



DRAFT DUE DILIGENCE GUIDANCE FOR RESPONSIBLE SUPPLY CHAINS OF MINERALS FROM CONFLICT-AFFECTED AND HIGH-RISK AREAS¹

INTRODUCTION

In conflict-affected and high-risk areas, mining and trade in minerals have the potential to generate income, growth and prosperity, sustain livelihoods and foster local development.

But, while operating in or sourcing from such areas, companies may face risks of being associated with serious adverse impacts, potentially leading to reputational damage or legal liability.

This guidance is intended to provide a framework and detailed due diligence recommendations for responsible global supply chain management of tin, tantalum, tungsten, their ores and mineral derivatives, [and gold] (hereinafter “supply chain of minerals”). The purpose of this guidance is to guide companies’ performance in the supply chain of minerals to identify and address risks of adverse impacts so that they do not fuel, facilitate or exacerbate conflict through their sourcing practices and successfully contribute to sustainable development. It further aims to provide a common reference for constructive engagement with suppliers and other stakeholders, as opposed to boycotts or hasty disengagement with associated potential harms, in order to effectively address the root causes of adverse impacts in the supply chain of minerals from conflict-affected and high-risk areas.

CONFLICT-AFFECTED AND HIGH RISK AREAS

Conflict-affected areas are identified by the presence of armed conflict, whether of international or non-international character. International conflicts involve two or more states, or may consist of wars of liberation, regardless of whether the parties involved recognize that there is a state of war. Non-international armed conflicts are those in which government forces are fighting against armed insurgents, rebel or other illegal armed groups or where such groups are fighting among themselves. Such areas are often characterized by insecurity, absence of rule of law and are often associated with serious adverse impacts on the affected population, such as displacement of people, widespread human rights abuses and violations of international humanitarian law.

High-risk areas are those in which political instability, institutional weakness, insecurity, the collapse of civil infrastructure and other factors render the situation likely to deteriorate or revert to conflict.

¹ The revised draft Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the Supplement on Tin, Tantalum and Tungsten are circulated as background documents for the Nairobi consultation. This guidance is the result of a wide and inclusive multi-stakeholder process held through the OECD-hosted working group on due diligence in the mining and minerals sector (www.oecd.org/daf/investment/mining). The guidance has not yet been approved by the OECD Investment Committee nor the Development Assistance Committee and does not necessarily reflect the views of the OECD and its member governments.

This guidance is the result of a collaborative initiative among governments, international organisations, industry and civil society to promote accountability and transparency in the supply chain of minerals from conflict-affected and high risk areas.

WHAT IS DUE DILIGENCE IN THE MINERAL SUPPLY CHAIN AND WHY IS IT NECESSARY?

Due diligence is the dynamic process whereby companies discharge their corporate responsibilities. Risk-based due diligence refers to the appropriate steps companies should take to identify and address risk in order to prevent or mitigate actual, potential or perceived adverse impacts associated with their operations.²

For the purposes of this guidance “risks” are defined in relation to the potentially adverse impacts of a company’s operations, which result from a company’s activities or its relationships with third parties.³ Adverse impacts may include harm to people (*i.e.* external impacts), or reputational damage or legal liability for the company (*i.e.* internal impacts), or both. Such internal and external impacts are often interdependent, with external harm coupled with reputational damage or exposure to legal liability.

A company detects risk by identifying the factual circumstances of its activities and relationships and evaluating those facts against relevant standards provided under national and international law, recommendations on responsible business conduct by international organisations, government-backed tools and private sector voluntary initiatives.

Companies face risks in their mineral supply chains because of circumstances of mineral extraction, trade or handling which *by their nature* have higher risks of adverse impacts, such as financing conflict or fuelling, facilitating or exacerbating conditions of conflict. In spite of a fragmented production process in the supply chain, and independent from their position or leverage over suppliers, companies are not insulated from the risk of being associated with adverse impacts occurring further layers down in the mineral supply chain. In such cases, companies are expected to make reasonable extra efforts through an enhanced process of due diligence to become aware of, prevent and address, as appropriate, risks of adverse impacts associated with the conditions of mineral extraction and the relationships of suppliers and sub-suppliers operating in conflict-affected or high risk areas.

