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OECD Due Diligence Guidance for Responsible Mineral Supply Chains: 10 years of implementation

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



SANTA LIZBETHY - ESQUIVA PROJECT

OECD Due Diligence Guidance for Responsible Mineral Supply Chains: 10 years of implementation

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OECD Due Diligence Guidance for Responsible Mineral Supply Chains

Objective – To promote responsible investment!

- ✓ **Clear, practical recommendations for companies** to ensure responsible operations and sources of supply:
 - **No** support to non-state armed groups, **No** “serious abuses”
 - **Prevent & mitigate** support to **public security forces, bribery, tax evasion, money-laundering and fraud** in supply chains
 - **Strengthen** internal controls, due diligence systems, engagement with suppliers (e.g. supplier upgrading)

Principles

- ✓ **Progressive improvements** over time and **good faith and reasonable efforts** promoting constructive engagement with suppliers
- ✓ **Global scope - intended to enable investment and trade in conflict-affected and high-risk areas**, i.e. no blacklists, no embargoes, no protectionism

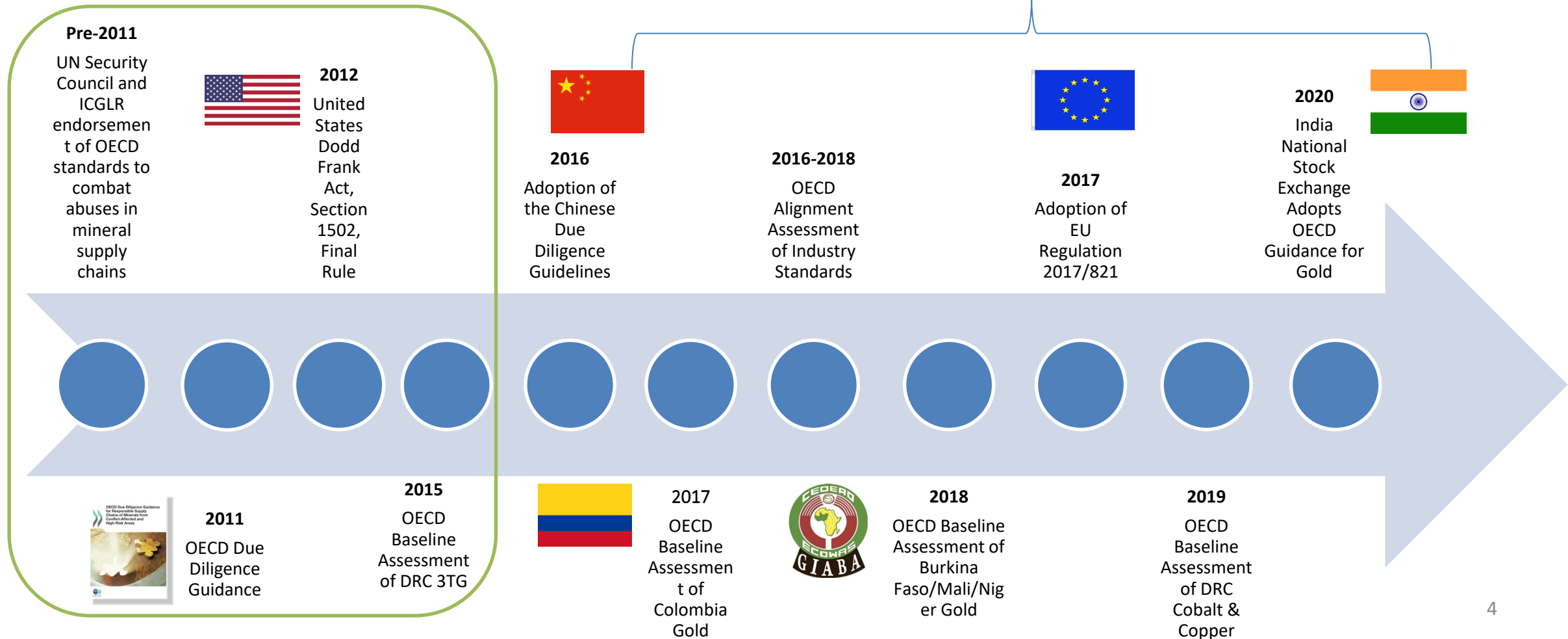
OECD Due Diligence Guidance
for Responsible Supply
Chains of Minerals from
Conflict-Affected and
High-Risk Areas



