Chinese Due Diligence Guidelines for Mineral Supply Chain

Version 2

China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters

Contents

Knowledge Box:

Chapter I Introduction

In 2015, the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC) developed the first edition of Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains in cooperation with OECD, which aims to support to companies which are extracting and/or using mineral resources and their related products, and are engaged at any point in the mineral supply chain, to identify, prevent, and mitigate their risks of directly or indirectly contributing to serious human rights abuses, conflict, environmental damage, damage to business ethics and other adverse impacts. In 2020, the CCCMC reviewed the first edition of the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains with reference to the 3rd Edition of the OECD Due Diligence Guidance for Responsible Mineral Supply Chains, the ISEAL Code of Good Practice for Setting Sustainability Standards (ISEAL Alliance), and realized that there is a need to revise the current edition to adapt the development of industry practice and changes in the global context.

In the second edition, the name has been simplified into Chinese Due Diligence Chinese Guidelines for Mineral Supply Chains (referred to as the Chinese Guidelines), and major changes in terms of structure and content have been made. This Chinese Guidelines added ten characteristics of due diligence. At the same time, in order to incorporate many scattered and fragmented social responsibility requirements and stakeholder expectations into this Chinese Guidelines, by using the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas (Third Edition) as main reference, it specified the due diligence requirements for enterprises. Meanwhile, Guiding Principles for Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework and OECD Due Diligence Guidance for Responsible Business Conduct are referred, and Step six "Provide for or cooperate in remediation when appropriate" is added, so that the due diligence process is more complete, also to address "both the symptoms and root causes" of supply chain risk governance. In addition, this Chinese Guidelines also responds to the development and trend of the international community in the field of supply chain due diligence in recent years, with reference to relevant requirements of the EU Conflict Minerals Regulation (2017/821), the US Dodd-Frank Act (section 1502). Furthermore, other relevant standards, rules and initiatives have been studied to ensure integration and consistency[1]. This

[1] For example, the member countries of the International Conference of the Great Lakes Region (ICGLR) proposed an initiative against illegal exploitation of regional natural resources (RINR) and formulated the Regional Development Certification Mechanism (RCM), the ICGLR mineral tracking and certification program. The Responsible Jewellery Council's Code of Practice (2019) and Chain of Custody Standard (2019), and the Responsible Aluminum Initiative Performance Standards (2017) and Chain of Custody Standards (2017) , London Bullion Market Association (LBMA) Responsible Gold Guidance (2018), International Tin Association's Code of Conduct, Responsible Steel's Responsible Steel Certification Standards (2019), Fair Trade Association's Fairtrade Standard for Gold and Associated Precious Metals for Artisanal and Small-Scale Mining (2013), the International Organization for Standardization's Chinese Guidelines for Social Responsibility (2010), and the Responsible Minerals Initiative on tungsten, tin, tantalum, gold, etc. Solidaridad's Code for Responsible Extraction, ICMM's Mining Principles (2003), Extractive Industry Transparency Initiative (EITI,2003), World Gold Council's Responsible Gold Mining Principles (2019), etc. In addition, the implementation of these Chinese Guidelines also is consistent with the recommendations of the Financial Action Task Force (FATF) on anti-money laundering and combating terrorist financing (AML/CFT). China is also a member of this task force. Follow the Extractive Industries Transparency Initiative (EITI) and report to the 56 implementing countries of the EITI on the specific payments made to the government.

Chinese Guidelines also refined and enriched the Type 1 Risks (risks related to conflict-affected and high-risk areas) and Type 2 risks (risks related to social, environmental, and the economic issues).

This Chinese Guidelines emphasizes that obeying applicable laws and regulations is the basic obligation of companies, and implementation of this Chinese Guidelines does not exempt or change the constraints of existing laws and regulations.

This Chinese Guidelines is officially released in Chinese, English and French. The Chinese version is the original. If any discrepancies or inconsistencies apply in the translation, the Chinese version shall prevail.

Chapter II Background and Objective

The exploitation and trading of natural resources can bring income, achieve development and prosperity, and can form mutually beneficial relationships between central government and local government, enterprises and cooperatives, communities and residents, and actors along the supply chain. However, in some countries or regions, especially in conflict-affected and high-risk areas (see the Knowledge Box 1), the exploitation and trading of natural resources may facilitate serious violent conflicts and human rights violations. For example, in some countries, mining and trading natural resources such as diamonds, timber, and minerals have exacerbated civil wars and violent conflicts, while minerals called "3TG" (tin, tantalum, tungsten, and gold) contributing to continuous conflict has attracted much attention. At the same time, some other mineral resources, such as copper, cobalt, nickel, aluminum, lead, zinc, rare earth, mica, etc., their mining and smelting processes has been concerned due to the significant adverse impacts on the ecological environment, biodiversity, carbon emissions, community livelihoods, and the health and safety of workers.

Knowledge Box 1 The Characteristics of Conflict-Affected and High-Risk Areas

Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. *High-risk areas* may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law.

Source: *OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas* (2016, Third Edition)

Over the past decade or so, the international community has been committed to breaking the link between business and conflicts as well as other major adverse impacts, from UN sanctions to the Kimberley Process, from U.S. and European legislation to OECD due diligence guidance, including formulating standards, initiatives, and rules aiming to breaking the links between minerals and armed conflicts, human rights violations, and environmental pollution.[2]

[2] Through a multi-stakeholder process, the international community has formulated due diligence Chinese Guidelines for companies purchasing minerals from conflict-affected and high-risk areas. These stakeholders include the International Conference of the Great Lakes Region (ICGLR) and the Organization for Economic Cooperation and Development (OECD) and the United Nations Expert Group. UN Security Council Resolution No. 1952 (2010) supports the promotion of the due diligence recommendations in the final report of the UN expert group in response to the armed conflict and human rights violations in the eastern part of the Democratic Republic of the Congo (DRC) linked to the trade of tin, tantalum, tungsten

In 2011, the United Nations Human Rights Council unanimously endorsed the Guiding Principles for Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, making it the first business human rights responsibility framework to receive global support. The OECD Chinese Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas and OECD Due Diligence Guidance for Responsible Business Conduct provide non-binding recommendations on responsible business conduct for multinational companies at the government level. Industry organizations, trading platforms and other institutions, such as the London Metal Exchange (LME), London Bullion Market Association (LBMA), Responsible Jewellery Council (RJC), Aluminum Stewardship Initiative (ASI), etc., have also paid increasing attention to the responsible procurement practices of member companies. Thus, sustainability standards have been formulated to require members to carry out supply chain due diligence. This trend shows that the international community has reached a consensus on the implementation of supply chain due diligence by companies to identify, prevent, mitigate and communicate how to address actual and potential adverse impacts in their own operations, supply chains and other business relationships.

This Chinese Guidelines aims to help companies to understand the characteristics of due diligence with consideration of the context of their own business, and flexibly adjust the specific measures and processes of due diligence. By implementing this Chinese Guidelines, companies can expect the following benefits:

1．Better meet the requirements and expectations of customers and the market for responsible mineral resources;

2．Improve the supply chain management system to strengthen the awareness and control of mineral supply chain risks;

3．Enhance the transparency and stability of the company's mineral supply chain;

4．Improve the international reputation of the company and market recognition;

5．Reduce the interference of conflicts and weak supervision on the supply chain;

6．Provide guidance for non-mineral natural resource companies willing to conduct the supply chain due diligence.

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and gold. The UN Security Council and the OECD Due Diligence Guidance aim to keep consistent.

Chapter III Scope of Application

This Chinese Guidelines applies to all Chinese companies engaged in extracting, supplying, procuring or processing of minerals in the mineral supply chain. These companies include all the upstream companies involved in the mineral supply chain (such as exploration, mining, smelting, processing, trade, and all points between storage and transportation to processing) and downstream companies using minerals and related products (Such as electronic appliances, instrumentation, jewelry processing and manufacturing, communication equipment, etc.), except for service providers (such as transporters, warehouses, packaging suppliers, etc.).

"Chinese companies" in this Chinese Guidelines include legal entities registered in China for profit-making purposes, as well as overseas companies owned or controlled by Chinese companies. In addition, companies in other countries can also use this Chinese Guidelines as a guiding document to prevent and mitigate adverse impacts, and make positive contributions to social welfare, environmental protection and economic development.

"Mineral resources" in this Chinese Guidelines refers to all mineral resources and associated products (such as ores, concentrates, metals, derivatives and by-products), including but not limited to tungsten, tin, tantalum, gold, cobalt, copper, aluminum, lead, zinc, nickel, molybdenum, rare earth, lithium, mica, and barite and etc. Regarding gold due diligence, please refer to Appendix IV for detailed guidance. Regarding cobalt, please refer to Cobalt Refiner Supply Chain Due Diligence Standard (2.0)[3].

Metals reasonably assumed to be recycled are excluded from the scope of this Chinese Guidelines. But the Chinese Guidelines is concerned of resources which cover up the actual source through recycling considering risk-based assessment. Therefore, for the declared recycled materials, enterprises need to provide sufficient and effective evidence to prove that the raw materials are recycled materials.

The Chinese Guidelines does not seek to duplicate standards, but hopes to coordinate and cooperate with other sustainable standard systems to jointly promote the sustainable development of mining industry.

Although due diligence should be implemented according to the specific context of the company, such as its position in the supply chain, its size, etc., all companies should implement due diligence according to the actual situation to identify, prevent, mitigate and explain how to address the actual and potential adverse impacts in their operations, supply chains and other business relationships.

Companies involved in other natural resource supply chains can also refer to this Chinese Guidelines.

[3] Cobalt Refiner Supply Chain Due Diligence Standard (2.0) has been developed with the Chinese Guidelines as reference and serves as independent supplement with the aim to guide cobalt refiners to carry out supply chain due diligence.

Chapter IV Characteristics of Due Diligence

This Chinese Guidelines provides a framework for companies to carry out supply chain due diligence, which is a continuous and flexible process. Companies need to adjust due diligence flexibly according to their own conditions and changes in the environment. Therefore, the following ten characteristics of due diligence designed to meet this demand, that is, companies can implement due diligence based on these characteristics or adjust specific measures of due diligence as needed.[4]

4.1 Due diligence is preventative

The purpose of due diligence is first and foremost to avoid causing or contributing to adverse impacts on people, the environment and society, and to seek to prevent adverse impacts directly linked to operations, products or services through business relationships. When involvement in adverse impacts cannot be avoided, due diligence should enable enterprises to mitigate them, prevent their recurrence and, where relevant, remediate them.

4.2 Due diligence involves multiple processes and objectives

The concept of due diligence involves a bundle of interrelated processes to identify, prevent and mitigate adverse impacts, track implementation and results, and communicate how adverse impacts are addressed with respect to the companies' own operations, their supply chains, and other business relationships. Due diligence should be an integral part of corporate decision-making and risk management.

4.3 Due diligence is commensurate with risk

Due diligence is risk-based. The measures that a company takes to conduct due diligence should be commensurate to the severity and likelihood of the adverse impacts. When the likelihood and severity of an adverse impact is high, then due diligence should be more extensive. Due diligence should be adapted to the nature of the adverse impact on responsible business conduct issues, such as human rights, the environment and corruption. This involves corresponding plans for specific risks and taking into account how these risks affect different groups, such as conducting due diligence from perspective of vulnerable groups and gender perspective.

4.4 Due diligence can involve prioritisation

Where it is not feasible to address all the identified impacts at once, the company should prioritise the order in which it takes action based on the severity and likelihood of the adverse impact. Once the most significant impacts are identified and dealt with, the company should move on to address less significant impacts. Where a company is causing or contributing to an adverse impact, it should always stop the activities that are causing or contributing to the impact, and provide for or cooperate in their remediation. The process of prioritization is also

[4] Ten characteristics of due diligence are from the OECD Due Diligence for Responsible Business Conduct (2018), and certain adjustments are made in accordance with the applicable scope of this Chinese Guidelines.

ongoing, and in some instances new or emerging adverse impacts may arise and be prioritized before moving on to less significant impacts.

4.5 Due diligence is dynamic

The process of due diligence is not static, but ongoing, responsive and constantly changing. Due diligence includes feedback loops so that the company can learn from experience and understand what worked and what did not work. Companies should aim to progressively improve their system and processes to avoid and address adverse impacts. Through the due diligence process, a company should be able to adequately respond to potential changes in its risk profile as circumstances evolve (such as changes in the country's regulatory framework, emerging risks in the sector, development of new products or new business relationships).

4.6 Due diligence does not shift responsibilities

Each company in a business relationship has its own responsibility to identify and address adverse impacts. The due diligence recommendations of international instruments and this Chinese Guidelines are not intended to shift responsibilities from governments to the companies, or from companies causing or contributing to adverse impacts to the company directly linked to adverse impacts through their business relationships. Instead, they recommend that each company address its own responsibility with respect to adverse impacts. In cases where impacts are directly linked to a company’s operations, products, or services, the company should seek, to the extent possible, to use its leverage to effect change, individually or in collaboration with others.

4.7 Due diligence concerns laws in the host country and internationally recognised standards

Obeying domestic laws in the jurisdiction in which the company operates and/or it is domiciled is the first obligation of a company. Due diligence can help companies observe and fulfill their legal obligations of the country where it is located. At the same time, this Chinese Guidelines also identifies national or regional regulations related to due diligence and responsible business conduct, as well as the compliance requirements of relevant parties such as international institutions, industry initiatives, and trading platforms. Companies can refer to this Chinese Guidelines and responding to and fulfilling the requirements of all parties for due diligence in combination with the current situation of the company.

4.8 Due diligence is appropriate to a company’s circumstances

The nature and extent of due diligence may be affected by many factors, such as the size of the company, the context of its operations, its business model, its position in supply chain, and the nature of its products or services. Large companies with expansive operations and many products or services may need more formalized and extensive systems than smaller companies with a limited range of products or services to effectively identify and manage risks. Due diligence can be adjusted to be applicable for certain business relationships. Companies may face practical and legal limitations to how they can influence or affect its business relationships to cease, prevent or mitigate adverse impacts, or remedy them. Companies, especially small and medium-sized companies, may not have market power to influence their business relationships themselves. Companies can seek to overcome these challenges to influence business relationship through contractual arrangements, pre-qualification requirements, voting trusts, license or franchise agreements; and also through joint efforts to pool leverage in industry associations or cross-sectoral initiatives.

4.9 Due diligence is carried out by engagement with stakeholders

Individuals or groups with important interests in the decisions or activities of an enterprise. Stakeholder engagement is characterised by two-way communication. It involves the timely sharing of the relevant information needed for stakeholders to make informed decisions in a format that they can understand and access. To be meaningful, engagement involves the good faith of all parties. Meaningful engagement with relevant stakeholders is important throughout the due diligence process. In particular, when the company may cause or contribute to, or has caused or contributed to an adverse impact, engagement with impacted or potentially impacted stakeholders will be important. For example, depending on the nature of the adverse impact being addressed, this could include participating in and sharing results of on-site assessments, developing risk mitigation measures, ongoing monitoring and designing of grievance mechanisms.

4.10 Due diligence involves ongoing communication

Communicating information on due diligence processes, findings and plans is part of the due diligence process itself. It enables the company to build trust of relevant parties in its actions and decision-making, and demonstrate good faith and transparency. A company should account for how it identifies and addresses actual or potential adverse impacts and should communicate accordingly. Information should be accessible to its intended audiences (e.g. stakeholders, investors, consumers, etc.) and be sufficient to demonstrate the adequacy of a company’s response to impacts. Communication should be carried out with due regard for commercial confidentiality and other competitive or security concerns. Various strategies may be useful in communicating to the extent possible while respecting confidentiality concerns.

Chapter V Due Diligence Process

This chapter summarizes the six steps of due diligence management:

Step 1: Establishing a corporate due diligence system;

Step 2: Risk identification and assessment;

Step 3: Risk prevention and mitigation;

Step 4: Internal and external assessment;

Step 5: Reporting and dissemination;

Step 6: Provide for or cooperate in remediation when appropriate.

Six steps provide suggestions for companies to conduct due diligence. "Companies should" refers specific recommendations for companies in terms of key due diligence points, mainly from the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (third version), and detailed implementing recommendations of the Chinese Guidelines. "Other suggestions" cover as far as possible those regarding due diligence by international rules, industry initiatives, trading platforms and others. Companies can choose applicable contents according to their own circumstances and specific business context.

Upstream and downstream companies[5] in the mineral supply chain should bear "common but differentiated responsibilities." Promoting the responsible and sustainable development of the mineral supply chain is the shared responsibility of upstream and downstream companies. At the same time, given that companies at different supply chain position have different leverages, this Chinese Guidelines provides corresponding due diligence management recommendations for upstream and downstream companies.

All companies that mine, supply, purchase or process minerals including but not limited to tungsten, tin, tantalum, gold, cobalt, copper, aluminum, lead, zinc, nickel, molybdenum, rare earth, lithium, mica, barite, regardless of their procurement practices, material types, or mineral sources and scale, should establish a due diligence system (step 1), and conduct “red flag review” during risk identification and assessment (step 2), and on the basis of the results of the "red flag review", Appendix V "Applicable Standards Route" will be applied to select the due diligence management steps applicable to the company.

5.1 Establish due diligence system

5.1.1 Develop and adopt due diligence policy

[5] "Upstream" refers to the mineral supply chain from the mine to the smelter/refinery. "Upstream companies" include mineral miners (artisanal mining and small-scale or large-scale production companies), local traders or exporters in the country of origin of the minerals, international concentrate traders, mineral reprocessing companies and smelters/refineries. "Downstream" refers to the mineral supply chain from smelters/refineries to retailers. "Downstream companies" include metal dealers and exchanges, component manufacturers, product manufacturers, original equipment manufacturers (OEMs), and retailers.

Companies should:

5.1.1.1 Develop and adopt a due diligence policy. The policy should incorporate standards against which due diligence is to be conducted, and the due diligence policy developed by companies which supply chain involves minerals from conflict-affected and high-risk areas should be consistent with the contents set forth in the Model Supply Chain Policy (see Annex 1).

The due diligence policy should meet the following requirements:

a. Develop a supply chain policy in written;
b. The policy should include requirements for both the Company itself and its suppliers;
c. Ensure that the content of the policy is consistent with the Model Supply Chain Policy;
d. The response strategy in the policy should include a description of the management process for identified risks;
e. The policy may include a commitment to take stepwise actions to conduct due diligence and an implementation plan;
f. The company should formally approve the due diligence policy and make it effective.

Other suggestions:

5.1.1.2 In the process of policy formulation or revision, risk assessment results should be referenced, the most important risks should be given priority and measures should be formulated to prevent and mitigate these risks;

5.1.1.3 The policy should be made publicly available in local languages;

5.1.1.4 The Supplier Code of Conduct can be formulated in accordance with the commitments and requirements of the due diligence policy;

5.1.1.5 The due diligence policy should be regularly reviewed and updated as changes in business operations, supply chains, and other business relationships occur.

5.1.2 Structure appropriate internal management systems

Companies should:

5.1.2.1 Establish an internal management structure through which responsibilities should be assigned to senior manager and staff. The internal management structure should meet the following requirements:

a. Assign responsibility of due diligence to senior manager and staff;
b. Assign authority to senior manager to oversee due diligence performance;
c. The authorized senior manager and responsible staff should have the ability to perform these tasks as well as corresponding authority and resources;
d. Conduct internal and external communication, to disseminate policies to relevant employees, such as during employee induction or training; and regular

communication should be conducted as needed to let employees understand the policy;

e. Communicate with suppliers on due diligence policy, so that they can understand the company's requirements for suppliers;
f. Implement an accountability system for authorized and responsible senior managers and employees.

Other suggestions:

5.1.2.2 Establish cross-functional committees or other measures to make due diligence related decisions;
5.1.2.3 Provide internal training to help employees understand the requirements and responsibilities of due diligence;
5.1.2.4 Formulate performance goals and incentive measures for relevant departments to complete due diligence tasks;
5.1.2.5 Develop or adjust existing information and record keeping systems to collect information on due diligence process, relevant decisions and response measures.

5.1.3 Establish a system of controls and transparency over the supply chain

I Upstream companies should:

5.1.3.1 Establish a supply chain control and transparency system to identify upstream actors in the corresponding mineral supply chain, raw material sourcing countries or regions, and transportation routes, and provide an information basis for the "red flag review" in step 5.2.1:

a. The sourcing country and region [6];
b. The names and addresses of upstream actors, including mining areas[7], local traders, warehouse, trading market, smelters, exporters, international traders, etc.;
c. Transportation routes and transportation approaches;
d. Commercial name and type of mineral or metal；
e. Collecting ownership (including beneficial ownership) information of all direct suppliers and other known upstream companies.

Other suggestions:

5.1.3.2 Companies should provide quality requirements for the declaration of origin and transportation routes:

a. The certificate of origin provided is true and supported with evidence;

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6 If it is a by-product, then the place of origin refers to the points where it is separated from the main mineral or metal.

7 According to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Third Edition), under normal circumstances, the place of origin is the mine itself, except for by-products, such as gold obtained during the mining of copper, the origin of the by-product gold should be the place where it was originally separated from the original ore (such as a refiner).

b. Provide training for responsible employees to ensure that employees understand the meaning and requirements of the certificate of origin;
c. Provide replies and evidences to customers and other related parties regarding origin inquiries;
d. Provide channels for relevant parties to express doubts about the origin through the grievance mechanism;
e. Collect information such as transportation trajectory and route map, carrier, shipping note, and receipt;
f. Shipment, seal and code of ore or processed products. During domestic and international transportation, the seal must be kept intact, and the code on the surface of the seal must be consistent with the number on the shipping document;
g. If there is any abnormal event during transportation, it should be reported and investigated.

5.1.3.3 When red flag(s) are identified in the process of "red flag review" carried out in step 5.2.1, the supply chain control and transparency system should be improved to further supplement the chain of custody or mineral supply chain traceability information. On the basis of 5.1.3.1 (a-e), the information to be collected also includes (if applicable):

f. All taxes, fees or royalties paid to government for the purposes of extraction, trade, transport and export of minerals;
g. Any other payments made to governmental officials for the purpose of extraction, trade, transport and export of minerals;
h. All taxes and any other payments made to public or private security forces or other armed groups at all points in the supply chain from extraction onwards;
i. The ownership (including beneficial ownership) and corporate structure of the exporter, including the names of corporate officers and directors; the business, government or military affiliations of the company and officers;
j. Mine, quantity, dates and method of extraction (artisanal and small-scale or large-scale mining);
k. Locations where minerals are traded, smelted and exported;
l. Export and import documents for smelters and traders.

5.1.3.4 Avoid, where practicable, cash purchases and ensure that all unavoidable cash purchases of minerals are supported by verifiable documentation and preferably routed through official banking channels.

5.1.3.5 Relevant supporting documents and/or record files should be maintained for a minimum of five years.

5.1.3.6 Incorporate the above disclosure requirements into commercial contracts with immediate downstream purchasers.

5.1.3.7 Collect and disclose the above information to any recognized institutionalized mechanism, regional or global, once in place with the mandate to collect and process information on minerals from conflict-affected and high-risk areas.

5.1.3.8 The company should support the principles of extractive industry transparency or information disclosure requirement set out by the operating jurisdictions.[8]

Other suggestions:

5.1.3.9 Before starting business with a new supplier, due diligence assessment should be conducted for the new supplier, and relevant records should be maintained;

5.1.3.10 Material balance accounting should be carried out, taking into account the total amount of raw materials processed by the enterprise, inventory, loss and sales volume, any differences observed in the material balance accounting process should be reasonable.

II Downstream companies should:

5.1.3.11 Establish a supply chain control and transparency system, which should meet the following requirements:

a. Collect information about upstream actors in the supply chain, countries or regions of origin of raw materials, transportation routes and other information;
b. When red flag is identified in the supply chain during the “red flag review” described in 5.2.1, the system should also collect the information involved in 5.1.3.1 and 5.1.3. 3 of companies at choke point;
c. With due regard to business confidentiality and other competitive concerns, the due diligence performance of suppliers in the mineral supply chain in "conflict-affected and high-risk areas" should be assessed;
d. Relevant supporting documents and/or record files should be maintained for a minimum of five years;
e. Provide evidence to upstream company to ensure the company providing the above mentioned information is supply chain actor;
f. Companies which, due to their size or other factors, may find it difficult to identify actors upstream from their direct suppliers may engage and actively cooperate with industry members with whom they share suppliers or

[8] According to specific analysis of specific projects, companies' disclosure of payments to foreign government agencies is becoming an international standard for mining projects. Currently, 51 resource-rich countries have implemented the Extractive Industries Transparency Initiative (EITI), which requires governments to disclose the receipts of payments they receive from mining companies and requires companies to disclose the payments they make to government agencies. These data will be published in the annual report of the Extractive Industries Transparency Action Plan after reconciliation, with the purpose of preventing corruption and letting the public know the taxation of resources. Companies can refer to the Extractive Industries Transparency Initiative template to decide which fees need to be disclosed. In addition, in addition to the requirements of the Extractive Industries Transparency Action Plan, mining companies listed on the U.S. or EU stock exchanges also need to comply with the requirements of the U.S. Dodd Frank Act and the EU’s Accounting Directive and Transparency Directive, respectively. Payments related to mining projects to any foreign government agency in all operating countries should be disclosed. Similar regulations also apply to the Hong Kong Stock Exchange as a prerequisite for listing. The International Finance Corporation and other creditors also require mining companies to disclose their payments to the government. For the mining industry, increasing the transparency of earnings has become a global necessity.

downstream companies with whom they have a business relationship to identify which smelters are in the supply chain（see Knowledge Box 2）.