THE MINERAL SUPPLY CHAIN

The process of bringing a raw mineral to the consumer market involves multiple actors and generally includes the extraction, transport, handling, trading, processing, smelting, manufacturing and sale of end product. The term supply chain refers to the system of all the activities, organizations, actors, technology, information, resources and services involved in moving the mineral from the extraction site downstream to its incorporation in the final product for end consumers.

² OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones, (OECD, 2006) and Report of the UNSGSR “Protect, Respect and Remedy: a Framework for Business and Human Rights”, A/HRC/8/5 (7 April 2008).

³ See para. 72 of the Report of the UNSGSR “Protect, Respect and Remedy: a Framework for Business and Human Rights”, A/HRC/8/5 (7 April 2008).

This guidance is structured around the procedural steps that companies should take to:

- (i) Identify the factual circumstances that companies should consider while extracting, trading, handling, refining, manufacturing or selling products that contain minerals originating from conflict-affected and high-risk areas;
- (ii) Identify actual, potential or perceived risks by assessing the factual circumstances against the model supply chain policy;
- (iii) Address identified risk by devising sound risk management and mitigation strategies, which may result in a decision to continue trade throughout the course of risk mitigation efforts, temporarily suspend trade while pursuing ongoing risk mitigation, or disengage with a supplier after failed attempts at mitigation or in cases where mitigation appears not feasible or unacceptable.

Recognising the practical challenges of operating in or sourcing from conflict-affected and high risk areas, this guidance calls on companies, including through industry-wide initiatives or associations and in cooperation with other stakeholders, as appropriate, to take positive verifiable steps, taking into account the local conditions, to improve sourcing practices within reasonable timescales.

Small and medium enterprises involved in the supply chain of minerals are encouraged to participate in emerging industry-driven initiatives on responsible supply chain management, coordinate with competitors with whom they share suppliers or with upstream and downstream companies with whom they work or build partnerships with international and civil society organisations, to ensure cooperation and information sharing, cost-effective practical solutions, capability-building and progressive improvement with a view to gradually fulfilling the recommendations in this guidance. At a minimum, small and medium-sized enterprises are expected to disclose downstream the information outlined in the guidance.

WHO SHOULD CARRY OUT DUE DILIGENCE?

This guidance applies, as appropriate, to companies, at any point in the mineral supply chain, that potentially supply or use tin, tantalum, tungsten [and gold] and their ores or smelted metal derivatives (hereafter “minerals”), from conflict-affected or high-risk areas.

It is recommended that companies in the supply chain of minerals integrate the supply chain model policy and the specific due diligence recommendations tailored for the tin-tantalum-tungsten [and gold] supply chain into existing management systems. As long as company’s processes meet the recommended due diligence requirements, the guidance would not create any additional burden. This guidance is also intended to complement emerging industry-wide supply chain initiatives to encompass conflict-sensitive responsible sourcing practices and assist the development and implementation of comprehensive certification schemes, the implementation of which requires the performance of due diligence.⁴

⁴ See An ICGLR-Based Tracking and Certification System for Minerals from the Great Lakes Region of Central Africa, Shawn Blore and Ian Smillie (Partnership Africa Canada, March 2010); Certified Trading Chains in Mineral Production: Project Outline and Status, German Federal Institute for Geosciences and Natural Resources (BGR, November 2009); ITRI Supply Chain Initiative (iTSCi), (ITRI, June 2009); Smelter Validation Scheme, Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI); Conflict Standard and Chain of Custody Standard, World

STRUCTURE OF THE GUIDANCE

This guidance provides 1) an overarching due diligence framework (*see* Annex I); 2) a model mineral supply chain policy providing for a common set of principles (*see* Annex II); 3) principled mitigation and indicators for improvement to be implemented by upstream companies with the possible support of downstream companies (*see* Annex III); and 4) two Supplements on tin-tantalum-tungsten [and gold] tailored to the challenges associated with the structure of the supply chain of these minerals. The Supplements contain specific due diligence recommendations articulated on the basis of companies' different position, role and leverage in the supply chain. Companies using these minerals, or their refined metal derivatives, are expected to consult the red flags listed in the introduction of each Supplement to determine if they should carry out the processes described therein.

