adjustments to audit practices have been made and what limitations they entail. This means they should set out the rationale for any changes and detail how

adjustments relate to the specific circumstances of the supply chain: Auditors should thoroughly document the process undertaken, including limitations encountered in the virtual audit process and the significance of those limitations on the audit.

Step 5: Report annually on supply chain due diligence

As companies work to adapt to the current circumstances, stakeholders have highlighted the particular importance of strong public reporting. Companies may need to adjust certain due diligence practices across the five steps and may face challenges in the process, as this document has explored. More **regular, accurate and clear public reporting is necessary to explain what changes companies have made to their due diligence systems and implementation, why they have made them, and how they have reached their conclusions regarding risk identification and mitigation**. Stakeholders urged companies to report on any adjustments in the following ways:

- Set out changes they foresee making to their due diligence practices brought about by COVID-19-related constraints in advance, not only in retrospective reporting, and provide criteria and conditions for returning to previous practices
- If travel restrictions have delayed or altered the scope or approach to audits or on-the-ground assessments, companies should describe such changes, explain what measures were taken to maintain the integrity of audits and assessments, and what limitations any adjustments entailed. They should also explain how they supplemented audits and assessments with desk research, remote information gathering, or by other means as part of other steps of the due diligence process to address any potential gaps as necessary.
- Describe in detail residual gaps in information due to COVID-19 and explain how the company reached conclusions about the factual circumstances of production and trade in its supply chain, its rationale for prioritising and responding to risks, and how it made sourcing decisions despite having incomplete information. All related findings and decisions, as well as the timeline on which they were made, should be preserved.
- Increase the specificity and, in some cases, the frequency of reporting in order to meet Step 5 expectations with due regard taken of business confidentiality and security concerns. Companies should already be reporting the methodology, practices and information yielded by risk assessments, as well as responses to such risks. They should renew their commitments to do so and consider issuing interim reports on supply chains and locations on which there are gaps in information due to challenges posed by COVID-19.

Other considerations for future resilience

Impacts of the pandemic continue to be felt the world over, and the recovery will likely be uneven, especially as some regions lag in access to vaccines. It therefore behoves companies, governments, civil society and the broader community of stakeholders to operate on two tracks: both fine tuning their responses as they adapt to ongoing pandemic-related impacts, and making investments in longer-term recovery and resilience. If done properly, this should both improve businesses' readiness to react and adapt to future disruptions and mitigate adverse impacts on people and society arising from such disruptions. Several lessons learned and market trends stand out for their importance to continuing efforts to adapt and to shaping future investments in due diligence systems:

- It is increasingly apparent that due diligence can improve businesses' knowledge of their supply chains and build their capacity to anticipate and respond to future shocks. Information from supply chain due diligence, for example on origin of raw materials, and other data generated through systems of control and transparency, can be used to understand short-term and medium-term vulnerabilities in the supply chain, and support continuity planning to manage disruptions.
- The pandemic exacerbated financial pressures on upstream due diligence programmes related to the perceived imbalance of how due diligence costs and benefits are distributed along the supply chain. Stakeholders will continue to explore cost-sharing models for carrying out supply chain due diligence in ways that appropriately recognise the value of due diligence throughout the minerals supply chain. International prices of many metals have recently risen significantly, in some cases to multi-year highs. These conditions present a unique opportunity to explore ways to leverage the buoyant market climate to strengthen the resilience of upstream programmes and those who depend on them for market access and livelihoods.
- The rationale for investing in responsible engagement with artisanal and small-scale mining continues to strengthen. Awareness of ASM's relevance to the global development agenda and the role that formalising the sector plays in mitigating human rights risks and addressing decent work deficits had been growing before the pandemic. The pandemic, however, also shed light on the link between ASM inclusion and the security of supply, particularly of critical minerals. ASM is a swing producer, reacting quickly to fluctuations in international demand and metal prices, and can help diversify sources of supply. Supply chain due diligence, including through a framework of formalisation, enables responsible engagement of ASM, not only by mitigating risks in the sector, but also through its potential to increase productivity and decrease trade friction. Increasing co-operation between ASM and large-scale mining operators can help foster commercially viable formalisation processes that are more resilient to supply chain shocks.
- The pandemic made even more apparent the need to better utilise and invest in civil society, workers' and women's associations, and other local networks in producing countries. These networks can be an invaluable source of information when other due diligence systems face operational challenges during disruptions, and complement remote due diligence solutions with reliable data from the field. They can also be an important actor in the due diligence process to identify, interpret and help design responses to risks through a local frame of reference sensitive to local dynamics and power structures.
- The pandemic has shown that access to finance, whether for small producers or multinational enterprises (MNEs), is critical to business continuity. The role of supply chain due diligence in enabling access to finance has perhaps never been clearer. Banks are beginning to reward responsible sourcing of metals by discounting interest rates, including on multi-billion-dollar loans, for meeting key performance indicators. There has been more modest progress for ASM producers and local traders, though several banks have also been exploring the use of due diligence programme data to service ASM actors in line with international risk management and compliance expectations. More reliable access to finance would help embed miners and local traders in channels for formal trade and insulate them from illicit actors prepared to take advantage of business disruptions to further their involvement in the minerals trade. Banks' evolving approach to this issue hopefully presages a cascading of the progress there has been at the MNE level up the chain to small-scale producers most exposed to potential adverse impacts and in need of such financing.

Notes

[1] The OECD will be facilitating an ongoing dialogue on how costs could be further redistributed, appropriately recognizing the value and benefits of due diligence.

[2] Including the Minerals Grievance Platform: https://mineralsgrievanceplatform.org/

[3] https://www.voluntaryprinciples.org/

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