Knowledge Box 2 Cooperation between upstream and downstream companies can be strengthened

Upstream companies	1. Communicate and interact with downstream companies, and require downstream companies to carry out their own due diligence. 2. Upstream companies should also encourage downstream companies to conduct due diligence with their suppliers. 3. When the “red flag” is identified, upstream companies should collect additional information about chain of custody or the traceability about mineral supply chain, smelting and trade of minerals, and pass the information to downstream companies.
Downstream companies	1. Downstream companies should establish supply chain control and transparency systems to collect information on key upstream actors, such as the identified companies at choke points and the country/region of origin of raw materials. 2. When the “red flag” is identified in the process of “red flag review”, more detailed information should be requested from the companies at choke points.

5.1.4 Strengthen engagement with suppliers

Companies should:

5.1.4.1 Incorporate corporate due diligence policy into commercial contracts or agreements with suppliers, or formulate supplier codes of conduct to ensure due diligence policies abide by the company and its suppliers are consistent;

5.1.4.2 Assist suppliers in capacity building and improve their due diligence performance;

5.1.4.3 If risk mitigation measures as mentioned in Step 3 need to be carried out, a risk management plan should be developed with suppliers;

5.1.4.4 Can be committed to establishing positive and long-term partnership with direct suppliers to increase its leverage over these suppliers.

Other suggestions:

5.1.4.5 Develop and implement a prequalification process for suppliers. Before cooperating with the supplier, conduct a due diligence assessment of the supplier to identify whether there exist adverse impacts;

5.1.4.6 Understand the obstacles that suppliers fail to meet due diligence requirements, and work together to eliminate these obstacles.

5.1.5 Establish a company level grievance mechanism and/or participate an industrial level grievance mechanism

Companies should:

5.1.5.1 Establish a company level grievance mechanism, to provide channels for stakeholders and interested party to express their concerns;

5.1.5.2 Participate in an industry level grievance mechanism, or other internationally recognized grievance mechanism;

Other suggestions:

5.1.5.3 The company level grievance mechanism should have core characteristics such as legitimacy, accessibility, predictability and equality, transparency and dialogue-based participation.

5.1.5.4 The company level grievance mechanism should include the scope of the grievance mechanism, the process and timeline of resolving grievances, responding to handling processes of unsolved complaints, consulting stakeholders on grievance resolution methods, staffing and resources allocated for the grievance mechanism, and effect tracking and monitoring the performance of the grievance mechanism.

5.1.5.5 Participate in an industry level grievance mechanism, but it is necessary to ensure that the industry level grievance mechanism is consistent with the company's own situation. At the same time, the company can investigate and understand its own unique situation, and formulate and implement grievance handling measures.

5.2 Identify and assess risks

Companies should identify and assess risks on the circumstances of extraction, trading, handling and export of minerals, in accordance with the results of red flag review (step 5.2.1)

I. Upstream companies

5.2.1 Companies should conduct red flag review, and identify the scope of the risk assessment of the mineral supply chain based on the results of red flag review.

Companies should:

5.2.1.1 Conduct red flag review of the supply chain. (The specific content of red flags can refer to the knowledge box 3)

Knowledge Box 3 Three types of red flags

Red flag locations of mineral origin and transit	1. The mineral originates from a conflict-affected and high-risk area; 2. The transportation route of the mineral passes a conflict-affected and high-risk area; 3. The mineral is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels (i.e. the declared volumes of mineral from that country are out of keeping with tis known reserves or expected production levels). 4. The mineral is claimed to originate from a country which is actually a country through which mineral from conflict-affected and high-risk areas; 5. The mineral is claimed to originate from mixed recyclable sources and has been processed in conflict-affected and high-risk areas;
Supplier red flag	1. Suppliers or other known upstream companies operate in above-mentioned red flag locations, or have shareholder or other interests in suppliers from above mentioned red flag locations; 2. Suppliers or other upstream companies are known to have sourced mineral from a red flag location of origin and transit in the last 12 months.
Circumstantial red flag	1. Anomalies or unusual circumstances are identified through the information collected which give rise to a reasonable suspicion that mineral may contribute to conflict or other serious abuses associated with mineral relevant activities; 2. Not be able to identify the mineral's location of origin and transit.

5.2.1.2 Develop and implement information verification procedures, to verify the following information:

a. Confirm that the name, type, weight, composition and quality of the mineral raw materials received are consistent with the transaction documents;
b. Investigate, handle and resolve any discrepancies or inconsistencies found in the aforementioned red flag review;
c. The reserves, output and export data of the country and/or region of origin of mineral raw materials are reasonable;
d. Develop methods or procedures that can identify and determine "conflict-affected and high-risk areas (CAHRAs)", determine the source of information to be referred to, and determine the frequency of reviewing and updating the CAHRAs list;
e. In some countries, certain information collection and disclosure requirements should also be imposed on extractive industry transparency or other information disclosure.

Other suggestions:

5.2.1.3 The red flag review process can refer to the information released by highly recognized international institutions. The sources of information can include reports from governments agencies, international organizations, civil society organizations, worker representatives and trade unions, national human rights institutions, think tank, the media, or other experts. If the information is incomplete, the opinions of relevant stakeholders and experts can be consulted;

5.2.1.4 Consider the information collected by the grievance mechanism;

5.2.1.5 Once major adjustments are made, such as operating or purchasing in a new country, developing new product lines that are significantly different from existing product lines, changing product materials, reorganizing or participating in new forms of business relationships (such as mergers, acquisitions, new customers and new markets), etc., the company need to update the scope of information collected;

5.2.2 When red flag are identified in the 5.2.1 red flag review, companies should conduct an on-the-ground assessment of the corresponding supply chain.[9]

Companies should:

5.2.2.1 Understand the background of “conflict-affected and high-risk areas (CAHRAs)”;

5.2.2.2 Based on the control and transparency system (including the chain of custody or traceability information of the supply chain) established in 5.1.3, companies should understand the specific conditions of the entire supply chain starting from the mine, including:

a. Mineral origin country and region;
b. Name and address of upstream actors, including mining areas, local traders, warehouses, trading markets, smelters, exporters, international traders, etc.;

[9] For tin, tantalum, tungsten and gold, please refer to Annex for guidance on on-the-ground assessment.

c. Transportation route and transportation approaches;
d. Commercial name and type of mineral or metal;
e. All taxes, fees or royalties paid to government for the purposes of extraction, trade, transport and export of minerals;
f. Any other payments made to governmental officials for the purpose of extraction, trade, transport and export of minerals;
g. All taxes and any other payments made to public or private security forces or other armed groups at all points in the supply chain from extraction onwards;
h. The ownership (including the beneficial ownership) and corporate structure of the exporter, including the names of corporate officers and directors; the business, government or military affiliations of the company and officers;
i. Mine, quantity, dates and method of extraction (artisanal and small-scale or large-scale mining);
j. Locations where minerals are traded, smelted and exported;
k. Export and import documents for smelters and traders.

5.2.2.3 Set up an on-the-ground assessment team to carry out on-the-ground assessments. The personnel conducting on-the-ground assessments must have the following qualifications:

a. Have professional knowledge of relevant risks (such as human rights and all labour rights, security forces, health and safety, anti-corruption) being assessed, and methods to identify actual and potential adverse impacts;
b. Knowledge of international and domestic standards related to risks and adverse impacts;
c. Ability to conduct assessments locally (eg language skills).

5.2.2.4 The assessment should be carried out in accordance with all Type 1 risks in Chapter VI and Type 2 risks when necessary ;

5.2.2.5 Companies can also conduct on-the-ground assessments by participating in industrial actions, but the responsibility of individual company for carrying out assessment and decision-making should be retained;

5.2.2.6 Information should be maintained and updated regularly.

Other suggestions:

5.2.2.7 If the on-the-ground assessment is conducted by participating in industrial actions, the company must follow the team's assessment recommendations and take actions based on the recommendations. If the scope of industrial assessment cannot meet all assessment needs of the company, then action needs to be implemented by the company individually.

5.2.3 Assess risks in the supply chain. Companies should identify and assess supply chain risks against the due diligence policy.

Companies should:

5.2.3.1 Review applicable standards, including:

a. The principles and standards of the company supply chain policy;
b. National laws of the countries where the company is domiciled or publicly-traded (if applicable); of the countries from which the minerals are likely to originate; and of transit or re-export countries;
c. Legal instruments governing company operations and business relations, such as financing agreements, contractor agreements, and supplier agreements;
d. Other relevant international instruments, such as the OECD Chinese Guidelines for Multinational Enterprises, international human rights and humanitarian law.

5.2.3.2 Determine whether the circumstances in the supply chain meet the relevant standards. Any reasonable inconsistency between a factual circumstance and a standard should be considered a risk with potential adverse impacts.

II. Downstream companies

Downstream companies should assess the due diligence practices of smelters/refiners in the mineral supply chain against this Guidance, to identify the risks in their supply chain. Downstream companies who may find it is difficult to identify upstream actors from their direct suppliers, may engage and actively cooperate with other industry members with whom they share suppliers or downstream companies with whom they have a business relationships to identify upstream companies in their supply chain, and assess their due diligence practices, or identify through industry validation schemes the companies that meet the requirements of this Chinese Guidelines in order to source therefrom.

Downstream companies retain individual responsibility for their due diligence, and should ensure that all joint work duly takes into consideration circumstances specific to the individual company.

5.2.4 Identify upstream companies in the supply chain, especially companies at choke points.

Companies should:

5.2.4.1 Identify upstream companies that produce minerals or metals used in their supply chain, especially companies at choke points (see knowledge Box 4);

5.2.4.2 Recommend upstream companies that meet the requirements of this Chinese Guidelines to direct suppliers.

Knowledge Box 4 Which companies are choke point companies in the supply chain?

For the purposes of these Chinese Guidelines, “choke points” may be identified by considering the following aspects:
1. Key points of transformation in the supply chain;

2. Stages in the supply chain that generally include relatively few actors that process a majority of the commodity; 3. Stage in the supply chain with visibility and control over the mineral production and trade; 4. Key points of leverage over mineral production and trade. Note: 1) the CCCMC will specify the control point for a given metal prior to commencing assessments for that supply chain and 2) for any supply chain whose configuration dictates either additional or alternative control points to a smelter or refiner, a multi-stakeholder working group will be established and consulted to determine such points.

5.2.5 Identify the scope of the risk assessment of the mineral supply chain

Companies should:

5.2.5.1 Engage their suppliers and obtain from them information on country of mineral origin, transit and transportation routes used between mine and smelters/refiners, and verify above information;

5.2.5.2 Conduct risk assessment on those minerals and suppliers triggered by red flag.

5.2.6 Assess whether smelters/refiners triggered red flag have carried out measures to meet the requirements of this Chinese Guidelines.

Companies should:

5.2.6.1 Gain evidence on due diligence practices by upstream companies, review or verify the evidence;

5.2.6.2 Review the assessment report generated by on-the-ground assessment team for upstream companies;

5.2.6.3 Work with suppliers, or participate industry-wide initiatives to find ways to build capacity, mitigate risk and improve due diligence performance.

5.2.7 Where necessary, through participation in industry-driven programs, carry out joint check for companies at “choke points”

Other suggestions (<u>applicable to upstream and downstream companies</u>):

5.2.8 Assess the linkage between the company and the actual or potential adverse impacts

Specifically, assess whether the company: caused (or is about to cause) an adverse impact; or contributed to (or is about to contribute to) an adverse impact; or whether the adverse impact is (or is about to be) directly linked to operations, products or services due to business relationships.

Companies should:

5.2.8.1 Solicit opinions from business relationships, other related companies and other relevant stakeholders;
5.2.8.2 Consult the opinions of affected stakeholders or their legal representatives;
5.2.8.3 Seek necessary professional comments through internal or external consultation;
5.2.8.4 If the affected stakeholders disagree with the company's assessment of its actual or potential adverse impacts, it will sincerely cooperate with proper mechanisms designed to help resolve differences and provide remedies.

5.2.9 Carry out risk rating

When necessary, companies should prioritize actions based on the severity and likelihood of the most important impact. When it is impossible to eliminate all potential and actual adverse impacts immediately, prioritization is required.

Companies should:

5.2.9.1 Identify which potential or actual impacts can be eliminated immediately or mitigated, at least mitigated to a certain extent (such as updating contract terms with suppliers, revising assessment agreements, etc.);
5.2.9.2 Based on the company's assessment results of its own adverse impacts, prioritize actions to address the most important impacts;
5.2.9.3 Regarding impacts relevant to business relationships, assess to what extent the business relationship has appropriate policies and processes to identify, prevent and mitigate related risks;
5.2.9.4 If it is impossible to eliminate actual and potential impacts directly related to business operations, products or services due to business relationships (or these impacts cannot be eliminated as much as possible), assess the likelihood and severity of the identified impacts or risks to clearly understand what prioritized actions to address the issues. Once the most important impact is identified and addressed, the company should continue to address the relatively minor impact;
5.2.9.5 Solicit the opinions of business relationships, other related companies, and affected or potentially affected stakeholders and right holders on the decision of priority ranking;
5.2.9.6 Seek necessary professional comments though internal or external consultation.

5.3 Risk prevention and mitigation

Risk management plan should be developed and implemented based on the risk identification and assessment results. Companies can act alone or participate in industrial actions to implement the requirements of 5.3 cooperatively. However, companies retain individual responsibility for their due diligence, and should ensure that all joint work duly takes into consideration circumstances specific to the individual company.

5.3.1 Report risk assessment results internally

Companies should:

5.3.1.1 Report the risk assessment results identified in Step 2 to designated senior management designated for due diligence. The risk assessment results should include the actual and potential risks identified in the supply chain risk assessment.

5.3.2 Develop and adopt risk management plan

Companies should:

5.3.2.1 Develop and adopt a risk management plan, which should outline risks identified in Step 2 and all risks[10] identified during the assessment. The formulation of the risk management plan should follow requirements as bellows:

a. Consult suppliers and affected stakeholders and agree on the strategy for measurable risk mitigation in the risk management plan (see 5.3.2.2);

b. The risk management plan should include measurable risk mitigation measures, and the company should aim to promote progressive performance improvement within reasonable timescales;

c. Clearly state performance objectives within a reasonable timeframe, including qualitative and/or quantitative indicators to measure improvement (refer to the Annex 2: Suggested Measures for Risk Mitigation and Indicators for Measuring Improvement);

d. The risk mitigation strategy should be adjusted according to the company's specific suppliers and the contexts of its operations;

e. The company should approve the risk management plan to make it effective;

f. With due regard to business confidentiality and other competitive concerns, the risk management plan developed by upstream companies should be disclosed, and sufficient time should be provided for affected stakeholders to comment and feedback on the risk management plan.

5.3.2.2 In the risk management plan, companies should manage risk by using the following mitigation strategies:

a. continuing trade throughout the course of major risk mitigation efforts;

b. temporarily suspending trade while pursuing ongoing major risk mitigation;

c. disengaging with a supplier in cases where mitigation measures fail or mitigation appears not feasible or unacceptable.

Companies should fully consider the potential economic and social adverse impacts of disengaging on mining community, such as the risk of extensive and/or sustained loss of livelihoods in or near the sites of mineral extraction, or loss of economic activities on which the local community depends.

[10] Company should refer to the model supply chain policy to know more in terms of specific measures and timelines.

When choosing to continue the transaction or temporarily suspend the transaction, the company should exert leverage over those upstream suppliers who can effectively prevent or mitigate the identified risks according to their position in the supply chain（refer to Knowledge Box 5), and at the same time help and support them improve due diligence ability.

Knowledge Box 5 Some measures for companies to build leverage

UPSTREAM COMPANIES: Depending on their position in the supply chain, upstream companies have significant actual or potential leverage over the actors in the supply chain who can most effectively and most directly mitigate the substantive risks of adverse impacts. If upstream companies decide to pursue risk mitigation while continuing trade or temporarily suspending trade, mitigation efforts should focus on finding ways to constructively engage, as appropriate, with relevant stakeholders with a view to progressively eliminating the adverse impacts within reasonable timescales.
DOWNSTREAM COMPANIES – Depending on their position in the supply chain, downstream companies are encouraged to build and/or exercise their leverage over upstream suppliers who can most effectively and most directly mitigate the risks of adverse impacts. Should downstream companies decide to pursue risk mitigation while continuing trade or temporarily suspending trade, their mitigation efforts should focus on suppliers' value orientation and capability-training to enable them to conduct and improve due diligence performance. Companies should encourage their industry membership organisations to develop and implement due diligence capability-training modules in cooperation with relevant international organisations, NGOs, stakeholders and other experts.

5.3.3 Implement the risk management plan, monitor and track performance of risk mitigation strategies

Companies should:

5.3.3.1 Jointly implement the risk management plan, monitor and track performance of risk mitigation measures in cooperation with stakeholders;

5.3.3.2 In the process of implementing the risk management plan, if major changes in risks are identified, the risk management plan should be adjusted accordingly;

5.3.3.3 Cooperate and/or consult with affected stakeholders, local and central governments, upstream companies, international or civil society organizations on the implementation, monitoring, performance tracking and other measures of the risk management plan;

5.3.3.4 This can be done by establishing or supporting local community-monitoring networks;

5.3.3.5 Report to designated senior managers and confirm whether the risk management plan needs to be adjusted;

Other suggestions:

5.3.3.6 The risk management plan includes the identification and management of risks that violate specific national laws and regulations, sanctions, etc., and communicate with specific customers if necessary ；

5.3.3.7 Companies can demonstrate the effectiveness and transparency of the risk management plan according to the following suggestions:

a. Approval of the management of the company
b. The affected stakeholders are involved;
c. On-site investigation and monitoring process;
d. Share the risk management plan with external parties with full consideration of commercial secrets;
e. Take additional risk management actions such as temporary suspension, disengaging or strengthening leverage.

5.3.4 Additional assessment for risks requiring mitigation. Additional assessment can also be carried out after a change of circumstances[11].

Companies should:

5.3.4.1 After implementing a risk mitigation strategy, conduct monitoring and additional assessment for risks requiring mitigation, after a change of circumstances or supply chain.

5.4 Carry out internal and external assessment

Companies should establish an internal assessment system to continuously monitor and manage due diligence performance.

It is advised that all companies within the scope of this Chinese Guidelines should conduct second-party or third-party assessment of the "red flag review" in Step 1 and Step 2.

Companies at the choke point that have triggered the red flag should conduct independent third-party assessment of all due diligence processes. Other non-choke-point upstream companies (such as local mineral exporters, international concentrate traders and mineral reprocessing companies) should provide relevant document information and assist for the assessment.

In addition to second-party or third-party assessment of “red flag review” conducted in Step 1 and Step 2, companies have not identified any red flag may voluntarily choose whether to conduct a second or third party assessment of other due diligence processes (see Annex V: Standards Application Route for detailed guidance）.

Different industry organizations, trading platforms, and supply chain actors may have different requirements for assessor, assessing period and procedures, etc., which can be decided based on actual conditions.

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[11] A change of circumstances should be determined on a risk-sensitive basis through on-going monitoring of the companies' chain of custody documentation and the contexts of the conflict-affected areas of mineral origin and transport. Such change of circumstances may include a change of supplier or actor in the chain of custody, place of origin, transportation routes or point of export. It may also include factors specific to the context, such as an increase in conflict in specific areas, changes in military personnel overseeing an area and ownership or control changes in the mine of origin.

5.4.1 Companies should establish internal assessment system, to continuously monitor and manage due diligence performance.

Companies should:

5.4.1.1 Develop internal assessment plan, establish internal assessment team and assign a team leader;

5.4.1.2 Regularly conduct internal assessment, identify issues and risks, to establish improvement plan and monitor its implementation;

5.4.1.3 Members of internal assessment team should be competence and qualified for supply chain due diligence management.

5.4.2 Companies should designate the second- or third-party to conduct assessment when applicable.

Companies should:

5.4.2.1 Assign independent assessment institute and assessor with high reputation to conduct assessment against the assessment procedure from this Chinese Guidelines;

5.4.2.2 Conduct annual assessment, the scope of assessment includes a reporting period of 12 months;

5.4.2.3 Documents should be fully prepared for assessor's review, including system documents, on-the-ground assessment reports, records of stakeholders consultation, supplier assessment reports, etc.

5.4.2.4 Allow assessor to access to facilities or sites within the scope of assessment for in-site investigation, document review and interview;

5.4.2.5 Under specific circumstance, if the company sources materials from conflict-affected and high-risk areas, the company should facilitate contact with suppliers selected by the assessment team;

5.4.2.6 Explore fair and feasible cost-sharing plans with upstream and downstream companies for assessment. These plans include, when possible, providing capacity building for companies to be assessed, to achieve expected requirements, and commit purchase, to ensure fair payment.

5.4.3 When necessary, the company makes necessary disclosures on the assessment results.

I Companies at the choke points should:

5.4.3.1 Publish assessment report or summary with due regard to business confidentiality and competitive concerns[12];

[12] Business confidentiality and other competitive concerns means price information and supplier relationships without prejudice to subsequent evolving interpretation.

5.4.3.2 Release the name of assessment institute and assessors.

II Downstream companies should:

5.4.3.3.Obtain assessment report/summary or investigation report for due diligence practice of suppliers with due regard to business confidentiality and competitive or safety concerns;

5.4.3.3 Make the suppliers' list publicly available, and/or assessment report/summary or investigation report for due diligence practice of suppliers, with due regard to business confidentiality and competitive or safety concerns.

Other suggestions:

5.4.4 Companies should develop action corrective plan in accordance with the assessment results.

Companies should:

5.4.4.1 Based on the assessment results, determine whether an improvement plan is needed. If necessary, the improvement plan should include:

a. A description of the issues identified in the assessment;
b. In accordance with suggestions that can be referred to in the annex of this Chinese Guidelines;
c. The type and level of risk identified;
d. Specific measures for improvement actions;
e. The timeframe for implementing the improvement plan;
f. The department or person in charge of implementing the improvement plan.

5.5 Communicate and report risk management process and results

All companies should prepare due diligence progress report to promote necessary information disclosure and improve supply chain transparency.

5.5.1 Develop due diligence progress report

Companies should:

5.5.1.1 Determine the scope of due diligence progress report, the content should cover the following contents:

a. Due diligence policy;
b. Management structure for the company's due diligence
c. Description of control and transparency system;
d. Method and content of supplier cooperation;
e. Grievance mechanism, procedures and dealing status of received complaints;
f. Procedure or method to identify conflict-affected and high-risk areas;

g. The company's assessment report or summary[13];
h. Ways or methods of report disclosure;
i. It is suggested to prepare report and disclose it annually.

5.5.1.2 For companies who triggered the red flag, report should also include the following contents:

j. Information of chain of custody or traceability information of the supply chain;
k. Information on the origin of raw materials;
l. Methods and results of risk identification and assessment;
m. Method, process and results of on-the-ground assessment;
n. The measures and strategies adopted in the risk management plan, the participation of affected stakeholders, etc.;
o. Risk monitoring and performance tracking results;
p. In some countries, other suggestions may be provided on extractive industry transparency or information disclosure.

5.5.2 With due regard to business confidentiality and other competitive concerns, companies should publish due diligence progress reports or summary.

Companies should:

5.5.2.1 Publish on its own or through industry platforms;

5.5.2.2 The due diligence information can also be incorporated in its sustainability report, corporate social responsibility report, supply chain management progress report or annual report for disclosure；

5.5.2.3 Compile the progress due diligence report on an annual basis.

Other suggestions:

5.5.3 During the preparation and release of the report, companies may consider publishing the report in local languages, to communicate with actual or potential affected parties in a timely, accessible, and local cultural perspective.

5.5.4 In addition reporting due diligence progress, companies can also consider other communication methods, such as:

a. Face-to-face meeting;
b. Online dialogue;
c. Seek comments from actual and potential affected parties;
d. Share assessment process or assessment results with workers' union;
e. Other appropriate media.

[13] For smelters and refiners who received the third-party audit, the audit summary should be included.

5.6 Provide for or cooperate in remediation when appropriate

Remediation is not an integral part of the due diligence process, but a separate and critical process that the company should support during the due diligence.

If the company may have directly caused or contributed to an adverse impact, remediation should be provided by the company. However, if the company has not caused or contributed to the adverse impact, but is directly related to its leverage, the company can still play a certain role, but not providing for remediation by itself. In this case, the company can use its leverage over the business relationship, and promote involvement of its business relationship in the remediation process. Where relevant, the companies can provide information that can facilitate investigations or dialogue.

5.6.1 When the company recognize that it has caused or contributed to actual adverse impacts, they should mitigate these impacts by providing for or cooperating in remediation when appropriate.

Companies should:

5.6.1.1 Comply with laws and regulations, and seek out national or international Chinese Guidelines on remediation (if they exist); where such standards or Chinese Guidelines are not available, consider remediation measures that would be consistent with that provided in similar cases.