This guidance provides 1) an overarching due diligence framework; 2) a model mineral supply chain policy providing for a common set of principles in Annex I; 3) principled mitigation and indicators for improvement to be implemented by upstream companies with the possible support of downstream companies; and 4) two supplements on tin-tantalum-tungsten [and gold] tailored to the challenges associated with the structure of the supply chain of these minerals. The supplements contain specific due diligence recommendations articulated on the basis of companies' different position, role and leverage in the supply chain. Companies using these minerals, or their refined metal derivatives, are expected to consult the red flags listed in the introduction of each supplement to determine if they should carry out the processes described therein.

NATURE OF THE GUIDANCE

This guidance builds on and is consistent with the principles and standards contained in the OECD Guidelines on 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 international standards. Observance of the recommendations contained in this guidance is voluntary and not legally enforceable.]

Gold Council (2010); and Chain of Custody in the Diamond and Gold Jewellery Supply Chain, Responsible Jewellery Council (2010).

ANNEX I

5-STEP FRAMEWORK FOR RISK-BASED DUE DILIGENCE IN THE MINERALS SUPPLY CHAIN

While specific due diligence requirements and processes will differ depending on the mineral and the position of the company in the supply chain (as detailed in the minerals Supplements), companies are expected to integrate into their management systems the following 5-step framework for risk-based due diligence for responsible supply chains of minerals from conflict-affected and high risk:

1. ***Establish strong company management systems.*** Companies should:
 - A. Commit, publicly disseminate and clearly communicate to suppliers the model supply chain policy for minerals originating from conflict-affected and high-risk areas provided under Annex II and incorporate it into contracts with suppliers.
 - B. Structure internal management systems to support supply chain due diligence.
 - C. Establish a system of controls and transparency over the mineral supply chain, either through the establishment of a chain of custody or traceability system or by identifying upstream actors in the supply chain as appropriate.
 - D. Strengthen company engagement with suppliers, as appropriate, to assist them in building capacities with a view to improving performance in the supply chain.
 - E. Establish, where feasible, a company level grievance mechanism as an early-warning risk-awareness system.
2. ***Identify and assess risk in the supply chain.*** According to their position in the supply chain, companies should, including through collaborative industry-wide initiatives designed to generate and share the relevant information:
 - A. Map the risks of their supply chain back to focal points as identified in the two minerals Supplements.
 - B. Assess risk by evaluating them against the model supply chain policy on minerals from conflict-affected and high-risk areas in Annex II.
3. ***Design and implement a strategy to respond to identified risks.*** According to their position in the supply chain, companies should, on the basis of the information which may be generated through industry collaborative initiatives or partnerships with home and/or host governments, international organizations and civil organizations tracking relevant data:
 - A. Report findings of supply chain risk assessment to senior management.
 - B. Devise and implement a strategy for risk management by either **(i)** continuing trade throughout the course of measurable risk mitigation efforts; **(ii)** temporarily suspending trade while pursuing ongoing measurable risk mitigation; or **(iii)** disengaging with a supplier after failed attempts at mitigation or in cases where risk mitigation appears not feasible or unacceptable. To determine the correct strategy, companies are invited to

review Annex II (*Model Supply Chain Policy for Responsible Global Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*) and consider their ability to influence, and where necessary take steps to build leverage, over suppliers who can most effectively address the identified risk. Companies may draw on the principles and indicators under Annex III to design conflict and high-risk sensitive mitigation plans tailored to their specific circumstances and measure progressive improvement.

- C. Monitor the implementation of risk management plan and track performance of risk mitigation efforts, preferably in collaboration with host countries government authorities and/or in partnership with international organisations or civil society organisations.
 - D. Undertake additional fact and risk assessments for risks requiring mitigation, or after a change of circumstances.
4. ***Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain.*** Companies at identified points in the supply chain should have their due diligence practices audited by third independent parties. Such audits may be carried out through an institutionalized mechanism.
5. ***Report on supply chain due diligence:*** Companies should report on their supply chain due diligence policies and practices by expanding the scope of their sustainability, corporate social responsibility or annual reports to cover, as appropriate, additional information on minerals supply chain due diligence.