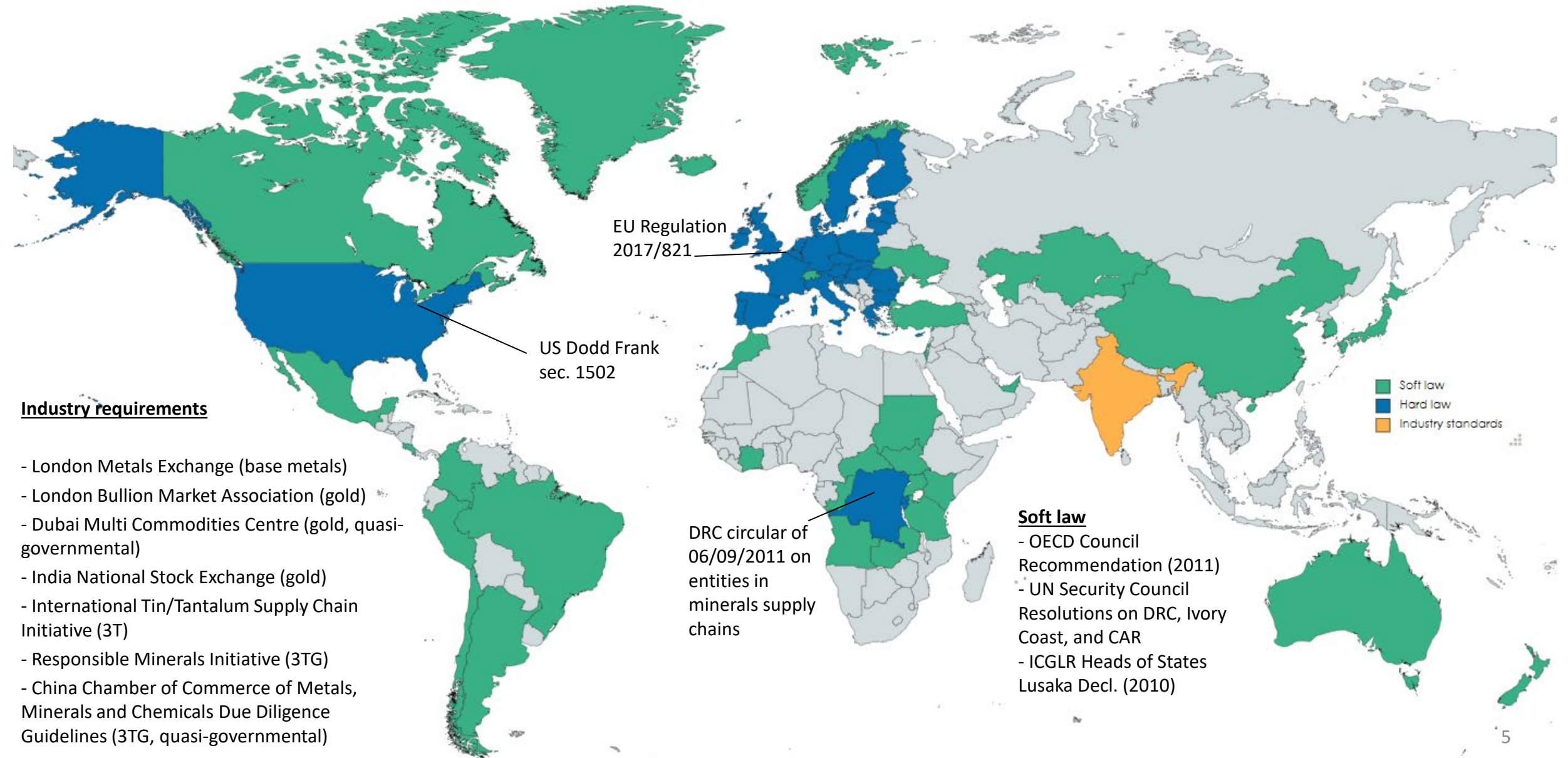
Milestones in OECD Responsible Minerals Implementation Programme

Initial focus on 3TG from Central Africa

Focus widens to include transit and consuming countries, other mineral producing regions, and other minerals