The type of remediation or combination of remediation measures will depend on the nature and extent of the adverse impacts, and may include:

a. Apologies;
b. Restitution or rehabilitation (such as reinstatement of a dismissed worker, recognition of the trade union for the purpose of collective bargaining);
c. Financial or non-financial compensation (for example, establishing compensation funds for victims, or for future outreach and education programmes);
d. Punitive sanctions (for example, dismissal of staff responsible for wrongdoing);
e. Take measures to prevent adverse impacts in the future.

5.6.1.2 As far as possible, seek to restore the affected persons to the original situation they were in if the adverse effects had not occurred, and implement corresponding remedies according to the significance and degree of the adverse impacts;

5.6.1.3 The affected parties or their representatives can be consulted and cooperated to provide remedies;

5.6.1.4 Establish a grievance mechanism (refer to 5.1.5 for details), and seek to the satisfaction of impacted personnel about the remedy process and results.

5.6.2 Companies provide conditions or cooperate with existing remedial mechanisms in a timely manner

Companies should:

5.6.2.1 Cooperate with judicial or non-judicial mechanisms. For example, the country's judicial mechanism, the National Contact Point of OECD, or other industry initiatives on grievance mechanisms.

Chapter VI Risk Type

Risk-based due diligence is a flexible method, and the intensity of due diligence required by a company should be commensurate with its risks. In this Chinese Guidelines, risks are divided into two categories: Type 1 risks and Type 2 risks. The Type 1 risks refer to the risks of contributing to conflict and serious abuse of human rights associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas. Type 2 risks refer to widely concerned social, environmental and economic risks associated with mineral supply chain.

6.1 Risks of contributing to conflict and serious abuse of human rights associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas, are referred to as "Type 1 Risks"

While extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas, companies should ensure that they do not intentionally or unintentionally cause or contribute to, or profit from, human rights violations or conflicts of armed groups; respect the legal and customary rights of all parties affected by their business activities. Therefore, responsible companies must conduct continuous and comprehensive due diligence of all potential risks in their business activities and supply chains.

6.1.1 Risks regarding contributing to, profiting from, assisting, facilitating, purchasing, or contacting any entity that contributes to, profits from, assists or facilitates the following serious violations:

6.1.1.1 Any forms of torture, cruel, inhuman or degrading treatment;

6.1.1.2 Any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily;

6.1.1.3 The worst forms of child labour;

6.1.1.4 Other gross human rights violations and abuses, including but not limited to: widespread sexual violence, tolerating human rights violations by others (benefiting from or suspected of benefiting from human rights violations by others, tolerating or suspecting tolerating human rights violations by others);

6.1.1.5 War crimes, crimes against humanity or genocide or other serious violations of international humanitarian law.

6.1.2 Risks regarding direct or indirect supporting to or sourcing from non-state armed groups, or risks regarding contacting with any party that provides direct or indirect support or procurement to non-state armed groups

6.1.2.1 “Direct or indirect support” to non-state armed groups, public or private security forces through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to their affiliates who:

a. illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain;
b. illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded;
c. illegally tax or extort intermediaries, export companies or international traders.

6.1.3 Risks associated with public or private security forces

6.1.3.1 Risks regarding direct or indirect support to or procuring from public or private security forces that are involved in the following activities, or risks regarding contacting with any party that provides direct or indirect support to procuring from public or private security forces that are involved in the following activities:

a. illegally control mine sites, transportation routes and/or upstream actors in the supply chain;
b. illegally tax or extort money or natural resources at points of access to mine sites, along transportation routes or at points where minerals are traded
c. illegally extort intermediaries, export companies or international traders who do not respect laws and human rights, or whose legal mining and trade has been interrupted due to ignoring the interests of miners, safety of equipment and facilities, mine sites or transportation routes.

6.1.3.2 Fail to ensure that the activities of security armed groups comply with internationally recognized standards.

Private security forces should follow internationally recognized guidance[14], especially if they have not been subject to any due diligence, it is hard to ensure that individuals or units of security forces that are known to have been responsible for gross human rights abuses will not be hired.

6.1.4 The risk of facilitating serious negligence, including the following activities directly or indirectly participated in by the company or any of its business relationships:

6.1.4.1 Directly or indirectly offer, give, promise or demand any bribes or other illegitimate benefits, in order to conceal or disguise the origin of minerals, to misrepresent taxes, fees and royalties paid to the government for the purpose of mineral extraction, trade, handling, transport, export and other activities, or

[14] Some internationally recognized standards and guiding documents have been used to deal with private security companies, such as the Voluntary Principles of Security and Human Rights, The Montreux Document- Pertinent International Legal Obligations and Good Practices for States related to Operation of Private Military and Security Companies During Armed Conflict, International Code of Conduct for Private Security Service Providers (ICOC), ANSI/ASIS PSC.1 International Code of Conduct for the Operation Management System of Private Security Company (PSC.1) and ISO18788: Management System for Private Security Company Operations.

offering bribes, or failing to comply with relevant international anti-corruption standards and conventions;

6.1.4.2 Money laundering resulting from or connected to, the extraction, trade, handling, transport or export of minerals derived from the illegal taxation or extortion of minerals at points of access to mine sites, along transportation routes or at points where minerals are traded by upstream suppliers

6.1.4.3 Disguise or misrepresent taxes, fees and royalties related to mineral extraction, trade, handling, transport and export from conflict-affected and high-risk areas, and fail to disclose such payments in accordance with the internationally recognized principles set forth under the relevant transparency initiative.

6.2 Risks relating to misconduct in environmental, social and economic issues are referred to as "Type 2 Risks"[15].

6.2.1 Adverse impact on the ecological environment

6.2.1.1 Fail to conduct a thorough environmental impact assessment, fail to minimize waste generation and hazardous gas emissions, fail to permanently close mines and store the mine site, fail to carry out resource protection and waste recycling, fail to implement environmental risk management, fail to protect biodiversity, fail to continuously improve environmental performance; fail to effectively compensate for the residual impact on environmental management and ecological footprint during the mining life cycle;[16]

6.2.1.2 Extracting or purchasing resources in World Heritage Sites (WHS) or legally protected areas, or extracting within the buffer zone of the World Heritage Sites or legally protected areas, or transporting the extracted resources through the World Heritage Sites or legally protected areas, may threaten the prominence value of these sites;[17]

6.2.1.3 Mining, blasting, construction, transportation and other activities in the mining area, may cause a series of potential adverse impacts, including air pollution, excessive dust and noise;

6.2.1.4 Environmental pollution caused by the use, storage, transportation and

[15] Regarding the Type 2 risks, you may further refer to the Guidelines for Social Responsibility in Outbound Mining Investments (2017) by the CCCMC.

[16] Companies can refer to the International Finance Corporation (IFC) Performance Standard 6 (PS6) for more guidance on best practices for biodiversity conservation and sustainable management of biological natural resources. At least one resource-rich African country (Liberia) has recently required all companies operating in its territory, including mining companies, to adopt and implement Performance Standard 6. Other countries may follow Liberia.

[17] On November 16, 1972, the Convention concerning the Protection of World Cultural and Natural Heritage was adopted by the General Conference of UNESCO, which became a global reference document for the protection of world heritage sites. It is suggested that company should consider whether the mining area and transportation route involve protected areas and world heritage sites or internationally recognized key biodiversity areas, and adopt such as "mitigation hierarchy" and other measures to prevent and mitigate the risk of negative impacts on biodiversity in the whole project cycle.

disposal of hazardous materials (fuels, explosives, chemicals, etc.), including hazardous waste;

6.2.1.5 A large amount of greenhouse gas will be generated over a product's life cycle, which has a potential impact on the global climate; [18]

6.2.1.6 Causes adverse impacts on the surrounding soil, air and water, and seriously violates relevant international and domestic laws and regulations, including manufacturing, trading, and using chemicals and hazardous substances that are subject to international bans due to high toxicity to organisms, environmental persistence, or potential irreversible ecological effects, or discharge of cadmium and mercury;

6.2.1.7 Waste piles and other open storages in the mining area will erode the mining area and in-site facilities along the erosion of rainwater, and flow into the natural river course to block or pollute the river water;

6.2.1.8 The operations and activities carried out in the mining area may cause pollution of the surrounding water resources. Pollution sources include wastewater, mineral waste (overburden, fine-grained minerals, brine, gypsum, tailings, by-product minerals, etc.). Other sources include hazardous substances (oil, chemicals such as cyanide and mercury), sediment, waste water, sludge, sewage, etc.[19]

6.2.2 Adverse impacts on human rights, labor rights, communities and society

6.2.2.1 Violate the laws and regulations or minimum industrial standards of China and the host country;

6.2.2.2 Employ children under the minimum working age specified by the laws and regulations of the host country. If the host country does not have relevant laws and regulations on the minimum working age, hire children under the age of 16;[20]

6.2.2.3 Disrespect the rights and interests of young employees (refers to any worker who has reached the legal minimum working age but has not reached the age of 18);

6.2.2.4 Fail to establish a standardized labor relationship with employees in accordance with local laws and regulations;

6.2.2.5 Evasion of labor and social security contributions in the form of false

[18] The UN Framework Convention on Climate Change; some industry initiative organizations, such as the Performance Standards (2nd Edition) of the Aluminum Stewardship Initiative (ASI), require aluminum smelters to start production in electrolytic aluminum plants in 2020 or before, when they produce aluminum Scope 1 and Scope 2 greenhouse gas emission should be controlled at less than 8 tons of carbon dioxide equivalent per ton of aluminum, and this goal should be reached in 2030 or earlier; for electrolytic aluminum plants that start production after 2020, THE Scope 1 and Scope 2 greenhouse gas emissions should be controlled at less than 8 tons of carbon dioxide equivalent per ton of aluminum.

[19] For example, the "Performance Standards" (Second Edition) of the Responsible Aluminum Initiative (ASI) requires companies engaged in alumina refining to build bauxite slag storage areas to prevent the discharge and leaching of bauxite red mud and filtrate to the environment. Control and neutralize the water discharge of bauxite red mud storage yards, not to discharge bauxite residue into the ocean and aquatic environment, and formulate a timetable and road map for eliminating bauxite red mud.

[20] It should be pointed out that when the nature or environment may endanger the health, safety or morals of young people, the minimum age for any employment or work shall not be less than 18 years old.

apprenticeship training, continuous short-term contracts or unclear subcontracting agreements;

6.2.2.6 Discriminate against employees due to race, color, sex, religion, political inclination, nationality, social status or other reasons in recruitment, work, vocational training and employment treatment;

6.2.2.7 Violate laws or collective agreements, fail to pay regular working hour wages and overtime wages, or payment standards lower than the legal minimum standard, or deduction of wages illegally or without authorization;

6.2.2.8 Fail to comply with applicable laws, regulations and industry standards regarding working hours, rest, and vacation requirements;

6.2.2.9 Fail to protect employees' right to freedom of association, prohibit or hinder employees from electing employee representatives, establishing or joining workers' unions, and conducting negotiations between employers and employees;

6.2.2.10 Fail to ensure the safety of drinking water in the work area, on-site housing and dormitory (if any), the safety of food consumption and storage facilities, and clean and sanitary toilet facilities;

6.2.2.11 Fail to prevent and control physical, chemical, biological, and radioactive hazards to health and safety;

6.2.2.12 Risk assessment should take into account all aspects of employees' production activities, including the use of machinery and mobile equipment, storage and handling of chemicals, and exposure to smoke or dust;

6.2.2.13 Fail to take practical measures to avoid injuries, accidents and occupational diseases at the workplace;

6.2.2.14 Fail to prevent and control threats to the personal health and safety of employees, such as pandemics, earthquakes, fires, mudslides, collapses, and rockfalls;

6.2.2.15 Fail to prevent and resolve situations that directly or indirectly harm employees, such as fatigue, alcoholism, drug abuse, highly infectious diseases, etc.;

6.2.2.16 Long-term exposure to potentially toxic elements in the workplace, such as mineral dust (including minerals that cause asbestosis or silicosis) and other particles, diesel fume, gas, brine, high-decibel noise, etc. may cause irreversible chronic occupational diseases;

6.2.2.17 Extracting resources on land that has not obtained the free, prior and informed consent of locals and indigenous people, including the consent of the extractor who has the legal title, right to lease, concession or permit of the land;[21]

[21] The principle of Free, Prior and Informed Consent is from the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and is further explained. Article 10 of the United Nations Declaration on the Rights of Indigenous Peoples stipulates: "Indigenous peoples shall not be forcibly removed from their lands or territories. No relocation shall take place

6.2.2.18 Mining in or purchasing resources from mining operations that do not respect or protect the culture and heritage, or damage the traditional culture of local and indigenous people;

6.2.2.19 Human rights violations caused by involuntary relocation, especially the negative impacts on the local poor and vulnerable groups, including women and children;[22]

6.2.2.20 Mining activities bring health and safety risks to surrounding communities, such as the structural safety of tailings dams, reservoirs, etc., risks of community fire and explosion, transportation safety of corridors, transportation and handling of hazardous products, impacts on water quality and volume, and the possibility of spreading infectious diseases, such as respiratory and sexually transmitted diseases caused by the influx of labor, drug abuse, alcohol abuse, gender-based violence, and other psychological effects.

6.2.3 Negative impacts on the fair development of the host country's economy and community livelihoods.

6.2.3.1 Fail to obtain mining licenses, lease rights, concessions, etc. through legal and standardized approaches, and there may be bribery and other forms of corruption [23];

6.2.3.2 Unemployment and other negative impacts on the livelihoods of surrounding communities due to the lack of a comprehensive restoration plan during the closure of the mining area;

6.2.3.3 Corruption and bribery exist in the mineral trade and other stages, and fail to develop a comprehensive compliance mechanism to prevent, avoid and address related risks;

6.2.3.4 Fail to pay taxes and fees in accordance with local laws and regulations, there is a risk of tax evasion;

6.2.3.5 There are actions that disrupt the fair order of the market, monopoly, and vicious competition;

without the free, prior and informed consent of the indigenous peoples concerned and after agreement on just and fair compensation and, where possible, with the option of return." Article 11.2 further stipulates: "States shall provide redress through effective mechanisms, which may include restitution, developed in conjunction with indigenous peoples, with respect to their cultural, intellectual, religious and spiritual property taken without their free, prior and informed consent or in violation of their laws, traditions and customs." The internationally recognized good practice is to negotiate with local communities and indigenous people and obtain their consent before mining operations. For example, the International Labour Organization Convention (No. 169) On the Indigenous Peoples of Independent Countries requires that the indigenous people should be consulted before conducting exploration or mining operations on the indigenous people's land, and fair compensation should be provided for their losses. The United Nations Food and Agriculture Organization (FAO) and the International Council on Mining and Metals (ICMM) Position Statement on Indigenous Peoples and Mining also provide further guidance.

[22] Relocation caused by mining activities shall comply with the applicable requirements of IFC Performance Standard 5 (Land Acquisition and Involuntary Resettlement) and comply with applicable laws.

[23] According to the Guidance on Social Responsibility (ISO26000), corruption refers to the abuse of authorization for personal gain. There are many forms of corruption, including bribery (soliciting, offering, or accepting bribes in money or in kind) related to public officials or employees of private enterprises, conflicts of interest, fraud, money laundering, embezzlement, concealing the truth and obstruction of justice, and influence transaction.

6.2.3.6 Fail to disclose investment and taxation payment to the government when investing or operating in countries require extractive industry transparency or information disclosure.

Annex I: Model Supply Chain Policy for Minerals from Conflict-Affected and High-Risk Areas

Note: This Model Policy is developed based on the Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Third Edition), and some adjustments are made in accordance with the purpose of this Chinese Guidelines.

This Model Policy aims to provide a universally applicable reference for supply chains of mineral from conflict-affected and high-risk areas, and can be used as a template for corporate due diligence policies and supplier codes of conduct. Encourage companies to incorporate model policies into their existing corporate social responsibility, sustainable development or other corresponding policies.

Model Supply Chain Policy for Minerals from Conflict-Affected and High-Risk Areas

Recognising that risks of significant adverse impacts which may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas, and that we have the responsibility to respect human rights and not contribute to conflict, we commit to adopt, widely disseminate and incorporate in contracts and/or agreements with suppliers the policy of Chinese Due Diligence Chinese Guidelines for Responsible Mineral Supply Chains, as representing a common reference for conflict-sensitive sourcing practices and suppliers' risk awareness from the point of extraction until end user. We commit not to get involved in any activities which contributes to the financing of conflict and we commit to comply with relevant United Nations sanctions resolutions or, where applicable, domestic laws implementing such resolutions, and respect the recommendations of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Third Edition) on information disclosure[24].

I. Regarding serious abuses associated with the extraction, transport or trade of minerals:

1. While sourcing from, or operating in, conflict-affected and high-risk areas, we will neither tolerate nor by any means profit from, contribute to, assist with or facilitate the commission by any party of:

[24] For example, as set out in OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Third Edition), refineries/ smelters are advised to disclose information on suppliers operating in "conflict affected and high risk areas".

a. any forms of torture, cruel, inhuman and degrading treatment;
b. any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily;
c. the worst forms of child labour;
d. other gross human rights violations and abuses such as widespread sexual violence;
e. war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

Risk mitigation measures:

2. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined above.

II. Regarding direct or indirect support to non-state armed groups [25]:

3. We will not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals. "Direct or indirect support" to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates[26] who:

i. illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain[27]; and/or
ii. illegally tax or extort[28] money or minerals at points of access to mine sites, along transportation routes or at points where mineral are traded; and/or
iii. illegally tax or extort intermediaries, export companies or internal traders.

Risk mitigation measures:

4. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups.

[25] Companies can refer to relevant UN Security Council resolutions, to identify non-state armed groups.
[26] "Affiliates" includes traders, consolidators, intermediaries, and others in the supply chain that work directly with armed groups to facilitate the extraction, trade or handling of minerals.
[27] "Control" of mines, transportation routes, points where minerals are traded and upstream actors in the supply chain means i) overseeing extraction, including by granting access to mine sites and/or coordinating downstream sales to intermediaries, export companies or international traders; ii) making recourse to any forms of forced or compulsory labour to mine, transport, trade or sell minerals; or iii) acting as a director or officer of, or holding beneficial or other ownership interests in, upstream companies or mines.
[28] "Extort" from mines, transportation routes, points where minerals are traded or upstream companies means the demanding, under the threat of violence or any other penalty, and for which the person has not voluntarily offered, sums of money or minerals, often in return for granting access to exploit the mine site, access transportation routes, or to transport, purchase, or sell minerals.

III. Regarding public or private security forces:

5. We disagree to provide direct or indirect support to public or private security forces who illegally control mine sites, transportation routes and upstream actors in the supply chain; illegally tax or extort money or minerals at point of access to mine sites, along transportation routes or at points where minerals are traded; or illegally tax or extort intermediaries, export companies or international traders.[29]

6. We recognise that the role of public or private security forces at the mine sites and/or surrounding areas and/or along transportation routes should be solely to maintain the rule of law, including safeguarding human rights, providing security to mine workers, equipment and facilities, and protecting the mine site or transportation routes from interference with legitimate extraction and trade.

7. Where we or any company in our supply chain contract public or private security forces, we commit to or we will require that such security forces will be engaged in accordance with the international widely recognized standards[30]. In particular, we will support or take steps, to adopt screening policies to ensure that individuals or units of security forces that are known to have been responsible for gross human rights abuses will not be hired.

8. We will support efforts, or take steps, to engage with central or local authorities, international organisations and civil society organisations to contribute to workable solutions on how transparency, proportionality and accountability in payments made to public security forces for the provision of security could be improved.

9. We will support efforts, or take steps, to engage with local authorities, international organisations and civil society organisations to avoid or minimise the exposure of vulnerable groups, in particular, artisanal miners where minerals in the supply chain are extracted through artisanal or small-scale mining, to adverse impacts associated with the presence of security forces, public or private, on mine sites.

Risk mitigation measures:

10. In accordance with the specific position of the company in the supply chain, we will immediately devise, adopt and implement a risk management plan[31] with upstream suppliers and other stakeholders to prevent or mitigate the risk of direct or indirect support to public or private security forces, where we identify that such a reasonable risk exists. In such cases, we will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation within six months from the adoption of the risk management plan.[32] Where we

[29] "Direct or indirect support" does not refer to legal form of support, including legal taxes, fees, and/or royalties that companies pay to the government of a country in which they operate.

[30] Such as Voluntary Principles on Security and Human Rights.

[31] If force majeure factors such as tsunamis, earthquakes, fires, epidemics, wars, etc. are encountered during the implementation of the risk management plan, the timeline can be adjusted accordingly, but a written explanation should be provided.

[32] Companies should conduct an additional risk assessment on those risks requiring mitigation after adopting risk management plan. Within six months from adopting risk management plan, if there is no significant measurable improvement to prevent or mitigate the risk of direct or indirect support to public or private security forces, companies should suspend or discontinue engagement with the supplier for a minimum of three months. Suspension may be accompanied by a revised risk management plan, stating the performance objectives for progressive improvement that should be met before resuming the trade relationship.

identify a reasonable risk of activities inconsistent with paragraph 8 and paragraph 9,, we will respond in the same vein.

IV. Regarding bribery and fraudulent misrepresentation of the origin of minerals:

11．We will not offer, promise, give or demand any bribes, and will resist the solicitation of bribes to conceal or disguise the origin of minerals, to misrepresent taxes, fees and royalties paid to governments for the purposes of mineral extraction, trade, handling, transport and export.[33]

Regarding money laundering:

12．We will support efforts, or take steps, to contribute to the effective elimination of money laundering where we identify a reasonable risk of money-laundering resulting from, or connected to, the extraction, trade, handling, transport or export of minerals derived from the illegal taxation or extortion of minerals at points of access to mine sites, along transportation routes or at points where minerals are traded by upstream suppliers.

Regarding the payment of taxes, fees and royalties due to governments:

13．We will ensure that all taxes, fees, and royalties related to mineral extraction, trade and export from conflict-affected and high-risk areas are paid to governments and, in accordance with the company's position in the supply chain, we commit to disclose such payments in accordance with the requirements of host country on the disclosure of tax information paid to government departments.

Risk mitigation measures:

In accordance with the specific position of the company in the supply chain, we commit to engage with suppliers, central or local governmental authorities, international organisations, civil society and affected third parties, as appropriate, to improve and track performance with a view to preventing or mitigating risks of adverse impacts through measureable steps taken in reasonable timescales. We will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation. Companies should conduct an additional risk assessment on those risks requiring mitigation after the adoption of the risk management plan. If within six months from the adoption of the risk management plan there is no significant measurable improvement to prevent or mitigate the risks of bribery and fraudulent misrepresentation of the origin of minerals, money-laundering and payment of taxes, fees and royalties to governments, companies should suspend or discontinue engagement with the supplier for a minimum of three months. Suspension may be accompanied by a revised risk management plan, stating the performance objectives for progressive improvement that should be met before resuming the trade relationship.

[33] See OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997); and the United Nations Convention Against Corruption (2004)

Annex II: Suggested Measures for Risk Mitigation and Indicators for Measuring Improvement

SUPPLY CHAIN POLICY – SECURITY AND RELATED ISSUES

RISK MITIGATION:

The following suggested risk mitigation measures may be considered for implementation by upstream companies individually or through associations, joint assessment teams or other suitable means to undertake the following activities:

- alert relevant central government authority (*e.g.* Ministry of Mines) of abusive and exploitative practices occurring in the supply chain;
- in areas in which minerals are illegally taxed or extorted, take immediate steps to ensure that upstream intermediaries and consolidators disclose downstream or publicly the payments made to public or private security forces for the provision of security;
- engage with intermediaries and consolidators to help build their capabilities to document the behaviour of security and payments to security forces;
- while sourcing from areas of artisanal and small-scale mining ("ASM"), support the formalisation of security arrangements between ASM communities, local government, and public or private security forces, in cooperation with civil society and international organisations, as appropriate, to ensure that all payments are freely made and proportionate to the service provided, clarify rules of engagement consistent with the international widely recognized standards[34];

[34] Such as Voluntary Principles on Security and Human Rights, the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials. For further guidance, see Multilateral Investment Guarantee Agency, The Voluntary Principles on Security and Human Rights: An Implementation

- support the establishment of community forums to share and communicate information;
- support the establishment of a trust or other similar fund, where appropriate, through which security forces are paid for their services;
- build partnership with international organisations or civil society organisations, as appropriate, to support capacity-building of security forces consistent with the Voluntary Principles on Security and Human Rights, on mine sites, and UN Code of Conduct for Law Enforcement Officials or the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT:

See, for example, Global Reporting Initiative, Indicator Protocols Set: Human Rights, Mining and Metals Sector Supplement (Version 3.0), indicator HR8:

"*Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations*". For further descriptions of indicators, see the commentaries to the indicator. For guidance on reporting on indicators and compiling relevant information, including with regard to risks to communities and women, *see* Global Reporting Initiative, Sustainability Reporting Chinese Guidelines and GRI Mining and Metals Sector Supplement (Version 3.0).

With regard to minerals originating from mines or transported along transportation routes where security forces are present, *the percentage of minerals or money, on a disaggregate per batch basis, illegally taxed or extorted from upstream actors by public or private security forces; the nature*

Toolkit for Major Sites (2008); International Committee of the Red Cross – Training Resources for armed police and security personnel; and the International Code of Conduct for Private Security Service Providers (2010).

and type of payments to public or private security, including the nature and type of any arrangement on the provision of security and payment.

