OECD

A GLOBAL STANDARD
Towards responsible mineral supply chains

Trade and investment in natural mineral resources hold great potential for generating income, growth and prosperity, sustaining livelihoods and fostering local development. However, a significant share of these resources is located in conflict-affected and high-risk areas, where they may contribute, directly or indirectly, to armed conflict, including terrorist financing, human rights violations and hinder economic and social development.

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas clarifies how companies can identify and better manage risks throughout the entire mineral supply chain, from miners, local exporters and mineral processors to the manufacturing and brand-name companies that use these minerals in their products.

The Guidance aims to help companies respect human rights, observe applicable rules of international humanitarian law in situations of armed conflict, avoid contributing to conflict and cultivate transparent mineral supply chains and sustainable corporate engagement in the mineral sector. The objective of the Guidance is ultimately to promote responsible private sector engagement in post-conflict fragile states.

The Guidance is applicable to all minerals and global in scope. Companies sourcing or using minerals in their operations are expected to ensure their supply chains are clean and transparent. Illegally exploited minerals include, but are not limited to, gold and those found in electronic equipment such as tin (used in laptops), tantalum (mobile phones, fibre optics) and tungsten (light bulbs).

The de facto international standard

Since its adoption in May 2011, the Guidance has become the leading industry standard for companies looking to live up to the expectations of the international community and customers on mineral supply chain transparency and integrity.

The Guidance was developed by OECD and non-OECD countries (including countries from the International Conference on the Great Lakes Region), industry and civil society, as well as the UN Group of Experts on the Democratic Republic of the Congo. It integrates recommendations developed by the Financial Action Task Force (FATF), which sets standards and promotes the effective implementation of measures to combat money laundering and terrorist financing. The Guidance is now referenced and used in binding regulations in the United States and serves as the basis for a draft EU regulation on responsible mineral supply chains. It is also part of the legal framework in several African countries, notably the DRC, Burundi and Rwanda.

Together with China's Chamber of Commerce for Metals and the Ministry of Commerce, the OECD supported

A 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 supply chain due diligence
5. Report annually on supply chain due diligence

the development of the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains to implement responsible mineral sourcing and due diligence in conformity with the OECD Guidance. This encourages the uptake of the OECD Guidance in other major mineral trading countries and beyond China.

Since 2010, seven UN Security Council Resolutions adopted in the context of DRC and Côte d'Ivoire called for due diligence in mineral supply chains based on the OECD Guidance to avoid financing illegal armed groups. The Guidance has thus been accepted globally as a key tool to help implement natural resource related sanctions and combat financing of conflict.

THE OECD GUIDANCE AND THE ARTISANAL MINING SECTOR

One of the main areas of focus of the implementation programme of the Guidance is to ensure that international standards do not further marginalize workers of the informal sector. The OECD Guidance therefore entails an Appendix on "suggested measures to create economic and development opportunities for artisanal and small-scale miners" calling on all stakeholders to engage in legalisation and formalisation programmes of artisanal mining communities.

The objective is two-fold:

- To build secure, transparent and verifiable supply chains from mine to market and enable due diligence for legitimate artisanal and small-scale mining.
- To ensure that legitimate artisanal mining communities can benefit from ongoing trade in conflict-affected and high-risk areas, to support their development and thus contribute to the general improvement of the situation on the ground.

Increasing uptake by the global industry

The Guidance is widely implemented by the industry, through the development of industry association programmes designed to operationalise all five steps of the Guidance.

Industry initiatives estimate that approximately 90% of all refined gold, 95% of smelted tantalum and 75-85% of smelted tin produced every year is covered by industry audit programmes designed to implement the Guidance, although some of these programs have limited geographic scope.

Disseminating the Guidance

The OECD hosts an implementation programme for the Guidance with representatives from organisations from donor and implementing governments, the private sector, civil society, as well as other experts and stakeholders.

While industry takes a leading role in implementing the Guidance in day to day business activities, governments and international organisations play an important role in creating the enabling conditions in terms of the regulatory environment, rule of law and security. Local and international civil society actors also play a crucial role in monitoring the conditions of resource extraction and trade, monitoring company activities and disseminating information on risks, building local capacity and raising awareness.

Dissemination activities by all stakeholders include awareness raising and training, the development of easy to use guides and materials, case studies on emerging best practices within the private sector, as well as the dissemination of tools and methodologies for implementing the Guidance.

As part of the implementation programme, the multi-stakeholder OECD-ICGLR-UN Forum facilitates the building of partnerships across producing, processing and consuming economies and reports on "mine to market" projects of responsibly-sourced minerals carried out in co-operation with host governments and implementing partners. The Forum takes place annually in May at the OECD in Paris, France.

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

The OECD Due Diligence Guidance builds on and is consistent with the principles and standards contained in the OECD Guidelines for Multinational Enterprises. The Guidelines are the most comprehensive set of government-backed recommendations on responsible business conduct in existence today. Governments that adhere to the Guidelines aim to encourage the positive contributions MNEs can make to sustainable development and to minimise the difficulties to which their operations may give rise.

mneguidelines.oecd.org/mining.htm

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