Existing due diligence requirements for mineral supply chains



Industry requirements

- London Metals Exchange (base metals)
- London Bullion Market Association (gold)
- Dubai Multi Commodities Centre (gold, quasi-governmental)
- India National Stock Exchange (gold)
- International Tin/Tantalum Supply Chain Initiative (3T)
- Responsible Minerals Initiative (3TG)
- China Chamber of Commerce of Metals, Minerals and Chemicals Due Diligence Guidelines (3TG, quasi-governmental)

EU Regulation
2017/821

US Dodd Frank
sec. 1502

DRC circular of
06/09/2011 on
entities in
minerals supply
chains

Soft law

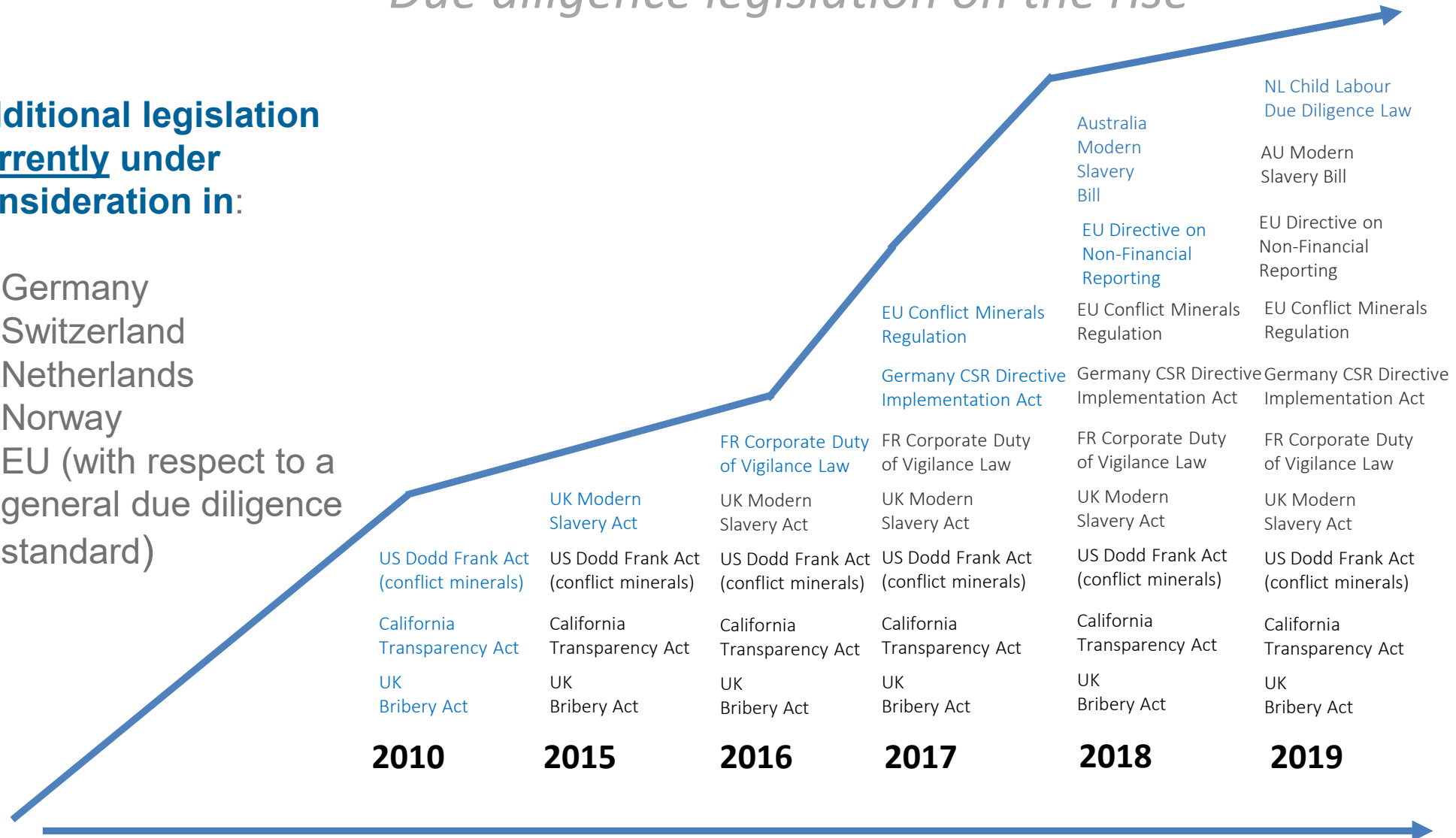
- OECD Council Recommendation (2011)
- UN Security Council Resolutions on DRC, Ivory Coast, and CAR
- ICGLR Heads of States Lusaka Decl. (2010)