SUPPLY CHAIN POLICY – SECURITY AND EXPOSURE OF ARTISANAL MINERS TO ADVERSE IMPACTS

RISK MITIGATION:

When sourcing from areas of artisanal mining, the following suggested risk mitigation measures may be considered for implementation by upstream companies individually or through associations, joint assessment teams or other suitable means to undertake the following activities:

- minimise the risk of exposure of artisanal miners to abusive practices, by supporting host countries governments' efforts for the progressive professionalization and formalisation of the artisanal sector, through the establishment of cooperatives, associations or other membership structures.

For further guidance on how to carry out this risk mitigation, *see* Responsible Jewellery Council, *Standards Guidance*, "COP 2.14 Artisanal and Small-Scale Mining", including "supporting the wider community by locally sourcing the provision of as many goods and services as possible; eliminating child labour as a condition of engagement in the community; improving women's conditions in ASM communities through gender awareness and empowerment programs."

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT:

See, for example, Global Reporting Initiative, Indicator Protocols Set: Society, Mining and Metals Sector Supplement (Version 3.0), indicator MM8: "*Number (and percentage) of […] operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks*". For further descriptions of indicators, see the commentaries to the indicator. For guidance on reporting

on indicators and compiling relevant information, including risks to communities and women, *see* Global Reporting Initiative, Sustainability Reporting Chinese Guidelines and Mining and Metals Sector Supplement (Version 3.0).
SUPPLY CHAIN POLICY–BRIBERY AND FRAUDULENT MISREPRESENTATION OF MINERALS ORIGIN **RISK MITIGATION:** Upstream companies may cooperate through associations, assessment teams or other suitable means to build capabilities of suppliers, in particular SMEs, to conduct due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas. **RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT:** Indicators for improvement should be based on the processes contained in the *Chinese Guidelines. For example, indicators may include the information disclosed downstream*; *the nature of chain of custody or supply chain transparency systems in place*; *the nature and form of supply chain risk assessments and management, in particular to verify information generated by chain of custody and transparency systems*; *the engagement of the company in capability training and/or other industry initiatives for supply chain due diligence*.
SUPPLY CHAIN POLICY – MONEY LAUNDERING **RISK MITIGATION:** The following suggested risk mitigation measures may be considered for implementation by upstream companies individually or through associations, joint assessment teams or other suitable means to undertake the following activities:

- develop supplier, customer and transactional red flags to identify suspicious behaviour and activities;
- identify and verify the identity of all suppliers, business partners and customers;
- report suspicious behaviour of criminal activity to local, national, regional and international law enforcement agencies.

For further guidance, *see* Financial Action Task Force, Guidance on the risk-based approach to combating money laundering and terrorist financing.

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT:

Indicators for improvement should be based on the processes contained in the Chinese Guidelines. For example, potential indicators may include *the supply chain policy*; *the information disclosed downstream*, *the nature of chain of custody or supply chain transparency system in place*; *the nature and form of supply chain risk assessments and management, in particular to verify information generated by chain of custody and transparency systems*; *the engagement of the company in capability training and/or other industry initiatives for supply chain due diligence*.

SUPPLY CHAIN POLICY – TRANSPARENCY ON TAXES, FEES AND ROYALTIES PAID TO GOVERNMENTS

RISK MITIGATION:

The following suggested risk mitigation measures may be considered for implementation by upstream companies individually or through associations, assessment teams or other suitable means to undertake the following activities:

- support the implementation of the transparency requirement[35];

[35] for example, support the Extractive Industry Transparency Initiative when host country joins the initiative.

- support the public disclosure, on a disaggregate basis, of all information on taxes, fees, and royalties that are paid to governments for the purposes of mineral extraction, trade, and export from conflict-affected and high-risk areas;
- inform relevant local and central governmental agencies of potential weaknesses in revenue collection and monitoring;
- support capability training of these agencies to effectively carry out their duties.

RECOMMENDED INDICATORS FOR MEASURING IMPROVEMENT:

See, for example, Global Reporting Initiative, Indicator Protocols Set: Economic, Mining and Metals Sector Supplement (Version 3.0), indicator EC1: "*Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments*". For further descriptions of indicators, see the commentaries to the indicator. For guidance on reporting on indicators and compiling relevant information, *see* Global Reporting Initiative, Sustainability Reporting Chinese Guidelines and Mining and Metals Sector Supplement (Version 3.0).

Annex III: Guiding Note for On-the-ground Assessment on Minerals such as Tin, Tantalum and Tungsten

Note: The following part is developed based on the Guiding Note for Upstream Company Risk Assessment of the OECD Due Diligence Guidance Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Third Edition), and adjusted to fit the purpose of this Chinese Guidelines.

1. **Create enabling conditions for an effective risk assessment.** When planning and structuring the supply chain risk assessment, upstream companies in the supply chain need take into account the following recommended actions:

1.1. **Use an evidence-based approach**. Conclusions of the company risk assessment need be corroborated by verifiable, reliable, up-to-date evidence, which should be gained through on-the-ground research carried out by an on-the ground assessment team.

1.2. **Preserve the reliability and quality of company fact and risk assessment of a supply chain, by ensuring that company assessors are independent from the activity being assessed and free from conflict of interests**. Company assessors must commit to reporting truthfully and accurately and upholding the highest professional ethical standards and exercise “due professional care”.

1.3. **Ensure the appropriate level of competence**, by employing experts with knowledge and skill in as many of the following areas: the operational contexts assessed (e.g. linguistic abilities, cultural sensitivities), the substance of conflict-related risks (e.g. the standards in Annex II, human rights, international humanitarian law, corruption, financial crime, conflict and financing parties to a conflict, transparency), the nature and form of the mineral supply chain (e.g. mineral procurement), and the standards and process contained in this due diligence Chinese Guidelines.

2. **Establish an on-the-ground assessment team (hereafter “assessment team”) in the conflict-affected and high-risk areas of mineral origin and transit to generate and maintain information on suppliers as well as mineral extraction, trade, handling and export information**. Upstream companies may establish such a team jointly in cooperation with other upstream companies supplying from, or operating in these areas (“cooperating companies”).

2.1. Upstream companies establishing the assessment team need:

a. Ensure the assessment team consults with local and central governments to gain information, with a view to strengthening cooperation and opening avenues of communication between government institutions, civil society and local suppliers.
b. Ensure the assessment team regularly consults with local civil society organisations with local knowledge and expertise.
c. Establish or support the creation, where appropriate, of community-monitoring networks to feed information into the assessment team.

d. Share information gained and maintained by the assessment team throughout the entire supply chain, preferably through a computerized system with web accessibility for companies in the supply chain and any institutionalized mechanism, regional or global, once in place with the mandate to collect and process information on minerals from conflict-affected and high-risk areas.

2.2. Upstream companies establishing the assessment team need define the scope and capacities of the on-the-ground assessment team to undertake the following activities:

a. Obtain first-hand evidence of the factual circumstances of mineral extraction, trade, handling and export. This includes:

i) The militarization of mine sites, transportation routes and points where minerals are traded. The assessment team needs track the militarization of mine sites, transportation routes and points where minerals are traded. Interactive maps which indicate the location of mines, armed groups, trade routes, roadblocks and airfields can constitute an additional source of information for companies. Tracking the militarization of mines, transportation routes and points where minerals are traded means identifying factual circumstances resulting in direct or indirect support to non-state armed groups and public or private security forces (as defined in the model supply chain policy in the Annex).

ii) Serious abuses associated with the extraction, transport or trade of minerals committed by public or private security forces, non-state armed groups, or other third parties operating in mining areas, along transportation routes, or at points where minerals are traded.

b. Respond to specific questions or requests for clarifications made by cooperating companies and put forward recommendations for the company risk assessment and risk management. All cooperating companies may put forward questions to, or request clarifications from, the on-the-ground assessment team on the following:

i) Evidence generated by the chain of custody system and supply chain traceability;
ii) Information on suppliers (intermediaries and exporters) in line with "Know your customer/supplier" protocols, such as information obtained through implementing the compliance system of anti-money laundry.

c. Receive and assess grievances submitted by interested parties on the ground and communicate to cooperating companies.

Specific recommendations – For local exporters

a. Facilitate on-site activities for the assessment team, responding to any requests for assistance.

b. Coordinate the communication between the assessment team and all upstream intermediaries, consolidators and transporters.

c. Allow the assessment team to access to all company sites, including in neighbouring countries or other countries where trans-shipment or relabeling might happen, as well as all books, records or other evidence of procurement practices, tax, fee and royalty payments, and export documentation.

d. Allow the assessment team to access to all information gained and maintained as part of the company's due diligence practices, including payments made to non-state armed groups and public or private security forces.

e. Designate relevant personnel as contact point for the assessment team.

Specific recommendations –For international concentrate traders and mineral re-processors

a. Help assessment team contact all cross-border transporters, allowing them to join cross-border transportation of minerals on an unannounced basis.

b. Allow the assessment team access to all sites owned by the international concentrate traders and mineral re-processors in neighbouring countries or other countries where trans-shipment happens in or is considered in conflict-affected and high-risk areas or where risks in the supply chain are known or likely to exist.

c. Allow assessment team to access to all books, or other evidence of procurement, tax, fee and royalty payments, and export documentation.

d. Allow the assessment team to access to all information gained and maintained as part of the company's due diligence practice, including payments made to non-state armed groups and public or private security forces.

e. Proactively provide assessment team with records of minerals from other locations of mineral origin and transit with red flag.

f. Identify relevant personnel as contact point for the assessment team.

Specific recommendations – For smelters/refiners

a. Identify relevant personnel as contact point for the assessment team.

b. Allow assessment team to access to all books, or other evidence of procurement, tax, fee and royalty payments, and export documentation.

c. Allow the assessment team to access to all information gained and maintained as part of the company's due diligence practice.

3. **Recommended questions that company should answer**: These questions relate to common circumstances in the supply chain of tin, tantalum, tungsten ores and metal derivatives which may trigger risks.

3.1. Know the context of the conflict-affected and high-risk area of mineral's place of origin, transit and/or export

a. Study on the conflict-affected and high-risk areas of the country of origin, neighbouring and transit countries (including potential transportation routes and the locations of extraction, trade, handling, and export). Relevant information includes public reports (from governments, international organisations, NGOs, and medias), maps, UN reports and UN Security Council sanctions, industry reports relating to mineral extraction, and its impact on conflict, human rights or environment in the potential country of origin, or other public statements.

b. Are there international entities capable of intervention and investigation based in or near the area, such as UN peacekeeping force? Can these systems be used to identify actors in the supply chain? Does the local departments have recourse and capacity to address concerns related to the presence of armed groups or other conflict factors? Are relevant national, provincial, and/or local regulatory agencies with jurisdiction over mining issues capable of addressing such concerns?

3.2. Know your suppliers and business partners

a. Who are the suppliers or other parties involved in financing, extracting, trading and transporting the minerals along the supply chain from extraction and company undertaking the due diligence? Identify all significant actors in the supply chain, collecting information on ownership (including beneficial ownership), corporate structure, the names of corporate officers and directors, the ownership interests of the company or officers in other organisations, the business, government, political or military affiliations of the company and officers (in particular, focusing on potential relationships with state armed groups or public or private security forces).

b. What procurement and due diligence systems do these suppliers have in place? What supply chain policies have suppliers adopted and how have they integrated them into their management processes? How do they establish internal controls over minerals? How do they enforce policies and requirements on their suppliers?

3.3. Know the conditions of mineral extraction in conflict-affected and high-risk areas

a. What is the exact origin of the minerals (what are the specific mines)?

b. What was the method of extraction? Identify if minerals were extracted through artisanal and small-scale mining ("ASM") or large-scale mining and if through ASM, identify, where possible, whether extracted by individual artisanal miners, artisanal mining cooperatives, associations, or small enterprises. Identify the taxes, royalties and fees paid to government institutions, and the disclosures made on those payments.

c. Do conditions of extraction involve the presence and involvement of non-state armed groups or public or private security forces, including in one or more of the following: direct control of the mine or transportation routes around mine; levying of taxes on miners or extortion of minerals; beneficial or other ownership interests in the mine site or mineral rights by non-state armed groups or public or private security forces and/or their families and/or associates; or provision of security paid by miners or through taxes arising from production. Do any of these armed groups or military units have an involvement or interest in the conflict? Do any of them have a history of involvement in widespread human rights abuses or other crimes?

d. What are the conditions of extraction? In particular, identify if there are i) any forms of torture, cruel, inhuman and degrading treatment exacted for the purposes of mineral extraction; ii) any forms of forced or compulsory labour which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily; iii) the worst forms of child labour for the purposes of mineral extraction; iv) other gross human rights violations and abuses such as widespread sexual violence on mine sites or in the course of mineral extraction; or v) war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

3.4. Know the conditions of mineral transport, handling and trade in conflict-affected and high-risk areas

a. Were downstream purchasers situated at the mine site or elsewhere? Were the minerals from different miners handled and processed separately and kept separate when sold downstream? If not, at what point were the minerals processed, consolidated and mixed when sold downstream?

b. Who were the intermediaries that handled the minerals? Identify whether any of those intermediaries have been reported or suspected to be extracting or trading minerals associated with non-state armed groups.

c. To what extent, if any, are public or private security forces or non-state armed groups directly or indirectly involved in the trading, transportation or taxing of the minerals? Are the public or private security forces or non-state armed groups benefiting in any way from the trading, transporting or taxing of minerals being carried out by other parties, including through affiliations with intermediaries or exporters?

d. To what extent, if any, are the public or private security forces or non-state armed groups present along trade and transportation routes? Are there any human rights abuses occurring in trading, transportation or taxing of the minerals? For example, is there evidence of forced labour, extortion or coercion being used? Is child labour being used? In particular, identify if there are i) any forms of torture, cruel, inhuman and degrading treatment exacted for the purposes of mineral transport or trade; ii) any forms of forced or compulsory labour to mine, transport, trade or sell minerals; iii) the worst forms of child labour for the purposes of mineral transport or trade; iv) other gross human rights violations and abuses such as widespread sexual violence on mine sites or in the course of mineral transport or trade; or v) war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide for the purposes of mineral transport or trade.

e. What information is available to verify the downstream trade, such as authentic documents, transportation routes, licensing, cross-border transportation, and the presence of armed groups and/or public or private security forces?

3.5. Know the conditions of mineral export from conflict affected and high-risk areas

a. What was the point of export and have there been reports or are there suspicions of facilitation payments or other bribes paid at points of export to conceal or fraudulently misrepresent the mineral origin? What documents accompanied mineral export and have there been reports or are there suspicions of fraudulent documentation or inaccurately described declarations (on type of mineral, mineral quality, origin, weight, etc.)? What taxes, duties or other fees were paid on export and have there been reports or are there suspicions of under-declaration?

b. How was export transportation coordinated and how was it carried out? Who are the transporters and have there been reports or are there suspicions of their engagement in corruption (facilitation payment, bribes, under-declarations, etc.)? How was export financing and insurance obtained?

Annex IV: Due Diligence Management of Gold

Appendix: Recommendations on Gold due diligence

Instruction:

The "Recommendations on Gold Due Diligence " (hereinafter referred to as "this Section") refer to the "Supplement on Gold" of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. It provides specific guidance on supply chain due diligence of gold from conflict-affected and high-risk areas according to the different positions of companies in the gold supply chain.

This Section of Gold forms an integral part of the Guidelines. The Annex I, Annex II and Definition section of the Guidelines also applies to this Section.

Scope

All upstream and downstream companies in the gold supply chain need to carry out due diligence, to avoid contributing to conflict and serious abuses of human rights in the supply chain of gold potentially sourced from conflict-affected and high-risk areas.

This Section does not include recycled materials, but includes due diligence measures to be taken on recycled/scrap or previously refined gold ("Recyclable Gold") only insofar as recycled material is a potential means of laundering gold that has been mined in conflict-affected and high-risk areas in order to hide its origin.

Gold investment products (ingots, bars, coins, and grain in sealed containers) held in bullion bank vaults, central bank vaults, exchanges and refineries with a "verifiable date" ("Verifiable date" is date which can be verified through inspection of physical date stamps on products as well as inventory lists, See definitions.) prior to 1 January 2012 will not require information on their origin ("Grandfathered Stocks"). However, gold investment products will require "Know Your Counterparty" due diligence to ensure the trade in Grandfathered stocks is not carried out in violation of international sanctions or does not enable money-laundering resulting from, or connected to, the sale of gold reserves in conflict-affected and high-risk areas.

Definitions:

Bullion bank – A bank (including retail, commercial and investment banks) or financial institution such as a trading house, that conducts financial transactions in refined gold.

Artisanal and Small-scale Mining (ASM) – formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labour intensive technology. "ASM" can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners. For example, it is common for work groups of 4-10 individuals, sometimes in family units, to share tasks at one single point of mineral extraction (e.g. excavating one tunnel). At the organisational level, groups of 30-300 miners are common, extracting jointly one mineral deposit (e.g. working in different tunnels), and sometimes sharing processing facilities.

ASM Enterprises – Artisanal and small-scale entities that are sufficiently formalised and structured to carry out this Guidelines. As per the Appendix, all artisanal and small-scale miners are encouraged to formalise in this regard.

Bullion – The generic word for refined gold in bar or ingot form.

Good Delivery – A standard of physical specifications for refined gold and for capabilities of gold refiners that is accepted on an exchange or in an over-the- counter ("OTC") market (e.g. London Good Delivery).

GRANDFATHERED STOCKS – Gold investment products (ingots, bars, coins, and grain in sealed containers) held in bullion bank vaults, central bank vaults, exchanges and refineries with a verifiable date prior to 1 January 2012, which will not require a determination of origin. This includes stocks held by a third party on behalf of the listed entities.

Verifiable Date: A date which can be verified through inspection of physical date stamps on products and/or inventory lists.

Mixed Gold – Gold that includes multiple sources (e.g., both mined gold and recyclable gold). Due diligence should be conducted on those sources of mixed gold in accordance with the recommendations in this Section.

Industry Programme – For the purpose of this Guidelines, this term means an initiative or programme created and managed by an industry organization or similar industry initiative to support and advance some or all of the recommendations of this Guidelines. An Industry Programme may be a part of the organisation's broader activities that encompass other goals. Any reference in this Guidelines to relevant activities and/or initiatives of an Industry Programme is understood to mean that such activities and/or initiatives will be consistent with this Guidelines.

Institutionalised Mechanism – For the purpose of this Guidelines, this term means an organisation created by and composed of representatives of governments, industries and civil society with a mandate to support and advance some or all of the recommendations of this Guidelines. Any reference in this Guidelines to relevant activities and/or initiatives of an Institutionalised Mechanism is understood to mean that such activities and/or initiatives will be consistent with this Guidelines.

Legitimate artisanal and small-scale mining: The legitimacy of artisanal and small-scale mining is a difficult concept to define because it involves a number of situation-specific factors. For the purposes of this Guidelines, legitimate refers, among others, to artisanal and small-scale mining that is consistent with applicable laws. When the applicable legal framework is not enforced, or in the absence of such a framework, the assessment of the legitimacy of artisanal and small-scale mining will take into account the good faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalisation as they become available (bearing in mind that in most cases, artisanal and small scale miners have very limited or no capacity, technical ability or sufficient financial resources to do so). In either case, Artisanal and small-scale mining, as with all mining, cannot be considered legitimate when it contributes to conflict and serious abuses associated with the extraction, transport or

trade of minerals.
Management system – Management processes and documentation that collectively provide a systematic framework for ensuring that tasks are performed correctly, consistently and effectively to achieve the desired outcomes, and that provide for continual improvement in performance.
Medium and Large-Scale Mining (LSM) – For the purposes of this Guidelines, LSM refers to gold mining operations that are not considered to be artisanal or small-scale mining.
Recycler – an individual or entity that is not a refiner as defined below, that collects, consolidates and/or processes recyclable/scrap gold, such as sampling and assay, prior to refining to begin a new life cycle.
Refiner – an individual or entity that purifies gold to a commercial market quality, by removing other substances from doré, alluvial gold, recyclable/ scrap or other gold-bearing feedstocks.
Suppliers – This term refers to any individual or organisation who is considered to be a participant in the supply chain for the supply of gold and gold-bearing materials.
Supply chain – The term supply chain refers to the system of all the activities, organisations, actors, technology, information, resources and services involved in moving gold from the source to end consumers.
Upstream supply chain – the gold supply chain from the mine to refiners.
Upstream companies – include miners (artisanal and small-scale enterprises or medium and large-scale gold mining companies), local gold traders or exporters from the country of gold origin, transporters, international gold traders of Mined/Recyclable Gold and refiners.
Downstream supply chain – the gold supply chain from refiners to retailers.
Downstream companies – include refined gold traders and gold markets, bullion banks and exchanges or other entities that do their own gold vaulting, jewellery manufacturers and retailers, and other companies using gold in the fabrication of products (e.g. manufacturers and retailers of electronics or medical devices).

All companies in the gold supply chain should carry out Step 1 (Establish strong company management systems) and begin Step 2 (Identify and assess risks in the supply chain) to determine whether they actually or potentially source gold from conflict-affected and high-risk areas. The remainder of the Steps in this Section will then only apply to companies sourcing gold from conflict affected and high-risk areas and actors in the gold supply chain that operate in a conflict-affected or high-risk area.

This Guidelines recognises that due diligence in conflict-affected and high- risk areas presents practical challenges. Flexibility is needed in the application of due diligence. 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 enterprise, the location of the activities, the situation in a particular country, the sector and nature of the products or services involved. These challenges may be met in a variety of ways, including but not limited to:

- Industry-wide cooperation in building capacity to conduct due diligence.
- Cost-sharing within industry for specific due diligence tasks.
- Participation in initiatives on responsible supply chain management.
- Coordination between industry members who share suppliers.
- Cooperation between upstream and downstream companies.
- Building partnerships with international and civil society organisations.

- Integrating the model supply chain policy (Annex II) and specific due diligence recommendations outlined in this Guidelines into existing policies and management systems, due diligence practices of the company, such as procurement practices, integrity and know your customer due diligence measures and sustainability, corporate social responsibility or other annual reporting.

The Guidelines in particular recognises that due diligence regarding artisanal and small-scale gold mining in conflict-affected and high-risk areas presents challenges. Artisanal and small-scale gold producers such as individuals, informal working groups or communities are not expected to carry out due diligence as recommended in this Guidelines, but they are encouraged to remain involved in due diligence efforts of their customers and formalise so they can carry out due diligence in the future. This Guidelines also request ASM enterprises to conduct due diligence. Suggested measures are contained in the Appendix to prevent potentially harmful social and economic impacts on vulnerable groups[36] in conflict-affected and high-risk areas, including legitimate artisanal and small-scale miners.

Given the complex operating environments of conflict-affected and high-risk areas, where conditions can evolve and degenerate rapidly, due diligence is understood as an on-going proactive and reactive process whereby companies take reasonable steps and make good faith efforts to identify and respond to risks of contributing to conflict and serious abuses in accordance with this Guidelines, and in particular Annex II. This Guidelines promotes progressive improvement to due diligence practices through constructive engagement with suppliers. Companies are encouraged to integrate this
Guidelines into their broader policies and practices on responsible business conduct, and are encouraged to inform consumers and the public at large that they are implementing this Guidelines. Companies may use this Guidelines to make reasonable determinations as to the responsible conflict-sensitive nature of their products.

This Guidelines builds on and is consistent with the principles and standards contained in the OECD Guidelines for Multinational Enterprises and the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones. It provides recommendations jointly addressed by governments to companies operating in or sourcing minerals from conflict-affected and high-risk areas, providing guidance on principles and due diligence processes for responsible supply chains of minerals from conflict-affected and high-risk areas, consistent with applicable laws and relevant internationally recognised standards. As such, this Guidelines is not a substitute for nor should it be considered to override domestic laws and regulations[37], including those relating to mining.

GOLD SOURCES
For the purpose of this Guidelines, there are three possible sources of gold and gold-bearing material, for which different due diligence is recommended: **1. MINED GOLD** – Gold that originates from mines (medium and large-scale or artisanal and/or small-scale mines) and has never been previously refined. The origin of Mined Gold is the mine where it was extracted. Sub-categories of mined gold

[36] See OECD Guidelines for Multinational Enterprises (2011), Commentary on Chapter IV Human Rights, paragraph 40: "[…] enterprises should respect the human rights of individuals belonging to specific groups or populations that require particular attention, where they may have adverse human rights impacts on them. In this connection, United Nations instruments have elaborated further on the rights of indigenous peoples; persons belonging to national or ethnic, religious and linguistic minorities; women; children; persons with disabilities; and migrant workers and their families."
[37] See Chapter I, paragraph 2, OECD Guidelines for Multinational Enterprises (2011).

before it is refined are:

Alluvial gold – Newly mined gold that has been taken from sand and gravel deposits, most often in or near streams, typically as very small but visible pieces of gold. Alluvial gold is usually in the form of "dust," occasionally nuggets, which is already concentrated in form, easily transported, and may be easily melted and/or semi-refined into small ingots (normally of 85% – 92 % purity). Alluvial gold in all of these forms requires refining before use as bullion or jewellery, but can ordinarily be directly refined, without further intermediate concentration or processing.