ANNEX II

MODEL SUPPLY CHAIN POLICY FOR RESPONSIBLE GLOBAL SUPPLY CHAINS OF MINERALS FROM CONFLICT-AFFECTED AND HIGH-RISK AREAS⁵

Recognizing that risks of serious adverse impacts may be associated with extracting, trading, handling and export minerals from conflict-affected and high-risk areas, we commit to respect, widely disseminate and incorporate in contracts with suppliers the following policy on responsible sourcing of minerals from conflict-affected and high risk areas, as representing a common reference for conflict-sensitive sourcing practices and suppliers' value orientation from the point of extraction until end user.

Regarding intolerable abuses in the extraction, transport or trade of minerals:

1. While sourcing from conflict-affected and high-risk areas, we will not tolerate or, where operating in the area, by any means assist with or facilitate, the commission by any third parties of:
 - i. any forms of torture, cruel, inhuman and degrading treatment exacted for the purposes of mineral extraction, transport or trade;
 - ii. any forms of forced or compulsory labour exacted from any person under the threat of violence or other penalty, and for which the person has not voluntarily offered, to mine, transport, trade or sell minerals;
 - iii. the worst forms of child labour including physical and mental violence, or work which is likely to harm the health, safety or morals of children under the age of 18 years, for the purposes of mineral extraction, transport or trade.
 - iv. other gross human rights violations such as widespread sexual violence on mine sites or in the course of mineral extraction, transport or trade.
 - v. serious violations of international humanitarian law for the purposes of mineral extraction, transport or trade.

Regarding illegal armed groups:

2. We will not tolerate any direct or indirect support to illegal armed groups through the extraction, transport, trade, handling or export of minerals. "Direct or indirect support" to illegal armed groups through the extraction, transport, trade, handling or export of minerals means supplying minerals from, or otherwise providing logistical assistance or equipment to, illegal armed groups or their affiliates who⁶:

⁵ This *Model Supply Chain Policy for Responsible Global Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* is intended to provide a common reference for all actors throughout the entire mineral supply chain. Companies are encouraged to incorporate the model policy into their existing policies on corporate social responsibility, sustainability, or other alternative equivalent.

⁶ "Affiliates" includes négociants, consolidators, intermediaries, and others in the supply chain that work directly with armed groups to facilitate the extraction, trade or handing of minerals.

- i. physically control the mines of origin; and/or
- ii. make recourse to any forms of forced or compulsory labour exacted from any person under the threat of violence or other penalty, and for which the person has not voluntarily offered, to mine, transport, trade or sell minerals;
- iii. illegally tax or extort⁷ money or minerals in return for granting access to exploit the mine site or trade routes, or transporting or purchasing minerals; and/or
- iv. Illegally tax, extort or control⁸ intermediaries, export companies or international traders;

Regarding risk management of intolerable abuses and illegal armed groups

3. We will manage risks of being associated with activities of illegal armed groups or third parties committing intolerable abuses by immediately suspending or discontinuing engagement with upstream suppliers sourcing from, or linked to, illegal armed groups or third parties committing intolerable abuses.

Regarding Public or Private Security Forces:

4. We will support host governments and international organisations' efforts to ensure that the military forces at the mine sites and/or surrounding areas and/or along trade routes are present for the sole purpose of maintaining the rule of law, providing security to mine workers, equipment and facilities, and protecting the mine site or trade routes from interference with legitimate extraction and trade.
5. We will support efforts, or take steps as appropriate, to engage with central and local host government authorities to ensure that the type and number of military forces deployed is appropriate and proportional to the threat.
6. We will support efforts, or take steps, as appropriate, to engage with central or local host government authorities, international organizations and civil society organizations 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.
7. We will support efforts or take steps, as appropriate, to engage with local authorities, international organizations and civil society organizations 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.
8. Where public or private security forces are contracted by upstream companies, we will support or take steps, as appropriate, to adopt screening policies to ensure that individuals or units of

⁷ "Extort" from mines, trade routes 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 in return for granting access to exploit the mine site, access trade routes, or to transport, purchase, or sell minerals.

⁸ "Control" of mines, trade routes and upstream companies means (i) overseeing extraction, including by granting access to mine sites, and coordinating downstream sales to intermediaries, export companies or international traders; or (ii) acting as a director or officer of, or holding beneficial ownership interests in, upstream companies.

security forces that are known to have been responsible for gross human rights abuses will not be hired. We will take all appropriate measures, reflecting good practice embodied in the Voluntary Principles on Security and Human Rights, to avoid or adequately address any adverse impact.