Drivers of responsible sourcing

Due diligence legislation on the rise

Additional legislation currently under consideration in:

- Germany
- Switzerland
- Netherlands
- Norway
- EU (with respect to a general due diligence standard)



State of play – main achievements

- Significant uptake of countries/market-makers – producing, processing, consuming
- Significant and increasing private sector buy-in & expansion to many metal supply chains (e.g. through LME)
- Improved understanding and awareness of due diligence, through extensive capacity-building programmes
- Increased global awareness of need to engage with artisanal mining

State of play – remaining challenges

- International overarching infrastructure for due diligence in mineral supply chains well in place, but need for:
 - More meaningful / comprehensive due diligence at all tiers of the supply chain
 - More due diligence financial support and capacity building, specifically for ASM, small refiners, and small jewelers
 - Need to combat strong demand for “due diligence free” gold
 - Sector still vulnerable to criminal exploitation at multiple stages of the upstream supply chain (miner, local trader, exporter, refiner)

Invitation to attend the 14th OECD-ICGLR Forum on responsible supply chains of minerals

- The Forum will comprise of broadcasted
 - plenary-type sessions (day 1),
 - expert discussion of key deliverables of the OECD responsible minerals programme (day 2); and
 - sessions dedicated to specific mineral supply chains and/or specific geographical contexts organised together with partners (day 3).
- The Forum will be virtual and touch on, amongst others, the following topics:
 - Understanding how can we combat de-risking strategies in order to promote responsible trade and investment in conflict affected and high risk areas
 - Lessons learnt from Covid-19: making responsible sourcing programs more resilient
 - Analysis of existing conflict financing and human rights risks in about 40 supply chains of mineral resources

Annex: OECD Responsible Minerals Implementation Activities



OECD Implementation Programme – Responsible Mineral Supply Chains

Technical advice

- Input on existing and future regulatory efforts (e.g. US Dodd Frank Act, EU Conflict Minerals, proposed EU Due Diligence Regulation)
- China, UAE, India – Advice to authorities & industry to support alignment of national standards with OECD Guidance
- [Alignment assessment](#) of industry-led audit standards (e.g. London Bullion Market Association, Responsible Minerals Initiative, Responsible Jewellery Council, Dubai Multi Commodities Centre)
- Monitoring OECD government actions to promote implementation of due diligence

Research & Tools Development

- Baseline assessments ([DRC-3TG](#), [Colombia](#), [West Africa](#), [DRC-2C](#))
- [Practical actions to address worst forms of child labour](#)
- [Frequently Asked Questions on Sourcing ASM](#)
- Impact and uptake measurement (*forthcoming*)
- Portal for Supply Chain Risk Information (*forthcoming*)
- Understanding cost/benefit analysis of due diligence (*forthcoming*)

Outreach

- Partnerships with law enforcement, customs, and tax authorities for development of informal network on minerals related crime
- Development of “Train the trainer” programme in Latin America, West Africa, and Central Africa
- Organising and participating in due diligence workshops, roundtables, speaking engagements

Research – Baseline Assessments



- Focus on specific regional or country supply chains:
 - Eastern DRC - tin, tungsten, tantalum, gold (2015)
 - Colombia - gold (2017)
 - Burkina Faso, Mali, Niger – gold (2018)
 - Southern DRC - cobalt and copper (2019)
- Spotlight on certain high-risk supply chains
- Description of the supply chain structure, in-depth review of adverse impacts, recommendations
- Tool for engagement with various stakeholders in government, business and civil society

Research – Uptake, Impact, and Alignment *(forthcoming)*

Uptake

- Global snapshot of DDG implementation by sample of companies across relevant sectors