Gold ore – Rock or gravel that contains an economically valuable concentration of gold. This concentration may be very small by weight, e.g., 1 gram of gold per tonne of ore, and still be economically recoverable in medium and large-scale industrial mining. Gold ore, because of its bulk and weight, is ordinarily not transported far from a mine site for processing.

Gold concentrate – An intermediate material produced from processing of gold ore to achieve a higher concentration, but still requiring further intermediate processing to produce doré. A gold concentrate would ordinarily be transported to a nearby gold smelter for creation of doré.

Gold doré – A bar of newly mined gold metal alloy, generally originating from extensive processing of ores and smelting at medium and large-scale mines to a high concentration (normally of 85% – 90% purity). Mined gold in this form is not commercial quality and must then be transported to a refinery to be directly refined, without further intermediate processing.

Mining Byproduct – Gold that is produced from other metal mining, e.g., from copper sulphide ore, in which gold may be a trace constituent. When gold is a byproduct, the other more important metal is processed and refined first, and the gold is then extracted and refined from the final residue of the first metal, such as a copper electrolytic cell slime.

LSM Gold – Gold that has been produced by Medium and Large-scale Mining (see Definition of Medium and Large-scale Mining).

ASM Gold – Gold that has been produced by Artisanal and Small-scale Mining (see Definition of Artisanal and Small-scale Mining).

2. RECYCLABLE GOLD – Gold that has been previously refined, such as end-user, post-consumer and investment gold and gold-bearing products, and scrap and waste metals and materials arising during refining and product manufacturing, which is returned to a refiner or other downstream intermediate processor to begin a new life cycle as 'recycled gold'. The origin of Recyclable Gold is considered to be the point in the gold supply chain where the gold is returned to the refiner or other downstream intermediate processor or recycler. Sub-categories of recyclable gold are:

(1) Unprocessed recyclable gold – Recyclable Gold still in its original form and/or fabrication scrap, before it has been returned for processing and refining (e.g. bullion bars, pieces of jewellery, ornaments, coins, machine turnings, etc.)

(2) Melted recyclable gold – Recyclable Gold which has been melted as the first recycling process and cast into rudimentary bars or some other form with undefined dimensions and variable fineness.

(3) Industrial By-product – A material produced while processing another material, not the primary intended product but nevertheless a separate useful material. For example, gold refining often creates low value by-products such as furnace flue dust, spent crucibles and floor sweepings.

3. GRANDFATHERED STOCKS – Gold investment products (ingots, bars, coins, and grain in sealed containers) held in bullion bank vaults, central bank vaults, exchanges and refineries with a verifiable date prior to 1 January 2012, which will not require a determination of origin. This includes stocks held by a third party on behalf of the listed entities. Verifiable Date refers to a date which can be verified through inspection of physical date stamps on products and/or inventory lists.
In addition, there is also Mixed Gold, referring gold that includes multiple sources (e.g., both mined gold and recyclable gold). Due diligence should be conducted on those sources of mixed gold in accordance with the recommendations in this Section.

1. STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS

OBJECTIVE: To ensure that existing due diligence and management systems of companies in the gold supply chain are structured for effective due diligence.

1.1 GENERAL RECOMMENDATIONS FOR ALL COMPANIES IN THE GOLD SUPPLY CHAIN

1.1.1 Develop a supply chain policy. This policy, for all companies in the supply chain, should include:

1.1.1.1 A policy commitment setting forth common principles and standards for responsible supply chains of gold from conflict-affected and high-risk areas, against which the company will assess itself and the activities and relationships of suppliers. This policy should be consistent with the standards set forth in the model supply chain policy in Annex I of the Guidelines.

1.1.1.2 A clear and coherent management process to ensure risks are adequately managed. The company should commit to the due diligence steps and recommendations outlined for the various levels identified in this Section.

1.1.2 Structure internal management systems to support supply chain due diligence.

1.1.2.1 Assign authority and responsibility to senior staff with the necessary competence, knowledge and experience to oversee the supply chain due diligence process.

1.1.2.2 Ensure availability of resources necessary to support the operation and monitoring of these processes.

1.1.2.3 Put in place an organisational structure and communication processes that will ensure critical information, including the company policy, reaches relevant employees and suppliers. Training as appropriate should be carried out, and companies may consider training modules developed by Industry Programmes or Institutionalised Mechanisms.

1.1.2.4 Ensure internal accountability with respect to the implementation of the supply chain due diligence process.

1.1.3 Establish a system of transparency and control over the gold supply chain.

1.1.3.1 Create internal documentation and records of supply chain due diligence processes, findings and resulting decisions. This will include Step 1 due diligence, as well as additional due diligence that may be carried out with regard to gold supply chains from conflict-affected and high-risk areas.

1.1.3.2 Maintain internal inventory and transaction documentation that can be retrieved and used to retrospectively identify gold inputs and outputs and/or support a chain-of-custody system. This should include:

a. Information regarding the form, type and physical description of gold and gold-bearing materials, e.g. gold ore, gold concentrate, gold doré, alluvial gold, recyclable gold, gold bullion, jewellery manufacturing inputs and/or products, electronic components and gold plating solutions, etc.
b. Information provided by the supplier regarding the weight and assay of gold and gold-bearing materials of input, and determinations of the weight and assay of gold inputs and outputs.
c. Supplier details[38], including “know your counterparty” (“KYC”) due diligence information consistent with the 40 Recommendations of the Financial Action Task Force (FATF).
d. Unique reference numbers for each input and output.
e. Dates of input and output, purchases and sales.

1.1.3.3 Make and receive payments for gold through official banking channels where they are reasonably available. Avoid cash purchases where possible, and ensure that all unavoidable cash purchases are supported by verifiable documentation.

1.1.3.4 Cooperate fully and transparently with law enforcement agencies regarding gold transactions. Provide customs officials with access to complete information regarding all shipments that cross international borders, or to which they otherwise have jurisdiction.

1.1.3.5 Maintain the information collected above for a minimum of five years, preferably on a computerised database.

1.1.4 Strengthen company engagement with suppliers.

Companies in the supply chain should seek to influence their suppliers to commit to a supply chain policy consistent with Annex I.

1.1.4.1 Aim to establish long-term relationships with suppliers in order to build responsible sourcing relationships with them.

1.1.4.2 Communicate to suppliers the expectations on due diligence for responsible supply chains of gold from conflict-affected and high-risk areas. In particular, companies should communicate their expectation that their suppliers should determine a risk management strategy with respect to identified risks in the supply chain, consistent with Annex I of the Guidelines.

1.1.4.3 Incorporate the supply chain policy set out in this Guidelines into commercial contracts

[38] See Financial Acton Task Force (FATF) 40 Recommendations (2003). See also Financial Action Task Force, RBA Guidance for Dealers in Precious Metal and Stones (2008).

and/or written agreements with suppliers which can be applied and monitored.

1.1.4.4 Consider ways to support and build capabilities of suppliers to improve performance and conform to company supply chain policy.

1.1.4.5 Commit to risk management, which may include designing measurable improvement plans with suppliers with the involvement, if relevant and where appropriate, of local and central governments, international organisations and civil society when pursuing risk mitigation.

1.1.5 Establish a company and/or mine level grievance mechanism

1.1.5.1 Develop an early warning risk awareness mechanism allowing any interested party (affected persons or whistle-blowers) to voice concerns regarding the circumstances of gold extraction, trade, handling and export in a conflict-affected or high-risk area. This will allow a company to be alerted of risks in its supply chain in addition to the company's own fact and risk assessments.

1.1.5.2 Provide such a mechanism directly, or through collaborative arrangements with other companies or organisations such as an Industry Programme or Institutionalised Mechanism, or by facilitating recourse to an external expert or body (i.e. ombudsman).

1.2 SPECIFIC RECOMMENDATIONS

1.2.1 For medium and large-scale gold mining companies and artisanal and small-scale mining enterprises:

1.2.1.1 Assign a unique reference number to each output, e.g. bar of gold doré, or container of alluvial gold, and affix and/or imprint that reference number in such a manner that its tampering or removal will be evident.

1.2.1.2 Adopt physical security practices over gold such as sealed security boxes for shipment in such a manner that tampering or removal of content during transport will be evident. In conflict-affected and high-risk areas, such physical security practices should be verifiable by appropriate and trusted third parties (e.g. customs authorities, independent auditors, Industry Programmes or Institutionalised Mechanisms).

1.2.1.3 Support the implementation of transparency or information disclosure requirements formulated or approved by the host country's government.[39]

1.2.2 For local exporters, recyclers and international traders of Mined Gold and Recyclable Gold

1.2.2.1 Assign unique internal reference numbers to all inputs and outputs, by bar, ingot and/or batch of gold accepted and produced, and affix and/or imprint that reference number on all outputs in such a manner that its tampering or removal will be evident.

1.2.2.2 Coordinate and support physical security practices used by other upstream companies.

[39] Such as principles and standards proposed by the EITI, see http://eiti.org/document/businessguide.

Promptly report any indications of tampering with shipments, and unseal and open shipments only by authorised personnel.

1.2.2.3 Preliminarily inspect all shipments for conformity to the information provided by the supplier on the types of gold, such as alluvial gold, gold doré, unprocessed recyclable gold or melted recyclable gold. Verify weight and quality information provided by the gold producer and/or shipper, and make a business record of such verification. Report any inconsistency between initial inspection of a shipment and information provided by the shipper promptly to internal security and those responsible in the company for due diligence, with no further action taken until the inconsistency is resolved.

1.2.2.4 Physically segregate and secure any shipment for which there is an unresolved inconsistency.

1.2.2.5 Seek to deal directly with legitimate artisanal and small-scale gold producers or their representatives where possible in order to exclude gold offered by persons that exploit them.

1.2.3 For refiners:

1.2.3.1 Assign unique internal reference numbers to all input and output, by bar, ingot and/or batch of gold accepted and produced, which should correspond to all the information collected on that gold input and output and generated through due diligence, including supplier "KYC" information and the origin of gold.

1.2.3.2 Coordinate and support physical security practices used by other upstream companies. Promptly report any indications of tampering with shipments, and unseal and open shipments only by authorised personnel.

1.2.3.3 Preliminarily inspect all shipments for conformity to the information provided by the supplier on the types of gold, such as alluvial gold, gold doré, unprocessed recyclable gold or melted recyclable gold. Verify weight and quality information provided by gold producer and/or shipper, and make a business record of such verification.

1.2.3.4 Report any inconsistency between initial inspection of a shipment and information provided by shipper promptly to refiner security and those responsible in the company for due diligence, with no further action taken until the inconsistency is resolved.

1.2.3.5 Physically segregate and secure any shipment for which there is an unresolved inconsistency.

1.2.3.6 Record, and render all gold outputs identifiable (e.g. by physically imprinting gold products, and/or affixing to packing material in such a manner that its tampering or removal will be evident) with the following information:

a. Name and/or stamp/logo of the refiner.
b. Year of refining/production.
c. A unique reference allocated to each output (e.g. serial numbers, electronic identification or other practicable means).

1.2.4 For bullion banks:

1.2.4.1 Create inventory lists for all gold held by bullion banks, which include information on when each piece of gold was received and from whom.[40] These should include records of grandfathered stocks.

1.2.4.2 Provide, where possible, gold in accordance with customer requests for specific refiners whose due diligence practices have been independently verified to be consistent with this Guidelines.

1.2.4.3 Maintain records of information imprinted on gold and the transaction numbers of when downstream companies take physical delivery of gold.

1.2.4.4 Upon request, provide the information imprinted on gold and physical delivery transaction numbers to direct downstream companies that take physical delivery of that gold.

1.2.5 For all other downstream companies (e.g. downstream users of gold and of gold materials and manufacturers of articles that contain gold):

1.2.5.1 Request suppliers provide the identification of the upstream gold refiner/s for gold-bearing materials and products, either by direct sourcing or via marks imprinted on a refined gold product if available, or from information provided by other downstream product suppliers or bullion banks.

1.2.5.2 If gold refiner/s are identified, request verification that the refiner/s has conducted due diligence in accordance with this Section. Where possible, seek reference to recognised audits by Industry Programmes or Institutionalised Mechanisms that incorporate in their auditing protocols the standards and processes contained in the Guidelines.

1.2.5.3 Pass on information on the identification of the upstream gold refiner/s for gold-bearing materials and products to downstream customers.

2. STEP 2: IDENTIFY AND ASSESS RISKS IN THE SUPPLY CHAIN

OBJECTIVE: To identify and assess risks on the circumstances of extraction, consolidation, transport, trading, and export of gold from conflict-affected and high-risk areas.

Companies in the gold supply chain should use the strong management system put in place under Step 1 to identify and assess risks that the gold they produce or purchase through their supply chains may be contributing to conflict or serious human rights abuses. All companies may cooperate to carry out the recommendations in this section through joint initiatives. However, companies retain individual responsibility for their due diligence, and should ensure that all joint work duly takes into consideration circumstances specific to the individual company.

2.1 RISK ASSESSMENT FOR MEDIUM AND LARGE-SCALE GOLD MINING COMPANIES AND ARTISANAL AND SMALL-SCALE MINING ENTERPRISES ("GOLD PRODUCERS")

[40] Full information usually included on inventory lists include: Batch Name; Receive Date; Metal; Type (e.g. large gold bars); Serial Number; Good Delivery / Non-Good Delivery; Total Number of Pallets; Total Number of Items; Current Weight; Pallet; Bar; Refiner; Gross Weight; Assay.

2.1.1 Determine whether the gold producer mines or transports any gold in a conflict-affected or high-risk area ("red flagged operations"). To do so, review the context of each location of gold origin and transport, relying on evidence from credible sources[41], and use good faith efforts to make reasonable determinations if it is conflict-affected and high-risk area based on content of this Section.

2.1.1.1 If the gold producer can reasonably determine on the basis of the information collected under Step 1 that it does not mine or transport any gold in a conflict-affected or high-risk area, no additional due diligence is required. The management systems established in Step 1 should be maintained and regularly reviewed.

2.1.1.2 If the gold producer determines that it produces or transports gold in a conflict-affected or high-risk area, proceed to Step 2(2.1.2).

2.1.2 Also determine whether the gold producer purchases any gold (e.g. gold of artisanal and small-scale origin) potentially from a conflict-affected or high-risk area. To do so:

2.1.2.1 Identify all mines and/or mine smelthouses where the gold producer purchases Mined Gold from other sources, which may include ASM Gold.

2.1.2.2 Review the "KYC" information of those suppliers generated in Step 1, and gain additional information on the origin and transport of those other sources of Mined Gold, relying on first-hand evidence and credible sources.

2.1.2.3 Use good faith efforts to identify the presence of any of the following '**red flags**' in a supply chain for those other sources of Mined Gold.

Red flag locations of gold origin and transit:	• The gold originates from or has been transported through a conflict-affected or high-risk area. • The gold is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold (i.e. the declared volumes of gold from that country are out of keeping with its known reserves or expected production levels). • The gold is claimed to originate from a country through which gold from conflict-affected and high-risk areas is known or reasonably suspected to transit. • The gold is claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where gold from conflict-affected and high-risk areas is known or reasonably suspected to transit. Note: In each of these location-based red flag considerations, the risk is increased when antimony

[41] Review research reports from governments, international organisations, NGOs, and media, maps, UN reports and UN Security Council sanctions, industry literature relating to mineral extraction, and its impact on conflict, human rights or environmental harm in the country of potential origin, or other public statements (e.g. from ethical pension funds). Companies should also refer to any criteria and indicators of conflict-affected and high-risk areas developed through multi-stakeholder initiatives, including ongoing work related to the implementation of this Guidance facilitated by the OECD.

	laundering laws, anti-corruption laws, customs controls and other relevant governmental oversight laws are weakly enforced; informal banking systems operate, and cash is extensively used.
Supplier red flags	• Suppliers or other known upstream companies operate in one of the abovementioned red flag locations of gold origin and transit, or have shareholder or other interests in suppliers of gold from one of the above-mentioned red flag locations of gold origin and transit. • Suppliers or other known upstream companies are known to have sourced gold from a red flag location of gold origin and transit in the last 12 months.
Red flag circumstances	Anomalies or unusual circumstances are identified through the information collected in Step 1 which give rise to a reasonable suspicion that the gold may contribute to conflict or serious abuses associated with the extraction, transport or trade of gold.

If the gold producer can reasonably determine that these red flags do not arise in that supply chain, no additional due diligence is required for that supply chain. The management systems established in Step 1 should be maintained and regularly reviewed.

Any gold producer that identifies a red flag in its gold supply chain, or is unable to reasonably exclude one or more of these red flags from a gold supply chain, should proceed to Step 2 (2.1.3) below.

2.1.3 Map the factual circumstances of the gold producer’s red flagged operations and other sources of gold, under way and planned.

2.1.3.1 Undertake an in-depth review of the context of all red-flagged locations and the due diligence practices of any red flagged suppliers:

a. Review research reports, including from governments, international organisations, NGOs, and media, maps, UN reports and UN Security Council sanctions, industry literature relating to gold extraction, and its impact on conflict, human rights or environmental harm in the country of potential origin, or other public statements (e.g. from ethical pension funds).
b. Consult with a combination of local and central governments, local civil society organisations, community networks, UN peacekeeping units, and local suppliers. Respond to specific questions or requests for clarifications made by cooperating companies.
c. Determine (including through desk research; in-site visits to gold suppliers; random sample verification of purchase records proportional to risk; and a review and assessment of purchase and anti-money laundering and counter terrorist financing (AML-CFT) procedures and directives, if applicable) if upstream suppliers have policies and management systems that are consistent with this Guidelines and that such policies and management systems are operative.

2.1.3.2 Establish on-the-ground assessment teams.

Gold producers with red flagged operations or other sources of Mined Gold should establish an on-the-ground assessment team (hereafter "assessment team") to generate and maintain information on the circumstances of gold extraction, trade, handling, refining and export (see below). Gold producers remain individually responsible for ensuring that the requisite data is gathered, but may wish to facilitate this by establishing such a team jointly in cooperation with their customers or other companies in the upstream supply chain supplying from, or operating in these areas, or via an Industry Programme or Institutionalised Mechanism. Where 'joint' teams are not possible, or companies would prefer not to work jointly, companies should conduct on-the-ground assessments independently. Companies and other concerned stakeholders establishing on-the-ground assessment teams should:

a. Consider the following factors when contributing to joint on-the-ground assessments with other companies: the size of the contributing company and the resources available to conduct due diligence; each company's ability to access on-the-ground information and the position of the company in the supply chain; and the reliability of the company's due diligence, as demonstrated by cross-checking the data provided by the company on all gold inputs.[42]
b. Ensure that assessors are independent from the activity being assessed and free from conflict of interests. Company assessors must commit to reporting truthfully and accurately and upholding the highest professional ethical standards and exercise "due professional care".[43]
c. Ensure the appropriate level of competence, by employing experts with knowledge and skill in as many of the following areas: the operational contexts assessed (e.g. linguistic abilities, cultural sensitivities), the substance of conflict related risks (e.g. the standards in Annex II, human rights, international humanitarian law, corruption, financial crime, conflict and financing parties to a conflict, transparency), the nature and form of the gold supply chain, and the standards and process contained in this Guidelines.
d. Provide assessment teams with access to mines, intermediaries, consolidators and/or transporters within the company's control or influence, including:
   i. physical access to sites, including in other countries where transshipment or relabeling is likely;
   ii. access to books, records or other evidence of procurement practices, tax, fee and royalty payments, and export documentation;
   iii. local logistics support and assistance;
   iv. security for itself and for any information providers.
e. Establish or support the creation, where appropriate, of community monitoring networks and/or multi-stakeholder information units to feed information into the assessment team. Review, and add to or create if possible, interactive maps that indicate the location of mines, armed groups, trade routes, roadblocks and airfields.

2.1.3.3 FOR LSM GOLD (WHETHER MINED BY MEDIUM AND LARGE SCALE MINING COMPANIES IN RED FLAGGED OPERATIONS OR LSM GOLD PURCHASED FROM OTHER SOURCES), in order to determine risk, obtain evidence of the factual circumstances of gold extraction, processing, trade, handling, transport and export (if applicable), which may include:

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[42] For example, for gold from large-scale gold mines, the gold producer may be best situated to collect the relevant on-the-ground information at the mine site, while the other upstream companies ensure that the information is collected and maintained in accordance with this Guidelines and should collect additional information on circumstances between gold producers and refiners.

[43] Art 4, ISO 19011: 2002.

a. Location and identity by name of all gold mines for every output.
b. Location of points where gold is processed, e.g., consolidated, blended, crushed, milled and smelted into gold doré or alluvial gold output.
c. Methods of gold processing and transportation.
d. How gold is transported and processes in place to ensure integrity, with due regard taken of security concerns.
e. Location of transportation routes, points where gold is traded, and points of export and import where borders are crossed (if applicable).[44]
f. Current production and capacity of mine(s), a comparative analysis of mine capacity against recorded mine production, and record of any discrepancies.
g. Current processing production and processing capacity of mine smelthouse(s), and a comparative analysis of processing capacity against recorded processing production, and record of any discrepancies.
h. Identification and "know your counterparty" information of all third party service providers handling the gold (e.g. logistics, processors and transportation companies) or providing security at mine sites and along transportation routes. The identification should comprise the following measures, but the extent to which such measures are carried out should be determined on a risk sensitive basis:
    i. identification of the ownership (including beneficial ownership) and corporate structure of the companies, including the names of corporate officers and directors;
    ii. identification of the related businesses, subsidiaries, parents, affiliates;
    iii. verification of the identity of the companies using reliable, independent source documents, data or information (e.g. business registers, extract, certificate of incorporation);
    iv. checking government watchlist information (e.g. UN sanctions lists, OFAC Specially Designated Nationals Lists, World-Check search);
    v. identification of any affiliation of the company with the government, political parties, the military, criminal networks or non-state armed groups, including any reported instances of affiliation with non-state armed groups and/or public or private security forces.
    vi. Operating licenses, e.g. mining, export.
    vii. All taxes, fees or royalties paid to government related to the extraction, trade, transport and export of gold.
    viii. All payments or compensation made to government agencies and officials related to the extraction, trade, transport and export of gold.
    ix. All payments made to public or private security forces or other armed groups at all points in the supply chain from extraction onwards, unless prohibited under applicable law.
    x. The security services provided at the mine sites, transportation routes and all points where gold is handled or processed.
    xi. The training of security personnel and its conformity with relevant standards and requirements.[45]

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[44] In cases where transporters do not wish to disclose this information for security concerns, upstream companies should ensure that transporters carry out a risk assessment on those transportation routes in line with this Guidelines. Upstream companies should request a report from transporters detailing their findings from the risk assessment of transportation routes (i.e. the risks identified and steps taken to manage those risks). Upstream companies should report on those risks as outlined in Step 5. In cases where upstream companies are not using transporters, or are able to obtain information on the transportation routes, they should carry out the risk assessment of transportation routes themselves and report on those risks as outlined in Step 5.

[45] For example, where applicable, security personnel abide by the Voluntary Principles on Security and Human Rights.

xii. Screening and security risks assessments of all security personnel in accordance with the Voluntary Principles on Security and Human Rights.

xiii. Militarisation of mine sites, transportation routes and points where gold is traded and exported.

xiv. Evidence of any serious abuses (torture, cruel, inhuman and degrading treatment, forced or compulsory labour, the worst forms of child labour, gross human rights violations, war crimes, or other serious violations of international humanitarian law, crimes against humanity or genocide) committed by any party in mines, transportation routes and points where gold is traded and/or processed.

xv. Information on any direct or indirect support to non-state armed groups or public or private security forces (see Definitions).

xvi. If relevant, the number and name of sites where any artisanal and small-scale miners operate on the gold producer's concession, an estimate of the number of miners and an assessment of whether they can be considered to be involved in Legitimate Artisanal and Small-Scale Mining (see Definitions).

xvii. If relevant, instances of conflict or tensions in the relationship between medium and large-scale miners and artisanal and small-scale miners.

xviii. If relevant, any instances, reports or suspicions that ASM gold, or gold from other sources, is being unknowingly introduced into the gold producer's processing operations (e.g. the mine smelthouse), and/or fraudulently represented as being mined by the gold producer.