Regarding bribery and fraudulent misrepresentation of the origin of minerals:

9. We will refrain from offering and resist the solicitation of bribes to conceal or disguise the illicit origin of minerals, to misrepresent taxes, fees and royalties paid to governments for the purposes of mineral extraction, trade, handling, transport and export.

Regarding money laundering

10. We will take steps to contribute to the elimination 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 mine sites, along trade routes or at upstream companies.

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

11. We will ensure that all taxes, fees, and royalties are paid to governments for the purposes of mineral extraction, trade, handling, transport and export from conflict-affected and high-risk areas and, in accordance with the company's position in the supply chain, we will support efforts or take steps, as appropriate, to disclose such payments in accordance with the principles set forth under the Extractive Industry Transparency Initiative (EITI).

Regarding risk management of 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

12. Depending on the specific position of the company in the supply chain and its ability to exercise influence over suppliers, we commit to engage with suppliers, central or local governmental authorities, international organizations, civil society and affected third parties, as appropriate, to improve and track performance with a view to minimizing risks of adverse impacts through measureable steps taken in reasonable timescales. We will consider suspending or discontinuing engagement with a supplier after failed attempts at mitigation.

Annex III

RECOMMENDED PRINCIPLES FOR RISK MITIGATION AND INDICATORS FOR MEASURING IMPROVEMENT

SUPPLY CHAIN POLICY – SECURITY AND RELATED ISSUES.

RISK MITIGATION:

Upstream companies proactively coordinate efforts through associations, joint assessment teams or other suitable means to undertake the following activities:

- alert relevant central government authority (e.g. Ministry of Defence) and military commander of abusive and exploitative practices occurring in the upstream supply chain;
- in areas in which minerals are illegal taxed or extorted, take immediate steps to ensure that upstream intermediaries and consolidators disclose downstream or publicly the payments made to military 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, through training and value orientation;
- while sourcing from areas of artisanal and small-scale mining (“ASM”), support the formalization of security arrangements through the negotiation of transparent security arrangements between ASM communities, local government, and public security forces, in cooperation with civil society and international organizations, to ensure that all payments are freely made and proportionate to the service provided, clarify rules of engagement based on the Voluntary Principles on Security and Human Rights and support the establishment of community forums to share and communicate information.
- support the establishment of a trust or other similar fund through which security forces are paid for services, to be administered jointly by ASM associations and local government.
- build partnership with international organizations or civil society organization 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.

For further guidance, see Multilateral Investment Guarantee Agency, *The Voluntary Principles on Security and Human Rights: An Implementation Toolkit for Major Sites* (2008) and International Committee of the Red Cross – Training Resources for armed police and security personnel.

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 organization’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, see Global Reporting Initiative, Sustainability Reporting Guidelines & Mining and Metals Sector Supplement (Version 3.0).

With regard to minerals originating from mines or transported along trade routes where security forces are present, *the percentage of minerals purchased where payments to security forces are disclosed; the nature and type of arrangements on payments for public security.*

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

RISK MITIGATION:

When sourcing from areas of artisanal mining, upstream companies proactively coordinate efforts 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", which lists the following analogous opportunities for large-scale 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, organizational 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 commercialization, 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."

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, see Global Reporting Initiative, Sustainability Reporting Guidelines & Mining and Metals Sector Supplement (Version 3.0).

SUPPLY CHAIN POLICY – BRIBERY AND FRAUDULENT MISREPRESENTATION OF MINERALS ORIGIN

RISK MITIGATION: Upstream companies 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 guidance. For example, indicators may include *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 - MONEY LAUNDERING

RISK MITIGATION

Upstream companies proactively coordinate efforts 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;
- report suspicious behaviour of criminal activity to local, national, regional and international law enforcement agencies; identify and verify the identity of all suppliers, business partners and customers.

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 guidance. 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 Upstream companies cooperate through associations, assessment teams or other suitable means to undertake the following activities:

- support the implementation of the Extractive Industry Transparency 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, handling, transport 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.

For a guide on how business can support EITI, see <http://eiti.org/document/businessguide>.

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 Guidelines & Mining and Metals Sector Supplement (Version 3.0).