Impact M&E Framework

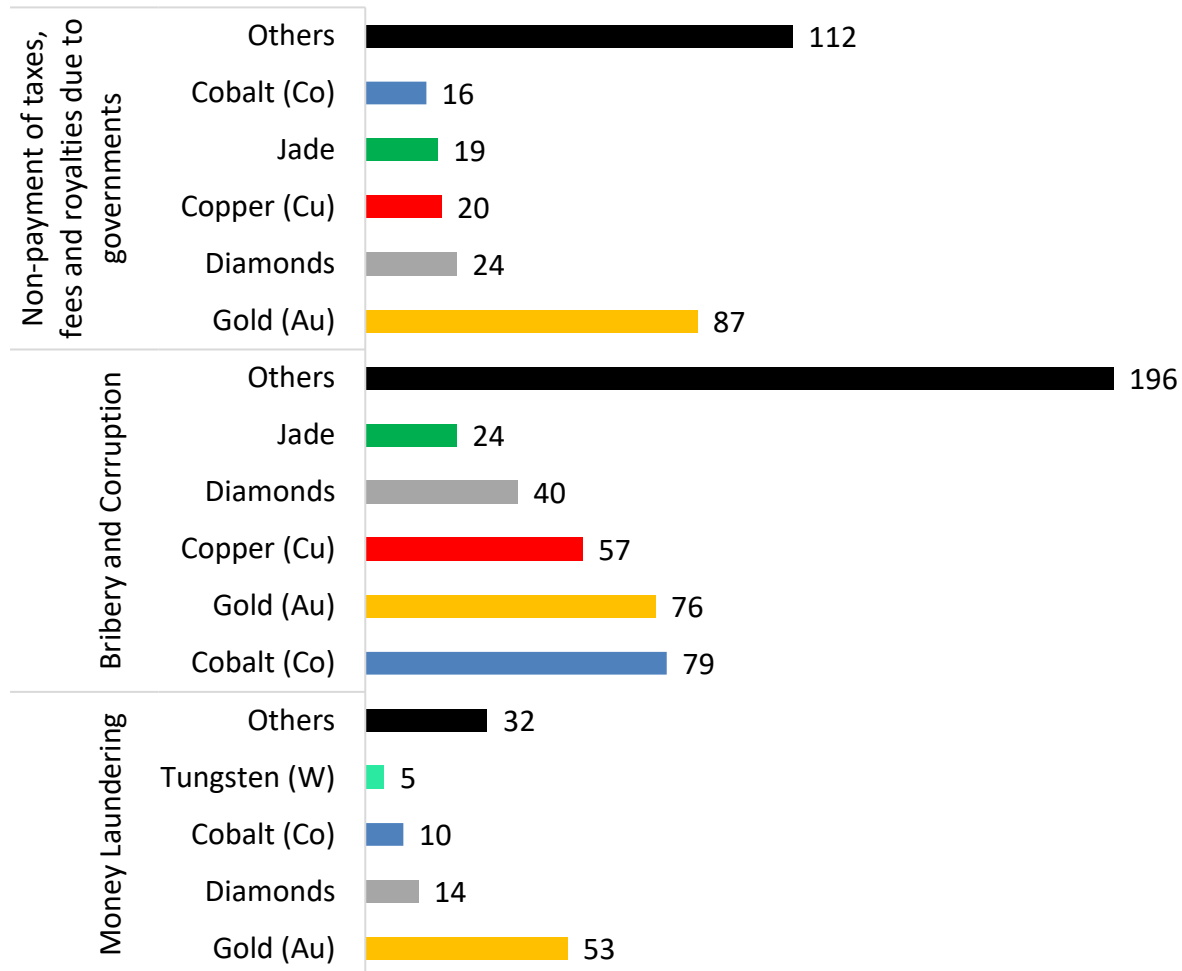
- Studying links between DDG uptake and impacts on risk prevalence and socio-economic conditions in select high-risk areas

Alignment Assessment

- Degree of alignment of industry programmes with the DDG through assessment of programme policies and implementation

Tools – Portal for Supply Chain Risk Information (*forthcoming*)

Number of online reports on financial crime linked to mineral supply chains (Jan 2017- Dec 2018)



- Crime typologies traverse minerals, supply chain actors, and geographies
- Large 'others' category because nearly all the surveyed minerals (40, total) linked to some form of financial crime
- Equal distribution of issues. Not specific to any type of mining (LSM v. ASM)