2.1.3.4 FOR ASM GOLD (WHETHER MINED BY ARTISANAL AND SMALL-SCALE MINING ENTERPRISES IN RED FLAGGED OPERATIONS OR PURCHASED BY MEDIUM AND LARGE-SCALE GOLD MINING COMPANIES), obtain evidence of the factual circumstances of gold extraction, processing, trade, handling, transport and export (if applicable). Companies should complement the steps they are taking to progressively collect the following information by referring to Step 3(3.1.3) and the Appendix of this Section to assist and enable artisanal and small-scale miners to build secure, transparent and verifiable gold supply chains.

a. Identification of the suppliers of all other sources of Mined Gold using reliable, independent source documents, data or information; any information on the government, political or military affiliations of those suppliers including in particular any reported instances of affiliation with non-state armed groups and/or public or private security forces; and the geographic sourcing area those suppliers.
b. The mine(s) of origin, transportation routes and points where gold is traded.
c. The artisanal mining team or association, and an assessment of whether they can be considered to be involved in Legitimate Artisanal and Small-Scale Mining (see Definitions).
d. Methods of gold processing and transportation.
e. Taxes, royalties and fees paid to government agencies and officials.
f. Identification and "know your counterparty" information of all third party service providers handling the gold (e.g. logistics, processors and transportation companies) or providing security at mine sites and along transportation routes. The identification should comprise the following measures, but the extent to which such measures are carried out should be determined on a risk sensitive basis:
   i. identification of the ownership (including beneficial ownership) and corporate structure, including the names of corporate officers and directors);
   ii. identification of the related businesses, subsidiaries, parents, affiliates;

iii. verification of the identity of the companies using reliable, independent source documents, data or information (e.g. business registers, extract, certificate of incorporation);

iv. checking government watchlist information (e.g. UN sanctions lists, OFAC Specially Designated Nationals Lists, World-Check search);

v. identification of any affiliation of the company with the government, political parties, military, criminal networks or non-state armed groups, including in particular any reported instances of affiliation with non-state armed groups and/or public or private security forces.

g. Militarisation of mine sites, transportation routes and points where gold is traded and exported.

h. Evidence of any serious abuses (torture, cruel, inhuman and degrading treatment, forced or compulsory labour, the worst forms of child labour, gross human rights violations, war crimes, or other serious violations of international humanitarian law, crimes against humanity or genocide) committed by any party in mines, transportation routes and points where gold is traded and/or processed.[46]

i. Information on any direct or indirect support to non-state armed groups or public or private security forces through the extraction, transport, trade, handling or export of gold.

j. Instances of conflict or tensions in the relationship between medium and large-scale miners and artisanal and small-scale miners.

k. Any instances, reports or suspicions that gold from other sources is being unknowingly introduced into the gold supply chain, and/or fraudulently represented.

2.1.4 Assess risks in the supply chain. Assess the information collected and learned through mapping the factual circumstances of the company's red flagged supply chain(s). The company should consider a "risk" any reasonable inconsistency between the information obtained and the following:

2.1.4.1 The company supply chain policy, consistent with Annex I of this Guidelines.[47]

2.1.4.2 The due diligence standards and processes contained in this Guidelines, as well as information obtained through Step 1 of this Guidelines.

2.1.4.3 National laws of the countries where the company is domiciled or publicly traded (if applicable). of the countries from which the gold is likely to originate; and of transit or re-export countries.

2.1.4.4 Legal instruments governing company operations and business relations, such as financing agreements, contractor agreements, and supplier agreements.

2.1.4.5 Other relevant international instruments, such as the OECD Guidelines for Multinational Enterprises, international human rights and humanitarian law and international anti-money laundering recommendations and guidance.

2.2 RISK ASSESSMENT FOR LOCAL EXPORTERS, RECYCLERS, INTERNATIONAL TRADERS OF MINED/RECYCLABLE GOLD AND REFINERS

[46] See paragraph 1, Annex II of the OECD Due Diligence Guidance (2011).

[47] See Step 1 (1.1.1) above and Annex I.

2.2.1 Determine Gold Origin.

The assessment of risk in a supply chain begins with the origin of gold supply. Different origins have different risks and require different types of risk assessments (see Figure 1 – Risks in the supply chain of gold from conflict-affected and high-risk areas in the Introduction of the Section). All determinations of Gold Origin should be based on reasonable and good faith efforts of the company relying on evidence generated in Step 1 as well as additional first-hand evidence (collected through engagement with suppliers and desk research) and credible sources.[48] Local gold exporters, international gold traders and refiners should assess and verify representations of suppliers with steps proportional to risk in order to make reasonable determinations of Gold Origin.

2.2.1.1 For Mined Gold, the origin is the mine itself, whether artisanal and small-scale mine or a medium or large-scale mine.

a. An exception to this is Mining Byproduct, such as gold obtained from the mining of copper, a mineral outside of the scope of this Guidelines.[49] The origin of Mining Byproduct gold should be deemed to be the point where trace gold is first separated from its original mineral ore (e.g. the refinery). The refiner's due diligence should ensure that false representations are not made to hide the origin of newly mined gold through Mining Byproducts.

2.2.1.2 For Recyclable Gold, the origin is the point at which it becomes recyclable (i.e. when the gold is collected for return into the gold industry to reclaim its metal value), such as when it is first sold back to a gold recycler/refiner. The point at which the gold becomes recyclable new origin as recyclable gold should be reviewed by a refiner's due diligence, to exclude false representations made to hide the origin of newly mined gold.

2.2.1.3 Grandfathered Stocks, if demonstrated by a "verifiable date" to have been created in their current form prior to 1 January 2012, do not require a determination of origin. Only the presence of the "supplier red flags" (see below) should trigger additional due diligence on suppliers to ensure that the trade and sale of Grandfathered Stocks does not contravene United Nations sanctions resolutions or enable money-laundering resulting from, or connected to, the sale of gold reserves in conflict-affected and high-risk areas.

2.2.2 Identify Red Flags in the gold supply chain.

Based on the information on Gold Origin, and information generated through Step 1 (including all "KYC" information on suppliers), companies should identify the presence of any of the following 'red flags' in a supply chain for mined, recyclable or existing stocks of gold:

[48] Review research reports from governments, international organisations, NGOs, and media, maps, UN reports and UN Security Council sanctions, industry literature relating to mineral extraction, and its impact on conflict, human rights or environmental harm in the country of potential origin, or other public statements (e.g. from ethical pension funds). Companies should also refer to any criteria and indicators of conflict-affected and high-risk areas developed through multi-stakeholder initiatives.

[49] For example, trace gold in copper sulphide ore does not lead to production of gold in a form that is separate and independent of that ore until after the copper has been fully refined to 99.99% pure cathode copper. At that point the trace gold has become concentrated in residue electrolytic cell slimes to perhaps 2%, and those cell slimes are traded to gold refiners for their gold content.

Red flag locations of gold origin and transit	• The gold originates from or has been transported through a conflict-affected or high-risk area. • The gold is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold (i.e. the declared volumes of gold from that country are out of keeping with its known reserves or expected production levels). • The gold is claimed to originate from a country through which gold from conflict-affected and high-risk areas is known or reasonably suspected to transit. • The gold is claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where gold from conflict-affected and high-risk areas is known or reasonably suspected to transit. In each of these location-based red flag considerations, the risk is increased when anti money laundering laws, anti-corruption laws, customs controls and other relevant governmental oversight laws are weakly enforced; informal banking systems operate, and cash is extensively used.
Supplier red flags	• Suppliers or other known upstream companies operate in one of the abovementioned red flag locations of gold origin and transit, or have shareholder or other interests in suppliers of gold from one of the above-mentioned red flag locations of gold origin and transit. • Suppliers or other known upstream companies are known to have sourced gold from a red flag location of gold origin and transit in the last 12 months.
Red flag circumstances	Anomalies or unusual circumstances are identified through the information collected in Step 1 which give rise to a reasonable suspicion that the gold may contribute to conflict or serious abuses associated with the extraction, transport or trade of gold.

If the local gold exporter, international gold trader or refiner can reasonably determine that these red flags do not arise in that supply chain, no additional due diligence is required for that supply chain. The management systems established in Step 1 should be maintained and regularly reviewed.

Any local gold exporter, international gold trader or refiner that identifies a red flag in its gold supply chain, or is unable to reasonably exclude one or more of these red flags from a gold supply chain, should proceed to Step 2 (2.2.3) below.

2.2.3 Map the factual circumstances of the company's red flagged supply chain(s), under way and planned.

2.2.3.1 Undertake and in-depth review of the context of all red-flagged locations and the due diligence practices of any red flagged suppliers.

a. Review research reports including from governments, international organisations, NGOs, and media, maps, UN reports and UN Security Council sanctions, industry literature relating to mineral extraction, and its impact on conflict, human rights or environmental harm in the country of potential origin, or other public statements (e.g. from ethical pension funds).
b. Consult with a combination of local and central governments, local civil society organisations, community networks, UN peacekeeping units, and local suppliers. Respond to specific questions or requests for clarifications made by cooperating companies.
c. Determine (including through desk research; in-site visits to gold suppliers; random sample verification of purchase records proportional to risk; and a review and assessment of purchase and anti-money laundering and counter terrorist financing (AML-CFT) procedures and directives, if applicable) if upstream suppliers have policies and management systems that are consistent with this Guidelines and that such policies and management systems are operative.

2.2.3.2 FOR MINED GOLD, establish on-the-ground assessment teams.

Local gold exporters, international gold traders or refiners with identified red flags remain in all circumstances individually responsible for ensuring that the information on the factual circumstances of the company's red flagged supply chain(s) is gathered. Local gold exporters, international gold traders or refiners with identified red flags in their supply chains should establish on-the-ground assessment teams to generate and maintain information on suppliers (if relevant) the circumstances of mineral extraction, trade, handling, refining and export. Upstream companies may establish such a team jointly in cooperation with other upstream companies supplying from, or operating in these areas, or via an industry or multi-stakeholder mechanism or initiative. Where 'joint' teams are not possible, or companies would prefer not to work jointly, companies should conduct on-the-ground assessments independently. Companies and other stakeholders establishing on-the-ground assessment teams should:

a. Consider the following factors when contributing to joint on-the-ground assessments: the size of the cooperating companies and the resources available to conduct due diligence; the ability to access on the ground information and the position of the company in the supply chain; the quality of any previously established on-the-ground assessment teams of other upstream companies, including gold producers; and the reliability of the company's due diligence, as demonstrated by crosschecking the data provided by the company on all gold inputs.
b. Ensure that assessors are independent from the activity being assessed and free from conflict of interests.30 Company assessors must commit to reporting truthfully and accurately and upholding the highest professional ethical standards and exercise "due professional care".
c. Ensure the appropriate level of competence, by employing experts with knowledge and skill in as many of the following areas: the operational contexts assessed (e.g. linguistic abilities, cultural sensitivities), the substance of conflict-related risks (e.g. the standards in Annex II, human rights, international humanitarian law, corruption, financial crime,

conflict and financing parties to a conflict, transparency), the nature and form of the gold supply chain, and the standards and process contained in this due diligence Guidelines.

d. Provide assessment teams with access to mines, intermediaries, consolidators and/or transporters within the company's control or influence, including:
   i. physical access to sites, including in other countries where transshipment or relabeling is likely;
   ii. access to books, records or other evidence of procurement practices, tax, fee and royalty payments, and export documentation;
   iii.local logistics support and assistance;
   iv. security for itself and for any information providers.

e. Establish or support the creation, where appropriate, of community monitoring networks and/or multi-stakeholder information units to feed information into the assessment team. Review, and add to or create if possible, interactive maps that indicate the location of mines, armed groups, trade routes, roadblocks and airfields.

2.2.3.3 **FOR MINED GOLD**, determine if the Mined Gold is LSM Gold or ASM Gold.

a. **For LSM Gold**, cooperate with medium and large-scale gold producers to obtain evidence, where applicable to the position of the company in the supply chain, of the factual circumstances of gold extraction, trade, handling and export, which may include:
   i. Location and identity by name of all gold mines for every output.
   ii. Location of points where gold is processed, e.g., consolidated, blended, crushed, milled and smelted into gold doré or alluvial gold output.
   iii. Methods of gold processing and transportation.
   iv. Location of transportation routes, points where gold is traded, and points of export and import where borders are crossed (if applicable).
   v. Current production and capacity of mine(s), a comparative analysis of mine capacity against recorded mine production if possible, and record any discrepancies.
   vi. Current processing production and processing capacity of mine smelthouse(s), and a comparative analysis of processing capacity against recorded processing production if possible, and record of any discrepancies.
   vii. Identification and "know your counterparty" information of all actors in the upstream supply chain, including, but not limited to, the gold producers, intermediaries, gold traders and exporters and reexporters, as well as third party service providers handling the gold (e.g. logistics, processors and transportation companies) or providing security at mine sites and along transportation routes. The identification should comprise the following measures, but the extent to which such measures are carried out should be determined on a risk sensitive basis:
   - identification of the ownership (including beneficial ownership) of the companies and corporate structure, including the names of corporate officers and directors);
   - identification of the related businesses, subsidiaries, parents, affiliates;
   - verification of the identity of the companies using reliable, independent source documents, data or information (e.g. business registers extract, certificate of incorporation);
   - checking government watchlist information (e.g. UN sanctions lists, OFAC Specially Designated Nationals Lists, World-Check search);
   - identification of any affiliation of the company with the government, political parties, military, criminal networks or non-state armed groups, , including any reported instances of affiliation with non-state armed groups and/or public or private security forces.

viii. Operating licenses, e.g. mining, export.
ix. All taxes, fees or royalties paid to government related to the extraction, trade, transport and export of gold.
x. All payments or compensation made to government agencies and officials related to the extraction, trade, transport and export of gold.
xi. All payments made to public or private security forces or other armed groups at all points in the supply chain from extraction onwards, unless prohibited under applicable law.
xii. The security services provided at the mine sites, transportation routes and all points where gold is handled or processed.
xiii. The training of security personnel, and the conformity of relevant standards or guidance.50
xiv. Screening and security risks assessments of all security personnel in accordance with relevant standards or guidance.
xv. Militarisation of mine sites, transportation routes and points where gold is traded and exported.
xvi. Evidence of any serious abuses (torture, cruel, inhuman and degrading treatment, forced or compulsory labour, the worst forms of child labour, gross human rights violations, war crimes, or other serious violations of international humanitarian law, crimes against humanity or genocide) committed by any party in mines, transportation routes and points where gold is traded and/or processed.
xvii. Information on any direct or indirect support to non-state armed groups or public or private security forces (see Definitions).
xviii. If relevant, the number and name of sites where artisanal and small scale miners operate on the gold producers concession, and an estimate of the number of miners and an assessment of whether they can be considered to be involved in Legitimate Artisanal and Small-Scale Mining (see Definitions).
xix. If relevant, instances of conflict or tensions in the relationship between medium and large-scale miners and artisanal and small scale miners.
xx. If relevant, any instances, reports or suspicions that ASM gold, or gold from other sources, is being unknowingly introduced into gold producer's processing operations (e.g. the mine smelthouse), and/or fraudulently represented as being mined by the gold producer.

b. **For ASM Gold**, obtain evidence of the factual circumstances of gold extraction, trade, handling and export. Companies should complement the steps they are taking to progressively collect the following information by referring to Step 3(C) and the Appendix to assist and enable artisanal and small-scale miners to build secure, transparent and verifiable gold supply chains:
i. Identification of the suppliers of ASM Gold to the local gold exporter using reliable, independent source documents, data or information; any information on the government, political or military affiliations of those suppliers including in particular any reported instances of affiliation with non-state armed groups and/or public or private security forces; and the geographic sourcing area those suppliers.
ii. The mine(s) of origin, the transportation routes and points where gold is traded.
iii. The artisanal mining team or association, and an assessment of whether they can be considered to be involved in Legitimate Artisanal and Small-Scale Mining (see

[50] Some internationally recognized standards and guidance documents have been used to deal with private security companies, such as the Voluntary Principles on Security and Human Rights.

Definitions).
iv. The methods of gold processing and transportation.
v. Taxes, royalties and fees paid to government institutions and officials on export.
vi. Identification and “know your counterparty” information (where applicable) of the gold exporter and all actors in the supply chain from the gold exporter to the refiner, including international gold traders and all third party service providers handling the gold (e.g. logistics, processors and transportation companies) or providing security at mine sites and along transportation routes. The identification should comprise the following measures, but the extent to which such measures are carried out should be determined on a risk sensitive basis:

- identification of the ownership (including beneficial ownership) and corporate structure, including the names of corporate officers and directors);
- identification of the related businesses, subsidiaries, parents, affiliates;
- verification of the identity of the companies using reliable, independent source documents, data or information (e.g. business registers, extract, certificate of incorporation);
- checking government or inter-governmental organisation watchlist information (e.g. UN sanctions lists);
- identification of any affiliation of the company with the government, political parties, military, criminal networks or non-state armed groups, including in particular any reported instances of affiliation with non-state armed groups and/or public or private security forces.

vii. Militarisation of mine sites, transportation routes and points where gold is traded and exported.
viii. Evidence of any serious abuses (torture, cruel, inhuman and degrading treatment, forced or compulsory labour, the worst forms of child labour, gross human rights violations, war crimes, or other serious violations of international humanitarian law, crimes against humanity or genocide) committed by any party in mines, transportation routes and points where gold is traded and/or processed.
ix. Information on any direct or indirect support to non-state armed groups or public or private security forces through the extraction, transport, trade, handling or export of gold (see Definitions).
x. Any instances, reports or suspicions that gold from other sources is being unknowingly introduced into the gold supply chain, and/or fraudulently represented.
xi. If relevant, instances of conflict or tensions in the relationship between medium and large-scale miners and artisanal and small-scale miners.

2.2.3.4 **FOR RECYCLABLE GOLD**,[51] collect additional information (including through desk research, in-site visits to gold suppliers and random sample verification of purchase records proportional to risk) for Recyclable Gold from red flagged supply chains of Recyclable Gold using a risk-based approach,[52] with priority given to persons, places and transactions that present higher risk. As an important part of risk-based due diligence, suppliers and transactions should be identified and records made and maintained at all levels. Such risk factors include, but are not limited to:

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[51] Recycled material is not itself a concern for contributing to conflict, however, recycled material is a potential means of laundering gold that has been mined in conflict-affected and high-risk areas in order to hide its origin.
[52] While these records would not necessarily accompany materials in movement through the supply chain, they should be available for subsequent tracking and verification. Governments and companies in gold supply chains should refer to the Financial Action Task Force 40 Recommendations to combat money laundering and terrorist finance, and specifically to its RBA Guidance for Dealers in Precious Metal and Stones (June 2008).

a. Value of a transaction.
Beginning with the threshold of 15,000 US dollars[53] for any transaction of recyclable gold outside a conflict-affected or high-risk area, due diligence should be proportional to increasing value. However, transactions at or near a mining area may include very small amounts, e.g., one gram of gold. Therefore any transactions of recyclable gold inside a conflict-affected or high-risk area, regardless of value, should attract enhanced scrutiny.

b. Place of a transaction.
Gold is valuable in small quantities and easily transported, so no place is completely risk-free but higher risk places of transactions include places where the location(s) of gold transit and export are not reasonably reconciled with the declared location of gold origin; where there is ready access to competitive markets or processing operations closer to the declared location of gold origin; where AML/CFT laws, anti-corruption laws, customs controls and other relevant governmental oversight laws are weakly enforced; and where informal banking systems operate in the country, including cash-based economies.[54]

c. Type of material.
Unprocessed Recyclable Gold is not as likely a vehicle for laundering mined gold from conflict-affected and high-risk areas as Melted Recyclable Gold (see Definitions), although there are cases where the Unprocessed Recyclable Gold originates from areas where there is a known practice of fabricating gold products directly from Mined Gold as a means of tax avoidance or laundering gold. Mined Gold that has been produced in a conflict area at a high concentration (e.g., 90% pure from alluvial mining) is unlikely to be laundered through lower value materials that require many more processes to upgrade and refine, as well as significantly longer time for production of marketable gold. Examples of low value materials that are not likely to be laundering vehicles would be electronic scrap or residue cell slimes from refining of other metals. High concentration gold jewellery, on the other hand, may have similar physical characteristics to mined conflict gold.

d. Unusual circumstances.
Material claimed to be recycled should be considered for its reasonableness in context. For example, sudden unusual increases in volume of high-grade material from a supplier or area should be explained. If jewellery worn in a country is typically 14k (58%), an offer claimed to be recycled jewellery at 90% should be questioned.

e. Supplier.
Different suppliers of recyclable gold will present varying levels of risk for laundering-type activities. For example recyclable gold produced on a controlled facility during manufacturing/processing presents lower risks than a collector sourcing recyclable gold from multiple sources. Other high-risk factors include any reasonable inconsistency between the recommended due diligence processes of this Guidelines and the practices of suppliers; or the supplier "has significant and unexplained geographic distance" from a supplier or counterparty in the supply chain.

2.2.3.5 **FOR RECYCLABLE GOLD,** collect the following information of those transactions requiring enhanced scrutiny, including through desk research, in-site visits to gold suppliers,

[53] See Financial Action Task Force (FATF), 40 Recommendations (2003) and Financial Action Task Force, RBA Guidance for Dealers in Precious Metal and Stones, 17 June 2008.
[54] Refer, Financial Action Task Force, RBA Guidance for Dealers in Precious Metal and Stones, 17 June 2008, para. 109.

random sample verification of purchase records proportional to risk, and a more in-depth review and assessment of purchase and anti-money laundering and counter terrorist financing (AMLCFT) procedures and directives, if applicable:

a. Whether there are manufacturing facilities where scrap may be generated.
b. Whether there is significant ownership and turnover of privately-held gold jewellery.
c. Determine, through in-site visits and examination of documents, the reasonably approximate level of business being done in recyclable/scrap gold, recognising that it will vary, particularly with the price of gold and economic conditions.

2.2.4 Assess risks in the supply chain. Assess the information collected and learned through mapping the factual circumstances of the company's red flagged supply chain(s). The company should consider a "risk" any reasonable inconsistency between the information obtained and the following:

2.2.4.1 The standards of the company supply chain policy, consistent with Annex I;[55]

2.2.4.2 The due diligence standards and processes contained in this Guidelines;

2.2.4.3 National laws of the countries where the company is domiciled or publicly traded (if applicable); of the countries from which the gold is likely to originate; and of transit or re-export countries;

2.2.4.4 Legal instruments governing company operations and business relations, such as financing agreements, contractor agreements, and supplier agreements;

2.2.4.5 Other relevant international instruments, such as the OECD Guidelines for Multinational Enterprises, international human rights and humanitarian law and international anti-money laundering recommendations and guidance.

2.3 RISK ASSESSMENT FOR DOWNSTREAM COMPANIES

Downstream companies should identify the risks in their supply chain by assessing the due diligence practices of their refiners against this Guidelines.

2.3.1 Identify, to the best of their efforts, the refiner(s) of gold in their supply chain(s).

Downstream companies should aim to identify the gold refiners that produce the refined gold used in their supply chain. Gold refiners can be identified upon requests through the downstream chain of suppliers, however downstream companies should assess and verify representations of suppliers with steps proportional to risk. In some cases, the gold will already have the refiner's mark imprinted on the bar, coin, rod or other refined gold product.

2.3.1.1 Refiners identified – Proceed to Step 2 (2.3.2).
2.3.1.2 Unable to identify refiners after best efforts – Proceed to Step 3 (3.2)

2.3.2 Obtain preliminary evidence of the refiner's due diligence to see whether they have identified, or reasonably should have identified red flags in their supply chains. All determination of whether refiners have, or reasonably should have, identified red flags in their

[55] See Step 1 (1.1.1) above and Annex I.

supply chains should be based on reasonable and good faith efforts of the company relying on evidence generated in Step 1 as well as any additional information (collected through engagement with suppliers and desk research). Companies should verify representations of suppliers with external sources of evidence proportional to risk in order to make reasonable determinations.

2.3.2.1 If a downstream company in a gold supply chain can reasonably determine that these red flags do not arise in that refiner's supply chain, no additional due diligence is required for that supply chain. The management systems established in Step 1 should be maintained and regularly reviewed.

2.3.2.2 Refiner has identified red flags in their gold supply chain, or does not know:
Any downstream company that identifies a red flag in their refiner's gold supply chain, or is unable to reasonably exclude one or more of these red flags from their refiner's gold supply chain, should proceed to Step 2 (2.3.3).

2.3.3 Assess risks by evaluating the supply chain due diligence practices of refiners with red flags in their gold supply chains. In order to carry out risk assessments, companies should assess whether the refiners with red flags in their supply chain have carried out all elements of due diligence for responsible supply chains of gold from conflict-affected and high-risk areas recommended in this Guidelines. Downstream companies should:

2.3.3.1 Gain evidence on gold supply chain due diligence practices of the refiners.
2.3.3.2 Review the information generated by any risk assessment teams.
2.3.3.3 Cross-check evidence of due diligence practices of the refiners against the supply chain policy and due diligence processes contained in this Guidelines. The company should consider any reasonable inconsistency between the due diligence practices of suppliers and the company supply chain policy (consistent with Annex II) as a risk that should be acted on in Step 3.
2.3.3.4 Determine whether the refiner's due diligence practices have been audited against a standard in conformance with this Guidelines, and obtain the results of that audit. In cases where the refiner's diligence practices have not been audited against a standard in conformance with this Guidelines, or where any inconsistency between the refiner's due diligence and the standards and processes in this Guidelines is found, downstream companies should seek to manage risks in accordance with Step 3, and seek to source from refiners that are audited in accordance with Step 4 of this Guidelines.

3. STEP 3: DESIGN AND IMPLEMENT A STRATEGY TO RESPOND TO IDENTIFIED RISKS

OBJECTIVE: To evaluate and respond to identified risks in order to prevent or mitigate adverse impacts. Companies may cooperate to carry out the recommendations in this section through joint initiatives. However, companies retain individual responsibility for their due diligence, and should ensure that all joint work duly takes into consideration circumstances specific to the individual company.

3.1 RISK MANAGEMENT FOR UPSTREAM COMPANIES

3.1.1 Report findings to designated senior management, outlining the information gathered and the actual and potential risks identified in the supply chain risk assessment.

