ITRI Tin Supply Chain Initiative (iTSCi):
contributing to minerals traceability and due diligence in Central Africa

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What are ‘Conflict Minerals’?

- Tin, Tantalum, Tungsten and Gold (3Ts & G) mainly used in electronics.

- Potentially financing illegal armed groups and human rights abuses.

- Originally defined as minerals originating from Democratic Republic of Congo (DRC) and its adjoining countries (US Dodd-Frank Act).

- EU draft regulation not country specific.
US Dodd-Frank Conflict Minerals Act – 
A snapshot

- Affects companies registered on the US stock exchange.
- That **use** 3Ts & G necessary for the functionality of product(s).
- Aims to break the link between conflict and minerals extraction.
- A disclosure requirement, not a ban.
- Affects approx. 6,000 downstream companies.
- Steps:
  1. Determine exposure to 3T & G.
  2. Determine if minerals originated from DRC or adjoining countries.
  3. If sourced from DRC or adjoining country countries, trace to source and provide independently audited due diligence report.
Countries covered by Dodd-Frank Act
Draft EU Conflict Minerals regulation

- Voluntary self-certification mechanism.
- Focuses on EU importers of 3T & G (ores and refined metals).
- Not country specific but global in scope.
- Based on five steps of OECD guidance for responsible supply chains.
- EU will publish list of responsible smelters and refiners on annual basis.
- Designed to discourage risk-adverse behaviour by companies.
- Importers obligated to pass information to downstream buyers.
- Is part of the EU strategy to support a strong and coherent materials policy.
- But does not address any other minerals or natural resources.
iTSCI Objectives

3Ts Traceability from **mine to smelter** meeting international requirements (OECD, UN)

Allow companies to comply with US and EU regulations

Provide information for end user audits (CFS of EICC/GeSI)

Ensure continued access to central African markets
Elements of the iTSCi scheme

✓ Chain of custody data
  – Document collection
  – Tagging system
  – Data management

✓ Risk assessment and recommendations
  – On the ground information
  – Community involvement
  – Information from other sources such as EITI

✓ Independent verification
  – On chain of custody
  – On risk assessment and mitigation
  – Link with Conflict Free Smelter audit of end users
Regional importance

Livelihoods
400,000 miners with 2 million dependents

Trading
Backbone for trading other goods and services

Economic growth
Mining can support regional growth and development
What are the challenges?

- Informal mining sector
- Weak traceability and transparency
- Strict end user requirements
- US ‘Conflict minerals’ Law
- Capacity building
- Complex social and political environments
iTSCI progress since 2011

- >200 mine sites covered in DRC
- >600 mine sites covered in Rwanda
- Over 100 member companies in 23 countries
- Expansion to now include Burundi
- Widespread recognition globally
- Enhanced transparency & traceability
A responsible upstream supply chain

- iTSCi Programme key reference is the OECD Annex II:
  - **No!** serious HR abuses by any actor
  - **No!** Direct or indirect support to non-state armed groups
  - Managed formal security forces
  - Managed bribery and fraud
  - Encouraging transparency of payments

- iTSCi is not only “bag’n’tag”

- iTSCi is:
  - Practical application of OECD guidance
  - On the ground, at local level
  - Through multi-partners, with joint responsibilities
### iTSCI and OECD upstream due diligence

| Policies, management, contracts, supplier engagement | Step 1: company activity  
Step 1: exporter tax records |
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<td>- By companies</td>
<td>AUDIT</td>
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| Traceability, chain of custody and data analysis | Step 1: mineral trade info  
Step 1: capacity building |
| --- | --- |
| - By Government agents, companies, iTSCI field agents and secretariat  
- Capacity building by US based NGO, Pact | AUDIT |

| On-the-ground assessment, monitoring, grievances | Step 1: grievance, local taxes  
Step 2: identify/assess risks  
Step 3: monitoring mitigation |
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<td>- By US based NGO, Pact and local partners, companies, Govt</td>
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<th>Risk management and stakeholder engagement</th>
<th>Step 3: risk mitigation, through stakeholder agreement</th>
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<td>- By Pact, local partners, iTSCI committee, companies, Govt</td>
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| Independent check, audit and grievances | Step 1: ownership, grievance  
Step 2: company/finance risks  
Step 4: independent audit |
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<td>- By independent evaluator Channel Research</td>
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<th>Due diligence reporting</th>
<th>Step 5: annual report</th>
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iTSCi Membership Programme & Funding

- **Upstream**
  - Exporters
  - Traders
  - Processors/Smelters

- **Downstream**
  - Electronics manufacturers

- **Funding**
  - Partial donor funding:
    - SA Development Bank (DBSA)
    - Dutch Ministry of Foreign Affairs
    - World Bank
  - Membership fee’s
  - Exporter levy (*main funding mechanism*)
The supply chain

OECD Due Diligence Guidance for Responsible Supply Chains (framework)

Mine → Processor → Exporter → Smelter → End user

- Bag and tag Data Management
- Risk Assessment
- Capacity building
- Audits

CFS → End user Audits
SEC → Reporting (Dodd-Frank Act)

ITSCI

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Selecting conflict-free mines

**BASELINE REPORTS:** mine location, owners, operators, production, civil society, trade routes, taxes and security

**OTHER INFORMATION:** Government validation reports, UN, civil society et c. Approved to RECEIVE TAGS
Supply chain data

MINE
- Date
- Time
- Mine name
- Mine location
- Tag number
- Miner / cooperative
- Weight
- Price
- Transport route
- Transport method
- Security
- Staff present

PROCESSOR
- Date
- Time
- Processor name
- Mine tag n°
- Processor tag n°
- Weight in
- Weight out
- Price
- Transport route
- Transport method
- Security
- Staff present

EXPORTER
- Date
- Time
- Exporter name
- Processor tag n°
- Supplier
- Weight in
- Weight out
- Export n°
- Price
- Transport route
- Transport method
- Security
- Staff present
INCIDENT REPORTS: Reports from field staff, or any other source. Record of plan and actions until closed/resolved.

PROJECT COMMITTEES: local stakeholders, or project Governance committee, to determine, agree and implement actions.
COMPANY AUDITS: Pre-audit on application for iTSCI membership. Regular audit visit and recommendations every 6 months.

GOVERNANCE ASSESSMENTS: 6 month visits to evaluate general implementation and make recommendations
Why the system works

- Simple
- Visible
- Designed to fit in with existing practices
- Sophisticated & secure data management
- Independent risk assessment & auditing
- Widespread acceptance
Conclusions

- Regulations on supply chain due diligence have brought both positive and negative impacts.

- Will take time and resources to bring traceability to all regions and countries covered by Dodd-Frank.

- Draft EU conflict minerals regulation likely to take many months to finalise.

- iTSCi continues to expand (North Kivu’s (DRC) and Burundi)

- International recognition for the iTSCi project continues to grow
THANK YOU

Further information can be found on the ITRI Sustainability webpages by visiting www.itri.co.uk

Or by contacting the staff involved:
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