3.1.2 Enhance engagement with suppliers and the internal systems of transparency, information collection and control over the gold supply chain from Step 1(1.1.3). Upstream companies should:

3.1.2.1 Establish a chain of custody and/or traceability system that collects and maintains disaggregated information outlined in Step 2 (2.1 and 2.2.3) for all gold input and output from a red flagged supply chain.

3.1.2.2 Enhance physical security practices as appropriate to the circumstances (e.g. security of transport, sealing in tamper-proof containers, etc.) over any discrepancies noted in mine production and capacity, processing production and capacity, or information provided by suppliers on gold shipments.

3.1.2.3 Physically segregate and secure any shipment for which there is an identified risk of association with conflict and serious abuses of human rights.

3.1.2.4 Incorporate the right to conduct unannounced spot-checks on suppliers and have access to their relevant documentation into commercial contracts and/or written agreements with suppliers which can be applied and monitored.[56]

3.1.2.5 For every gold input, share the following information gained and maintained by the assessment team throughout the upstream supply chain:

a. the mine of origin, with the greatest possible specificity;
b. locations where gold or gold-bearing material is consolidated, blended, crushed, milled, smelted and refined;
c. the method of extraction (artisanal and small-scale or medium and large-scale mining), and dates of concentrating, smelting and refining;
d. the weight and assayed quality characteristics;
e. the identity of all suppliers and relevant service providers handling the gold in the upstream supply chain from the mine of origin until the refiner; the ownership (including beneficial ownership); the corporate structure including the names of corporate officers and directors; the business, government, political or military affiliations of those companies and officers within conflict-affected and high-risk areas.
f. all taxes, fees or royalties paid to government related to the extraction, trade, transport and export of gold;
g. all payments or compensation made to government agencies and officials related to the extraction, trade, transport and export of gold;
h. all payments made to public or private security forces or other armed groups at all points in the supply chain from extraction onwards, unless prohibited under applicable law;
i. how gold is transported and processes in place to ensure integrity, with due regard taken of security concerns.

3.1.2.6 For refiners, collect and process information on gold from conflict-affected and high-risk areas, and comply with relevant requirements to make information generated through due diligence processes available to auditors.

3.1.3 Devise and adopt a risk management plan. Companies should adopt a supply chain risk

[56] See steps 2-5 for information on monitoring suppliers and managing noncompliance.

management plan that outlines the company responses to risks identified in Step 2 in conformity to Annex I of the Guidelines. Companies may manage risk by either:
i. continuing trade throughout the course of measurable risk mitigation efforts;
ii. temporarily suspending trade while pursuing ongoing measurable risk mitigation;
iii. disengaging with a supplier in cases where mitigation appears not feasible or unacceptable.

To determine and devise a risk management strategy, companies should:

3.1.3.1 Review the model supply chain policy on gold from conflict-affected and high-risk areas in Annex I of the Guidelines to determine whether the identified risks should be mitigated by continuing, suspending or terminating the relationship with suppliers.

3.1.3.2 Manage risks that do not require termination of the relationship with a supplier through measurable risk mitigation. Measurable risk mitigation should aim to promote significant and measurable improvement within six months from the adoption of the risk management plan. In devising a strategy for risk mitigation, companies should:

a. Build and/or exercise leverage over the actors in the supply chain who can most effectively and most directly mitigate the risks of contributing to conflict. Upstream companies already may have actual or potential leverage over other upstream actors in the supply chain. Upstream companies should find ways to constructively engage with suppliers and relevant stakeholders and demonstrate significant and measurable improvement towards eliminating the risk within six months from the adoption of the risk management plan.[57]
b. Consult with suppliers and affected stakeholders and agree on the strategy for measurable risk mitigation in the risk management plan. Measurable risk mitigation should be adjusted to the company's specific suppliers and the contexts of their operations, state clear performance objectives within six months from the adoption of the risk management plan and include qualitative and/or quantitative indicators to measure improvement.[58] Companies should ensure sufficient time for affected stakeholders to review the risk assessment and management plan and respond to and take due account of questions, concerns and alternative suggestions for risk management.
c. Engage in or support, where appropriate, Industry Programmes or Institutionalised Mechanisms on responsible supply chain management while ensuring that these initiatives take due account of their social and economic effects on developing countries and of existing internationally recognised standards.[59]
   i. All gold producers with red flagged operations as well as other upstream companies sourcing ASM Gold should assist and enable Legitimate Artisanal and Small-Scale Mining producers (see Definitions) from whom they source to build secure, transparent and verifiable gold supply chains, consistent with the Appendix.
   ii. All other gold producers with red flagged operations as well as other upstream companies are encouraged to support the suggested measures contained in the Appendix.

3.1.4 Implement the risk management plan, monitor and track performance of risk mitigation, report back to designated senior management and consider suspending or discontinuing engagement with a supplier after failed attempts at mitigation, in conformity with the

[57] Companies should refer to Annex III of the Guidelines for the recommended risk management strategy. Annex III includes suggested measures for risk mitigation and some recommended indicators to measure improvement. More detailed guidance on risk mitigation is expected to come from the implementation phase of the Guidelines.
[58] See Annex II of the Guidelines, Suggested Measures for Risk Mitigation and Indicators for Measuring Improvement.
[59] OECD Guidelines for Multinational Enterprises (2011), Chapter II (B)(2).

recommended risk management strategies outlined in Annex I.[60]

Upstream companies should implement, monitor and track performance of risk mitigation in cooperation and/or consultation with local and central authorities, upstream companies, international or civil society organisations and affected third parties as appropriate. Upstream companies may wish to establish or support the creation of community monitoring networks to monitor or track performance of risk mitigation.

3.1.5 Undertake additional fact and risk assessments for risks requiring mitigation, or after a change of circumstances.[61] Supply chain due diligence is a dynamic process and requires on-going risk monitoring. After implementing a risk mitigation strategy, companies should repeat Step 2 to ensure effective management of risk. Additionally, any change in the company's supply chain may require some steps to be repeated in order to prevent or mitigate adverse impacts.

3.2 RISK MANAGEMENT FOR DOWNSTREAM COMPANIES

3.2.1 Report findings to designated senior management, outlining the information gathered and the actual and potential risks identified in the supply chain risk assessment.

3.2.2 Enhance internal system of transparency, information collection and control over the gold supply chain from Step 1(1.1.3). Include disaggregate and regularly updated information tracking the identity of refiners (where identified) and resulting due diligence findings from Step 2 (2.3).

3.2.3. Devise and adopt a risk management plan. Companies should adopt a risk management plan that outlines the company responses to risks identified in Step 2. This strategy will differ depending on whether refiners in the supply chain have been identified or not:

3.2.3.1 Unable to identify refiners – If after reasonable steps and good faith efforts in Step 1 and 2, downstream companies are still unable to identify refiners in their supply chain(s), they should devise and adopt a risk management plan that will enable them to do so. Downstream companies should be able to demonstrate significant measurable improvement in their efforts towards identifying the refiners in their supply chain. Downstream companies may identify refiners in their supply chain(s) through individual efforts or collaborative industry schemes:

a. Downstream companies should identify refiners through confidential discussions with the companies' immediate suppliers, through the incorporation of confidential supplier disclosure requirements into supplier contracts and/or by using confidential-information-sharing systems.
b. Downstream companies that may find it difficult (due to their size or other factors) to identify actors upstream from their direct suppliers, may engage and actively cooperate with other industry members with which they share suppliers (or downstream companies with which they have a business relationship) to identify the refiners in their supply chain and assess

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60 Companies should suspend or discontinue engagement with the supplier for a minimum of three months if within six months from the adoption of the risk management plan there is no significant measurable improvement to prevent or mitigate the identified risk.

61 A change of circumstances should be determined on a risk-sensitive basis through on-going monitoring of the companies' chain of custody documentation and the contexts of the conflict-affected areas of mineral origin and transport. Such change of circumstances may include a change of supplier or actor in the chain of custody, place of origin, transportation routes or point of export. It may also include factors specific to the context, such as an increase in conflict in specific areas, changes in military personnel overseeing an area and ownership or control changes in the mine of origin.

their due diligence practices. They may also identify refiners through industry validation schemes that meet the requirements of this Guidelines in order to source therefrom.

3.2.3.2 Refiners identified with red flag risks in their supply chain – Downstream companies may manage risk by either:

i. continuing trade with the refiner throughout the course of measurable risk mitigation carried out by the refiner in accordance with Annex I of the Guidelines;

ii. temporarily suspending trade with the refiner while the refiner is pursuing ongoing measurable risk mitigation; or

iii. disengaging with a refiner in cases where mitigation appears not feasible or where the refiner has failed to respond to risks in accordance with the risk management strategy outlined in Annex I:

a. Take immediate steps to disengage with a refiner (directly or through sub-suppliers) if the refiner has not immediately suspended or discontinued engagement with its suppliers where reasonable risks of serious abuses (see paragraphs 1 and 2 of Annex I) or direct or indirect support to non-state armed groups exist (see paragraphs 3 and 4 of Annex I).

b. When refiners are engaging in risk mitigation pursuant to Annex I[62] or where refiners are still in the process of fully implementing the due diligence recommendations contained in this Guidelines, downstream companies should ensure refiners demonstrate significant and measurable improvement within six months from the adoption of their risk management plans. In devising their own risk management plans, downstream companies should:

   i) Build and/or exercise leverage over the refiners with red flags in their supply chain(s), who may be able to more effectively and directly mitigate the risks of contributing to conflict. Downstream companies may build leverage over refiners through the inclusion of due diligence performance into contracts (where applicable), or working through industry associations and multi-stakeholder initiatives, while ensuring that these initiatives take due account of their social and economic effects on developing countries and of existing internationally recognised standards.63

   ii) Focus efforts on improving the refiner's due diligence performance, through value orientation or capability-training. Downstream companies should also encourage their own and upstream industry membership organisations to develop and implement due diligence capability-training modules in cooperation with relevant international organisations, NGOs, stakeholders and other experts.

   iii) Consult with refiners and other common suppliers to agree on measurable risk mitigation in the risk management plan. Measurable risk mitigation should be adjusted to the company's specific suppliers and the contexts of their operations, state clear performance objectives within six months from the adoption of the risk management plan and include qualitative and/or quantitative indicators to measure improvement.

3.2.4 Implement the risk management plan, monitor and track performance of risk mitigation, report back to designated senior management and consider suspending or discontinuing engagement with a refiner after their failed attempts at risk mitigation (pursuant

[62] See Paragraphs 10 and 14 of Annex II of the Guidance on risk management of direct or indirect support to public or private security forces, bribery and fraudulent misrepresentation of the origin of minerals, money-laundering and payment of taxes, fees and royalties to governments.

[63] Chapter II (B)(2), OECD Guidelines for Multinational Enterprises (2011).

to paragraphs 10 and 14 of Annex I of the Guidelines) or corrective action to implement the due diligence recommendations in this Guidelines.[64]

3.2.5 Undertake additional fact and risk assessments for risks requiring mitigation, or after a change of circumstances.[65]

Supply chain due diligence is a dynamic process and requires on-going risk monitoring. After implementing a risk mitigation strategy, companies should repeat step 2 to ensure effective management of risk. Additionally, any change in the company's supply chain may require some steps to be repeated in order to prevent or mitigate adverse impacts.

4. STEP 4: CARRY OUT INDEPENDENT THIRD-PARTY AUDIT OF REFINER'S DUE DILIGENCE PRACTICES

OBJECTIVE: To carry out an independent third-party audit of the refiner's due diligence for responsible supply chains of gold from conflict-affected and high-risk areas and contribute to the improvement of refiner and upstream due diligence practices, including through any Institutionalised Mechanism or Industry Programme.

The recommendations in this section are not intended to be used as an audit standard but outline some basic principles, scope, criteria and other basic information for consideration by companies, Industry Programmes or any Institutionalised Mechanism to commission a supply chain-specific independent third-party audit of the implementation of the refiner's due diligence practices, either through new or pre-existing audit schemes. Auditors may rely on audit conclusions from other independent third party audits carried out for other purposes at points in the upstream supply chain (e.g. KYC audits or audits of bullion transporters), so long as those audits cover the areas as outlined below and are compliant with internationally recognised auditing standards for the assurance of management systems.[66]

4.1 Plan an independent third party audit to verify the implementation of refiner's due diligence practices for responsible supply chains of gold from conflict-affected and high-risk areas. The audit should include the following audit scope, criteria, principles and activities:[67]
4.1.1 The scope of the audit: The audit scope should include all activities, processes and systems used by the refiner to implement supply chain due diligence of gold from conflict-affected and high-risk areas. This includes, but is not limited to, relevant policies and procedures, refiner controls over the gold supply chain, communications with actors in the gold supply chain, the information disclosed to downstream companies on suppliers, chain of custody and other traceability information, refiner risk assessments including the on-the-

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[64] Companies should suspend or discontinue engagement with the refiner (directly or through sub-suppliers) for a minimum of three months if within six months from the adoption of the risk management plan there is no significant measurable improvement made i) to prevent or mitigate the identified risk as described in paragraphs 10 and 14 of Annex I; or ii) in corrective action to implement the due diligence recommendations in this Guidelines.
[65] A change of circumstances should be determined on a risk-sensitive basis through on-going monitoring of the companies' chain of custody documentation and the contexts of the conflict-affected areas of mineral origin and transport. Such change of circumstances may include a change of supplier or actor in the chain of custody, place of origin, transportation routes or point of export. It may also include factors specific to the context, such as an increase in conflict in specific areas, changes in military personnel overseeing an area and ownership or control changes in the mine of origin.
[66] Examples of internationally recognised auditing standards include, but are not limited to, ISO19011, SA8000, ISAE 3000, and SSEA100.
[67] Companies may consult ISO International Standard 19011: 2002 ("ISO 19011") for detailed requirements on audit programmes (including programme responsibilities, procedures, record-keeping, monitoring and reviewing) and a step-by-step overview of audit activities.

ground research, and refiner strategies for risk management.

4.1.2 The audit criteria: The audit should determine the conformity of the implementation of refiner's due diligence practices against an audit standard that is based on this Guidelines.

4.1.3 The audit principles:

4.1.3.1 Independence: To preserve neutrality and impartiality of audits, the audit organisation and all audit team members ("auditors") must be independent from the refiner as well as from the refiner's subsidiaries, licensees, contractors, suppliers and companies cooperating in the joint audit. This means, in particular, that auditors must not have conflicts of interests with the auditee including business or financial relationships with the auditee (in the form of equity holdings, debt, securities), nor have provided services for the auditee company related to the design, establishment or implementation of the refiner's due diligence practices and/or that of the supply chain actors assessed therein, within a 24 month period prior to the audit.

4.1.3.2 Competence: Auditors must have the personal attributes as well as scope specific competencies necessary to complete the third party audit. Companies may consult internationally recognised auditing standards [68] for detailed requirements on auditor competence when establishing new or revising pre-existing audit standards. Personal attributes should include, but are not limited to integrity, objectivity, confidentiality, openmindedness, and professionalism. Scope specific competencies include, but are not limited to:

a. Auditing principles, procedures and techniques.[69]
b. Supply chain due diligence principles, procedures and techniques.
c. Gold procurement practices and gold supply chains.
d. The social, cultural and historical contexts of the conflict-affected areas of gold origin or transport, including relevant linguistic abilities and culturally appropriate sensitivities for conducting audits.
e. The OECD Guidance and Gold Supplement, including the model supply chain policy on minerals from conflict-affected and high-risk areas (Annex I).

4.1.3.3 Accountability: An Industry Programmes or Institutionalised Mechanism should periodically review and monitor the ability of the auditors to carry out the audit in conformity with an audit programme, based on the objectives, scope and criteria of the audit, judged against audit programme records.

4.1.4 The audit activities:

4.1.4.1 Audit preparation: The objectives, scope, language and criteria for the audit should be clearly communicated to the auditors with any ambiguities clarified between the auditee and auditors before the initiation of the audit.[70] The auditors should determine the feasibility of the audit based on the availability of time, resources, information and cooperation of relevant parties.[71]

[68] Examples of internationally recognised auditing standards include, but are not limited to, ISO19011, SA8000, ISAE 3000, and SSEA100.
[69] Companies may consider existing management systems accreditations and completed auditor trainings such as ISO9001 or SA8000.
[70] See Chapter 6.2 of ISO 19011.
[71] Ibid.

4.1.4.2 In-site investigations: Before beginning the in-site investigations, auditors should prepare an audit plan,[72] and all working documents.[73] Auditors should gather further evidence and verify information by conducting relevant interviews (including interviews with management, as well as the assessment teams); making observations; and reviewing documents (see below). In-site investigations should include:

a. The refiner facilities and sites where the refiner carries out due diligence for responsible supply chains of gold from conflict-affected and high-risk areas.
b. A sample of the refiner's suppliers (including gold producers, local exporters, international gold traders, and recyclers) as may be required in accordance with the audit standard.
c. Consultations with the assessment team(s) which may be carried out remotely, to review the standards and methods for generating verifiable, reliable and up-to-date information.
d. Consultations with relevant local and central governmental authorities, and where they exist, UN expert groups, UN peacekeeping missions and local civil society, as determined by the auditor to be appropriate to the circumstances and risks identified in the gold supply chain.

4.1.4.3 Document review: Samples of all documentation produced as part of the refiner's supply chain due diligence practices for gold from conflict affected areas should be reviewed "to determine the conformity of the system, as documented, with audit criteria."[74] This includes, but is not limited to, documentation on supply chain internal controls (a sample of chain of custody documentation, payment records), relevant communications and contractual provisions with suppliers, documentation of information disclosed to downstream companies, evidence from the refiner's risk assessments (including all records on business partners and suppliers, interviews and on-the-ground assessments), and any documents on risk management strategies (e.g. agreements with suppliers on improvement indicators). Documentation should be sampled randomly by the auditors during the in-site investigation. Sample chosen should take into account risks associated with suppliers and/or gold supply chains; peak and non-peak periods of the year; and volumes of material sourced from each supplier. Documentation reviewed should include samples from each supplier as well as increase with the level of risk associated with business partners, suppliers or countries of origin of gold. Sample sizes should be increased if the auditor identifies concerns related to the refiner's due diligence measures.

4.1.4.4 Audit Conclusions: Auditors should generate findings that determine, based on the evidence gathered, the conformity of the refiner's due diligence practices for responsible supply chains of gold from conflict-affected and high-risk areas with the audit standard that is consistent with the recommendations of this Section of the Guidelines. Auditors should make recommendations in the audit report for the refiner to improve their due diligence practices Auditors should also prepare an audit summary report for publication in accordance with Step 5.

4.2 Implement the audit in accordance with the audit scope, criteria, principles and activities set out above. All actors in the supply chain should cooperate to ensure that the auditing is carried out in accordance with audit scope, criteria, principles and activities listed above. It is recommended that they do so through Industry Programmes or Institutionalised Mechanisms to carry out some or all of the following activities:

[72] See 6.4.1 of ISO 19011.
[73] See 6.4.3 of ISO 19011.
[74] See 6.3 of IS0 19011.

4.2.1 Draft Audit Standards in accordance with the recommendations of this Guidelines.

4.2.2 Accredit auditors;

4.2.3 Oversee the audit programme, including a periodical review and monitoring of the ability of the auditors to carry out the audit in conformity with the audit programme;

4.2.4 Publish summary audit reports of refiners with due regard taken of business confidentiality and other competitive or security concerns. A summary audit report should include:

a. Refiner details, the date of the audit and the audit period;
b. The audit activities and methodology, as defined in Step 4(A)(4);
c. The audit conclusions, as defined in Step 4(A)(4), as they relate to each step in this Guidelines

4.2.5 SPECIFIC RECOMMENDATIONS – For all upstream companies

a. Allow access to company sites and relevant documentation and records of supply chain due diligence practices, in accordance with this Guidelines.
b. Facilitate contact and logistics with transporters and suppliers selected by the audit team, and any consultations with stakeholders identified by the auditor.
c. If on-site visits of suppliers are required, facilitate contact and logistics.

4.2.6 SPECIFIC RECOMMENDATIONS – For all downstream companies

It is recommended that downstream companies participate and support the independent third party audit of the refiner's due diligence practices, and are encouraged to do so through Industry Programmes to increase efficiency in the implementation of this Guidelines. This may include defining audit standards consistent with the recommendations set out in this Guidelines. Small and medium enterprises are encouraged to join or build partnerships with such industry organisations.

5. STEP 5: REPORT ANNUALLY ON SUPPLY CHAIN DUE DILIGENCE

OBJECTIVE: To publicly report on due diligence for responsible supply chains of gold from conflict-affected and high-risk areas in order to generate public confidence in the measures companies are taking.

5.1 Annually report or integrate into annual sustainability or corporate responsibility reports, additional information on due diligence for responsible supply chains of gold from conflict-affected and high-risk areas, with due regard taken of business confidentiality and other competitive or security concerns.[75]

5.1.1 For all upstream companies

5.1.1.1 Company Management Systems

[75] Business confidentiality and other competitive or security concerns means, without prejudice to subsequent evolving interpretation: price information; supplier identities and relationships (however the identity of the refiner and the local exporter located in red flag locations should always be disclosed except in cases of disengagement); transportation routes; and the identity of information sources and whistle-blowers located in conflict-affected and high-risk areas, where revealing the identity of such sources would threaten their safety. All information will be disclosed to any institutionalised mechanism, regional or global, once in place with the mandate to collect and process information on minerals from conflict-affected and high-risk areas.

Report on steps taken to implement Step 1. Included in such reporting companies should:

a. set out the company's supply chain due diligence policy;
b. explain the management structure responsible for the company's due diligence and who in the company is directly responsible;
c. describe the internal systems of transparency, information collection and control over the gold supply chain from Step 1(1.1.1) and Step 3(3.1.2), explaining how this operates and how it has strengthened the company's due diligence efforts in the reporting period covered;
d. describe the company's database and record keeping system and explain the methods for identifying all suppliers, down to the mine of origin and the methods for sharing the information about due diligence throughout the supply chain;
e. disclose information on payments made to governments in line with local government's requirements.[76]

5.1.1.2 Company risk assessment in the supply chain:

Report on steps taken to implement Step 2. Included in such reporting, companies should:

a. explain how the company identified red flag operations or red flags in their supply chain, including the verifications of supplier representations proportional to risk;
b. describe the red flags identified in the gold supply chain;
c. describe the steps taken to map the factual circumstances of those red flag operations and red flagged supply chains;
d. outline the methodology, practices and information yielded by the on-the-ground assessment team, including whether and how the company collaborated with other upstream companies, and how the company ensured that all joint work duly takes into consideration circumstances specific to the individual company;
e. disclose the actual or potential risks identified. For the sake of clarity, companies should not report risks identified for potential suppliers with whom they have not done any business.

5.1.1.3 Risk management: Report on steps taken to implement Step 3. Included in such reporting, companies should:

a. describe how company internal control systems, such as chain of custody or traceability systems, have been strengthened to collect and maintain reliable up-to-date information on red flagged gold supply chains;
b. describe the steps taken to manage risks, including a summary of the strategy for risk mitigation in the risk management plan, and capability-training, if any, and the involvement of affected stakeholders;
c. disclose the efforts made by the company to monitor and track performance for risk mitigation and all the instances and results of follow-up after 6 months to evaluate significant and measurable improvement.
d. Disclose the number of instances where the company has decided to disengage with suppliers and/or supply chains, consistent with Annex I, without disclosing the identity of those suppliers, except where the company deems it acceptable to do so in accordance with applicable laws.
e. Companies should aim to report all instances of disengagement to relevant international and national investigative bodies and/or law enforcement authorities, having regard for

[76] For example, disclose information on payments to the government in accordance with EITI standards and principles (if relevant).

the potential harmful effects of that reporting, and in accordance with applicable laws.

5.1.2 For refiners: In addition to the above, refiners should also:

5.1.2.1 Audits
Publish the summary audit reports of refiners with due regard taken of business confidentiality and other competitive or security concerns. The summary audit report should include:

a. Refiner details and the date of the audit;
b. The audit activities and methodology, as defined in Step 4(4.2), where an Industry Programme or Institutionalised Mechanism in conformance with this Guidelines and as defined in Step 4(4.1.4) has not published these details;
c. The audit conclusions, as defined in Step 4(4.1.4), as they relate to each step in this Guidelines.

5.1.3 For all downstream companies

5.1.3.1 Company Management Systems: Report on steps taken to implement Step 1.
Included in such reporting companies should:

a. set out the company's supply chain due diligence policy;
b. explain the management structure responsible for the company's due diligence and who in the company is directly responsible;
c. describe the control systems over the gold supply chain put in place by the company, explaining how this operates and how it has strengthened the company's due diligence efforts in the reporting period covered;
d. describe the company's database and record-keeping system.

5.1.3.2 Risk assessment: Report on steps taken to implement Step 2. Included in such reporting, companies should:

a. describe the steps taken to identify refiners in their supply chain;
b. describe the assessment of their due diligence practices;
c. explain the methodology of company supply chain risk assessments;
d. disclose the actual or potential risks identified.

5.1.3.3 Risk management: Report on steps taken to implement Step 3.[77] Included in such reporting, companies should:

a. describe the steps taken to manage risks, including a summary on the strategy for risk mitigation in the risk management plan, and capability-training, if any, and the involvement of affected stakeholders;
b. disclose the efforts made by the company to monitor and track performance for risk mitigation and all the instances and results of follow-up after 6 months to evaluate significant and measurable improvement.

[77] Publish additional audit reports or summaries, if any or if required by applicable laws, of the downstream company's due diligence practices with due regard taken of business confidentiality and other competitive or security concerns.

Suggested measures to create economic and development opportunities for artisanal and small-scale miners

In conflict-affected and high-risk areas, artisanal and small-scale miners are particularly vulnerable to adverse impacts and serious abuses associated with the extraction, transport, trade, handling and export of gold. The vulnerability of artisanal and small-scale miners is increased when artisanal and small-scale mining operates in the absence of an enabling regulatory environment conducive to responsible, conflict-sensitive gold production and legitimate trade.

This Appendix aims to minimise the risk of marginalisation of the artisanal and small-scale mining sector, particularly the victims of extortion, while promoting conflict-free gold supply chains, thereby creating economic and development opportunities for artisanal and small-scale miners. This Appendix proposes measures to build secure, transparent and verifiable gold supply chains from mine to market and enable due diligence for legitimate ASM Gold to achieve these objectives, including through formalisation and legalisation efforts.

Governments, international organisations, donors, companies in the supply chain, and civil society organisations may consider the opportunity to explore collaborative ways to make use of these suggested options or other complementary approaches as they deem appropriate in accordance with national laws and policies.

1. Assessment of mine sites consistent with the standards in Annex II of the OECD Due Diligence Guidance:[78]

a. Create, participate and support local multi-stakeholder commissions composed of focal points from civil society, industry and local and central government, to oversee the mine site assessment process:[79]
   i. develop clear parameters for assessing mine sites, transportation routes and points where gold is traded, consistent with the standards in Annex II of the OECD Due Diligence Guidance, and publish these parameters;[80]
   ii. set up teams drawn from the multi-stakeholder commissions to assess mine sites based on these parameters, and publish results.
   iii. focal points from multi-stakeholder commissions should solicit updated information through their on-the-ground networks on the conditions at mine sites, transportation routes and points where gold is traded. Information should be stored in a central clearinghouse. Information should be made available to assessment teams, government agencies, and upstream companies sourcing from the areas.

b. While considering the appropriate security options at mine sites:
   i. disseminate this Guidelines and make security forces aware of criminal and other penalties for illegal involvement in the extraction, trade, handling and export of gold; and
   ii. support the formalisation of security arrangements between ASM communities, local government, and public or private security forces, in cooperation with civil society and

[78] In the Great Lakes Region, this should be done through the national certification programs implementing the ICGLR Regional Certification Mechanism. See also the Vision for Responsible Artisanal and Small-Scale Mining in Alliance for Responsible Mining (Echavarria, C. et. al. Eds.), (2008) The Golden Vein – A guide to responsible artisanal and small-scale mining. ARM Series on Responsible ASM No. 1. Medellin.
[79] See ICGLR Regional Certification Manual (2011).
[80] See Appendix 3 and 4, ICGLR Certification Manual (2011).

international organisations, as appropriate, to ensure that all payments are freely made and proportionate to the service provided, clarify rules of engagement consistent with the Voluntary Principles on Security and Human Rights, the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.81

2. Formalisation of operations,[82] including through:

a. Knowing the reasons for lack of formalisation in existing artisanal production and trading systems, in order to identify the best strategies for incentivising and enabling formalisation.
b. Providing technical assistance to help formalise artisanal and smallscale miners.
c. Acknowledging the diversity in the types and sizes of artisanal and small-scale mining activity.
b. Creating and participating in collaborative initiatives to establish the modalities and financing of support funds to assist with the formalisation process.[83]

3. Legalisation of operations.[84]

Assist artisanal and small-scale miners to obtain mining rights and other related authorisations through legitimate processes. Consider other regulatory measures to legalise operations of artisanal and small-scale miners. Where there are challenges regarding illegal mining on mining concessions, all stakeholders concerned are encouraged to facilitate constructive dialogue between title holders and artisanal and small-scale producers, where those parties are acting in good faith. In case of title disputes, mediated solutions should be sought through cooperation with government and other stakeholders.

4. Assessment of trading hubs and regular mapping of transportation routes:

a. Set up and participate in teams drawn from the multi-stakeholder commissions (see above) to annually assess points where gold is traded and transportation routes based on the parameters laid out above.
b. To avoid any potential contamination of sources, construct and maintain secure depots at major points where gold is traded. In considering the appropriate security options at points where gold is traded and along transportation routes:
   i. disseminate this Guidelines and make security forces aware of criminal and other penalties for illegal involvement in the extraction, trade, handling and export of gold; and

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81 Refer relevant international standards, such as the Voluntary Principles on Security and Human Rights.

82 See Rock Solid Chances, Felix Hruschka and Cristina Echavarr á, Alliance for Responsible Mining (2011), available at http://www.communitymining.org/index.php/en/arm-publications. In the Great Lakes Region, see the fourth tool of the ICGLR Regional Initiative against the Illegal Exploitation of Natural Resources, "Formalisation of the Artisanal Mining Sector".

83 See Responsible Jewellery Council, Standards Guidance, "COP 2.14 Artisanal and Small-Scale Mining", which lists the following analogous opportunities for largescale mining and ASM initiatives: "Providing financing (loans) for technical and other improvements; Assisting and training miners on a range of issues (for example, occupational health, reclamation, mining and processing methods, value added processes, organisational and financial management, explosives management); Aiding miners in the determination of mineral reserves (combined with support for access to financing); Providing emergency response services; Availing processing services to miners or building their capacity to implement effective processing facilities themselves with improved technology; Liaising with government departments, NGOs, trade unions and international agencies to obtain additional support; Providing guidance on marketing and commercialisation, including fair trade arrangements; Proactively supporting alternative livelihoods, economic development, and other improvements in ASM communities; Supporting the wider community by locally sourcing the provision of as many goods and services as possible; Eliminating child labor as a condition of engagement in the community; Improving women's conditions in ASM communities through gender awareness and empowerment programs."

84 Responsible artisanal and small-scale mining comply with national legal frameworks. When the applicable legal framework is not enforced, or in the absence of such a framework, the good faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalisation as they become available (bearing in mind that in most cases, artisanal and small-scale miners have very limited or no capacity, technical ability or sufficient financial resources to do so) should be taken into account.

ii. support the formalisation of security arrangements between ASM communities, local government, and public or private security forces, in cooperation with civil society and international organisations, as appropriate, to ensure that all payments are freely made and proportionate to the service provided, clarify rules of engagement consistent with the Voluntary Principles on Security and Human Rights, the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.85

5. Establishment of traceability and/or chain of custody systems that ensures security of shipments and enables data collection on all gold from assessed mine sites.

It is recommended that the assessment of mine sites is immediately followed by the introduction of sound chain of custody or traceability systems. Chain of custody and/or traceability systems should progressively collect and maintain information for every gold shipment from assessed mine sites.[86]

6. Providing financial support to:
i. multi-stakeholder commissions to assess mine sites, transportation routes and points where gold is traded; and
ii. chain of custody and/or traceability schemes.

Financial support may take on a variety of forms, including direct support to initiatives, or royalties and premiums on gold from assessed mines and transportation routes with chain of custody and/or traceability systems in place.

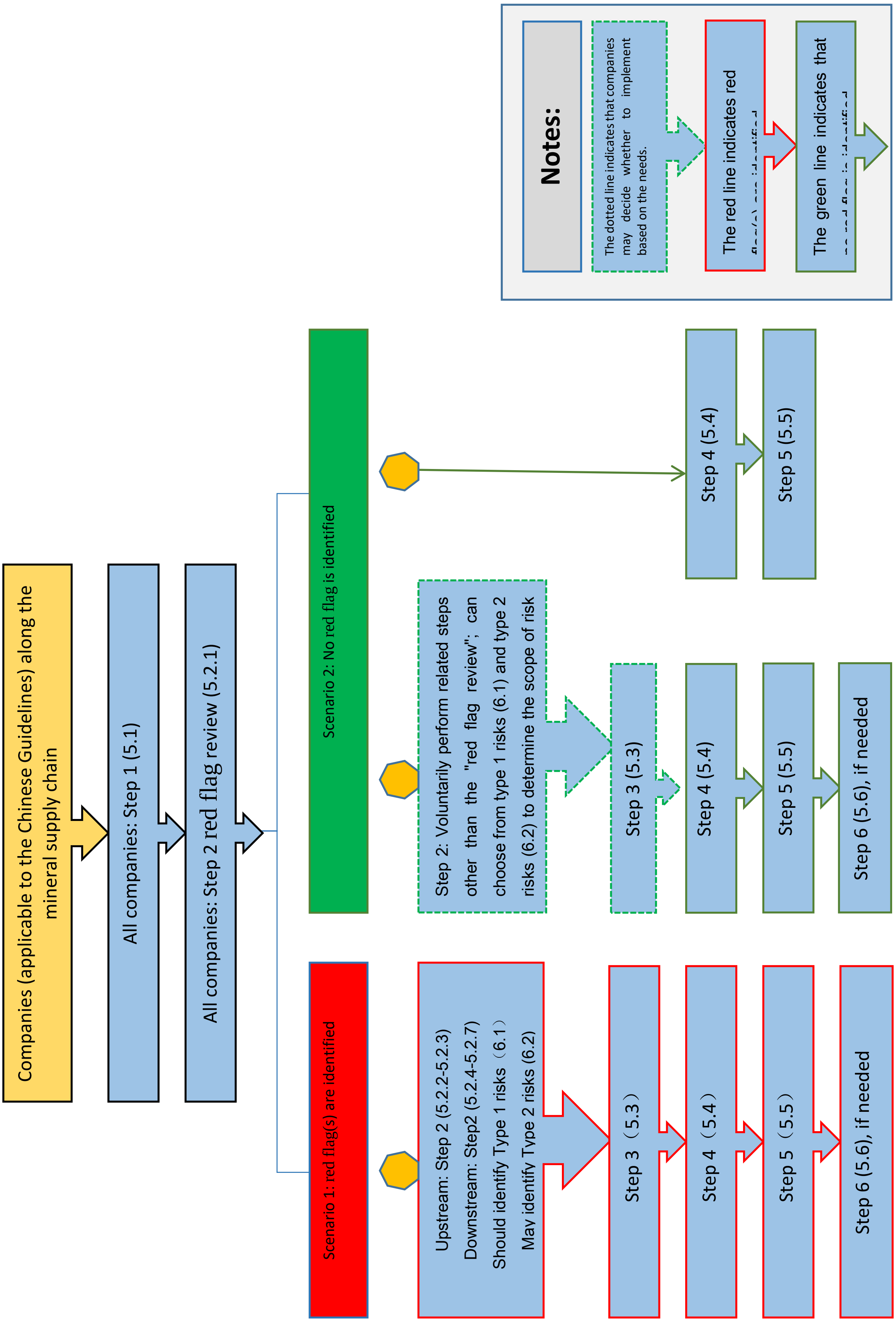
7. Promoting and taking part in programs to directly and competitively market ASM gold from assessed mine sites.
Facilitate contacts and build partnerships between artisanal and small-scale producers operating on assessed mine sites, smelter/refiners, direct marketing of gold from assessed mine sites passing through secure and verifiable transportations routes.

8. Support the establishment of a grievance mechanism(consistent with Step 1 of this Section) and take steps to enable artisanal and. For a detailed list of information that should be included in chain of custody and/or traceability systems as they relate to specific minerals, see Step 2(C) of the Section on Gold. small-scale producers to access this mechanism so they may alert companies and government authorities of concerns related to the extraction, transport, trade, handling and export of gold from conflict-affected and high-risk areas.

9. Fostering cooperation between customs authorities of exporting and importing countries.

[85] Refer relevant existing standards, such as Voluntary Principles on Security and Human Rights.
[86] For a detailed list of information that should be included in chain of custody and/or traceability systems as they relate to specific minerals, see Step 2(2.1.3) of the Section on Gold.

Annex V: Standards Application Route



Annex VI: Definitions

Supply chain:

The term supply chain refers to the system of all the activities, organisations, actors, technology, information, resources and services involved in moving minerals from the source to end consumers.

Upstream companies:
"Upstream" refers to the minerals supply chain from the mine to smelters/refiners.
"Upstream companies" include miners (artisanal and small-scale enterprises or medium and large-scale gold mining companies), local traders or
exporters from the country of mineral origin, international concentrate traders, mineral re-processors and smelters/refiners.

Downstream companies:

Downstream means the minerals supply chain from smelters/refiners to retailers. "Downstream companies" include metal traders and exchanges, component manufacturers, product manufacturers, original equipment manufacturers (OEMs) and retailers.

Place of origin

The country or mining area where ore materials are mined is also the starting point of the material chain of custody.

Artisanal and Small-scale Mining (ASM):

Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labour intensive technology. "ASM" can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners. For example, it is common for work groups of 4-10 individuals, sometimes in family units, to share tasks at one single point of mineral extraction (e.g. excavating one tunnel). At the organisational level, groups of 30-300 miners are common, extracting jointly one mineral deposit (e.g. working in different tunnels), and sometimes sharing processing facilities

Legitimate artisanal and small-scale mining:

The legitimacy of artisanal and small-scale mining is a difficult concept to define because it involves a number of situation-specific factors. For the purposes of this Chinese Guidelines, legitimate refers, among others, to artisanal and small-scale mining that is consistent with applicable laws. When the applicable legal framework is not enforced, or in the absence of such a framework, the assessment of the legitimacy of artisanal and small-scale mining will take into account the good faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalisation as they become available (bearing in mind that in most cases, artisanal and small-scale miners have very limited or no capacity, technical ability or sufficient financial resources to do so). In either case, Artisanal and small-scale mining, as with all mining, cannot be considered legitimate when it contributes to conflict and serious abuses associated with the extraction, transport or trade of minerals as defined in Annex II and III of this Chinese Guidelines.

Medium and Large-Scale Mining (LSM):

LSM refers to mining operations that are not considered to be artisanal or small-scale mining.

Suppliers:

Refers to any individual or organization who is considered to be a participant in the supply chain for the supply of mineral and mineral-bearing materials.

Primary smelter:

A facility or entity that processes minerals or scrap to produce crude metals, prior to refining.

Refiner:

An entity that removes impurities or undesirable elements from crude metal output from a smelter or other forms of metal with low or insufficient purity.

Service provider:

Companies that handle ore materials or products and provide services. The raw material or product does not undergo a substantial state change at the service provider. Service companies include rating laboratories, appraisal companies, evaluation companies, security and transportation companies. Service companies are not included in the scope of this Chinese Guidelines.

Conflict:

Armed aggression, widespread use of violence and/or widespread violations of human rights.

Conflict-affected and high-risk areas:

Areas identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as a conflict of international or noninternational character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars. High-risk areas are those where there is a high risk of conflict or of widespread or serious abuses. Such areas are often characterized by political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, widespread violence and violations of national or international law.

Neighboring countries:

According to the definition in Article 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of the United States, neighboring countries refer to countries that have internationally recognized borders with the Democratic Republic of Congo, including Angola, Burundi, Central African Republic, Kenya, Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.

Due diligence:

Due diligence is an on-going, proactive and reactive process through which companies can identify, prevent, mitigate and account for how they address their actual and potential adverse impacts as an integral part of business decision-making and risk management systems. Due diligence can help companies ensure they observe the principles of international law and comply with domestic laws, including those governing the illicit trade in minerals and United Nations sanctions.

Supply chain due diligence:

With specific regard to supply chain due diligence for responsible mineral sourcing, risk-based due diligence refers to the steps companies should take to identify, prevent and mitigate actual and potential adverse impacts.

Management system:

Management processes and documentation that collectively provide a systematic framework for ensuring that tasks are performed correctly, consistently and effectively to achieve the desired outcomes, and that provide for continual improvement in performance

Chain of custody:

A record of the sequence of entities which have custody of minerals as they move through a supply chain. Moving minerals or products in the supply chain requires supporting chain of custody documents.

Compliance:

The company's policies, systems, procedures and processes comply with the requirements of this Chinese Guidelines and related standards.

Applicable law:

Relevant international laws and/or relevant laws of one or more countries and/or at state level and/or at local level where the company operates. This may include but is not limited to laws, regulations and statutory policies. When there is a dispute between the applicable law and the requirements of this Chinese Guidelines, the entity shall meet the higher standard of the two, unless this will result in a violation of the applicable law.

The Dodd-Frank Act:

Refers to section 1502 of the US Dodd-Frank Wall Street Reform and Consumer Protection Act. The bill requires listed companies to disclose whether any conflict minerals from the Democratic Republic of Congo and neighboring countries are used in their products in accordance with the US Securities Exchange Act.

EU Conflict Minerals Regulations:

The bill passed by the European Parliament and the Council on May 17, 2017, which requires EU importers to conduct due diligence of their supply chain of tin, tantalum, tungsten and gold from conflict-affected and high-risk areas. The bill will be implemented on January 1, 2021.

Material balance accounting:

During the assessment period, the company verifies whether the total amount of raw materials, inventory, loss, and sales are consistent with the number of transaction records, and the difference should be within a reasonable range.

Red Flag:

The OECD Guidance (Third Edition) proposed two types of red flags, "red flag locations of raw material origin and transit" and "supplier red flag", this Chinese Guidelines adds a third type of red flag" circumstantial red flag". More details please find in the following table:

red flag location of the material origin and	1. The mineral originates from through a conflict-affected and high-risk area 2. The mineral has been transported through a conflict-affected and high-risk area; 3. The material is claimed to originate from a country that has limited

transit	known reserves or stocks, likely resources or expected production levels (i.e. the declared volumes of mineral from that country are out of keeping with tis known reserves or expected production levels); 4. The material is claimed to originate from a country through which material from conflict-affected and high-risk areas; 5. The material is claimed to originate from mixed recyclable sources and has been processed in conflict-affected and high-risk areas;
supplier red flag	1. Suppliers or other known upstream companies operate in above-mentioned red flaglocations, or have shareholder or other interests in suppliers from above mentioned red flag locations; 2. Suppliers or other upstream companies are known to have sourced mineral from above red flag locations.
Circumstantial red flag	1. Anomalies or unusual circumstances are identified through the information collected which give rise to a reasonable suspicion that mineral may contribute to conflict or serious abuses associated with mineral relevant activities. 2. Not be able to identify the mineral's location of origin and transit.

Red flag review**:**

Use the information collected in step 5.1.3 and step 5.2.1 to review whether there are red flags in the supply chain to assess and determine whether it is necessary to further improve the corporate control and transparency system, as well as identify the scope of risk identification and assessment, formulate and implement risk management plans. It is particularly important to note that some industry organizations or trading platforms call it " red flags review" and "red flag review".

Risk:

Refers to the possibility of adverse impacts on society, environment and economy that are caused, facilitated, or directly related to the company.

Specifically, risk refers to the risk that may have a negative impact on the company's operations. Operations include the company's own activities as well as relationships with third parties such as suppliers and other entities in the supply chain. Negative impacts may include harm to people (ie, external impacts), loss of reputation or legal liability (ie, internal impacts) to the company, or both. Such internal and external impacts are often interdependent, and external harms often lead to loss of reputation or legal liability.

Risk identification:

Through due diligence, the company identifies and verifies the adverse social, environmental and economic impacts that is caused, facilitated, or directly related to it.

Risk management plan:

An action plan for the company to manage the identified Type 1 and/or Type 2 risks.

Risk mitigation:

The actions taken by the company to reduce the adverse impacts of identified risks.

Leverage:

If the company has the ability to influence the wrong practices of the entity that caused the damage and urge it to correct it, it is deemed to have influence. Different companies have different capabilities to influence their business partners, depending on the economic and social background in which they are located, the location of the supply chain, and its size.

Continual improvement:

The ongoing process of improving its performance.

Improvement action:

The improvement measures taken by the company for practices that do not meet the requirements of this Chinese Guidelines and prevent its recurrence.

Improvement action plan:

A work plan formulated by the company on the inconsistencies identified in the internal assessment or external third-party assessment against the requirements of this Chinese Guidelines.

Free, Prior and Informed Consent (FPIC) Principle:

The principle of Free, Prior and Informed Consent is from the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and is further explained. Article 10 of the United Nations Declaration on the Rights of Indigenous Peoples stipulates: "Indigenous peoples shall not be forcibly removed from their lands or territories. No relocation shall take place without the free, prior and informed consent of the indigenous peoples concerned and after agreement on just and fair compensation and, where possible, with the option of return." Article 11.2 further stipulates: "States shall provide redress through effective mechanisms, which may include restitution, developed in conjunction with indigenous peoples, with respect to their cultural, intellectual, religious and spiritual property taken without their free, prior and informed consent or in violation of their laws, traditions and customs." The internationally recognized good practice is to negotiate with local communities and indigenous people and obtain their consent before mining operations. For example, the International Labour Organization Convention (No. 169) On the Indigenous Peoples of Independent Countries requires that the indigenous people should be consulted before conducting exploration or mining operations on the indigenous people's land, and fair compensation should be provided for their losses. The United Nations Food and Agriculture Organization (FAO) and the International Council on Mining and Metals (ICMM) Position Statement on Indigenous Peoples and Mining also provide further guidance.

Customary ownership of land:

Refers to a series of traditional practices related to land occupation, use, inheritance and acquisition in a particular area.

Grievance mechanism:

The grievance mechanism at the operation level refers to a series of procedures and processes for the complaints and appeals made by individuals, workers, communities, and/or civil society organizations that are adversely affected by business activities and operations, and the investigations, handling process or remedies provided by the company. The operation-level grievance mechanism needs to meet the following core standards: legality, accessibility, predictability, fairness, compatibility with the OECD Chinese Guidelines for Multinational Enterprises, transparency and dialogue-based.

Human rights:

The universal rights and freedoms that belong to all people without discrimination on the basis of internationally recognized standards. At a minimum, these rights include the rights set forth in the International Bill of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, and applicable laws.

Human rights due diligence:

A reasonable and prudent company needs a continuous management process based on its circumstances (including industry, business environment, scale and similar factors) to fulfill its responsibility to respect human rights.

Impact assessment:

Refers to the process of identifying, predicting, assessing, and mitigating the social, environmental, and economic impacts related to development project proposals. It usually occurs before major decisions or commitments.

Indigenous people:

Considering the diversity of indigenous peoples, an official definition of “indigenous” has not been adopted by any UN-system body. Instead the system has developed a modern understanding of this term based on the following:

1. Self-identification as indigenous peoples at the individual level and accepted by the community as their member.
2. Historical continuity with pre-colonial and/or pre-settler societies.
3. Strong link to territories and surrounding natural resources.
4. Distinct social, economic or political systems.
5. Distinct language, culture and beliefs.
6. Form non-dominant groups of society.
7. Resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities

Occupational health and safety:

Occupational health and safety refers to maintaining the physical and mental health of employees, contractors and other related parties at work, and preventing employees from health injuries due to improper working conditions.

Sustainability Report:

The report issued by a company or organization about the economic, environmental and social impacts caused by its daily business activities, it is also called social responsibility reports.

World Heritage:

According to the Convention Concerning the Protection of the World Cultural and Natural Heritage adopted by the UNESCO in 1972, World Heritage refers to the rare and irreplaceable wealth of mankind recognized by the World Heritage Committee, and cultural relics and natural landscapes that are of outstanding universal value to humanity and as such.

Child labor:

Child labor is often defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to their social, physical and psychological development. It refers to work that is mentally, physically, socially or morally dangerous and harmful to children; or interferes with their schooling by: deprives them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work.

Hazardous child labor:

Work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children (ILO Convention No. 182). ILO Recommendation No. 190 states that the following should be considered when determining whether work is hazardous child labor:

1. work which exposes children to physical, psychological or sexual abuse;
2. work underground, under water, at dangerous heights or in confined spaces;
3. work with dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads;
4. work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health;
5. work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.

Worse forms of child labor:

As defined by ILO Convention No.182:

1. All forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict;
2. The use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
3. The use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;
4. Work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

Young worker:

Workers who are above the legal minimum age for employment but below the age of 18.

Forced/Compulsory Labor:

All work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily. Forced labor may target children or adults, may be imposed by individuals, companies, or governments, may exist in all labor fields and industries, and may also exist in developing and developed countries.

Human trafficking:

According to the Palermo Protocol (2010), human trafficking refers to the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs.

Modern slavery:

That is, slavery in the modern society, is the severe exploitation of people due to her/his vulnerability, including forced labor and human trafficking, as well as debt labor, intergenerational inheritance debt labor, forced marriage, child slavery, etc.

Community:

Usually refers to the people or society around an operating site or project, especially those people who are substantially or potentially directly related to the project's risks and/or negative impacts on the environment, health and life. It refers to a group of people or families living in a specific area, sometimes with common interests (such as fishermen, herders, hunters, etc.), often maintaining common cultural and historical traditions, and having varying degrees of cohesion.

Bribery:

Refers to providing, committing, giving, accepting, or soliciting benefits to induce illegal, unethical, or violation of integrity. Induction can take different approaches such as gifts, loans, fees, bonuses or other benefits (taxes, services, donations, preferences, etc.).

High biodiversity value areas

The land, water body, and marine areas that make important contributions to the maintenance of global biodiversity, including habitats as priority areas for environmental protection, that are determined in accordance with the biodiversity strategy and action plan formulated by the United Nations Convention on Biological Diversity.

-End-