

Responsible sourcing of minerals

Content

This document presents an indicator that was under consideration for being included in the 2018 Raw Materials Scoreboard, but which was set aside for the moment mostly due to the current limitations of the data.

Why considering this topic?

- **Relevance:** Responsible sourcing is a management approach for companies willing to select their suppliers based on ethical principles, among other criteria (like prices, etc.).

Electronic products, cars or jewellery contain minerals such as tin, tantalum, tungsten and gold (commonly known as 3TG), whose extraction is often carried out in conflicts areas. In the EU, the new Conflict Minerals Regulation¹ aiming to stop trade of 3TGs from conflict-affected and high-risk areas was adopted in 2017 and will come into force in 2021. The regulation draws on the “Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas”², a document issued by the Organisation for Economic Co-operation and Development (OECD) in 2011 to help companies to source minerals responsibly.

- **Indicator:** Many international initiatives are in place in order to certify and support companies in implementing responsible sourcing of 3TG³. The nature of this certification is voluntary-based.

An indicator that measures the commitment of the industry to responsible sourcing of 3TG is proposed here. The indicator shows the number of companies compliant with the standards set by selected responsible sourcing initiatives against the total number of companies in the sector.

- **Data source:** Some of the responsible sourcing initiatives provide publicly available data on companies’ participation: the Responsible Minerals Initiative (formerly known as Conflict-Free Smelter Program) for sourcing of 3TG-tantalum, tin, tungsten and gold, and the

¹ Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas. 2017.

² The OECD Due Diligence Guidance in minerals supply chain is a part of the sectors covered by the OECD Guidelines for Multinational Enterprises (MNE). The OECD Guidelines for MNE provide voluntary principles and standards for responsible business conduct. These Guidelines are the first international instrument to integrate the corporate responsibility to respect human rights as set out in the UN’s Guiding Principles on Business and Human Rights.

³ Initiatives or certification programs addressing responsible sourcing of other minerals other than 3TG also are also under development, for example for sourcing of cobalt, a critical raw material that has an increasing importance in lithium battery technologies. Responsible Minerals Initiative reported concerns over unsafe working conditions and child labour in artisanal cobalt mining in Democratic Republic of Congo (DRC). RMI, with the participation of companies and various actors in the supply chain of cobalt is currently working on a due-diligence supply chain for cobalt. So far, 18 cobalt refiners, including refiners from the EU-28, are listed as actively involved in the program.

Responsible Gold Initiative by the London Bullion Market Association (LBMA) for the sourcing of gold traded in LBMA. Both initiatives draw a framework based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

- **Limitations:** Data on conformant companies and total number of companies are from two different sources that may not be fully comparable⁴. Moreover, data refers to few years only, due to the recent set up of the initiatives, no time series are available. Collecting accurate counts of smelters is challenged by the difficulty in tracing the origin of minerals coming from artisanal miners and by confidentiality issues. Considering the complex nature of supply chains and the data limitations, the indicator can be considered a proxy.

Key points

- EU 3TG smelters and refiners show high levels of participation in responsible sourcing initiatives, as more than half of the EU smelters and refiners are compliant to the responsible sourcing initiatives standard.
- The participation of the EU-based 3TG smelters and refiners in responsible sourcing initiatives shows a high awareness of the EU upstream industry of due diligence for responsible supply chains.

Facts and figures

- Figure 1 presents the number of 3TG smelters and refiners that are conformant with the Responsible Minerals Assurance Process assessment protocols and the number of LBMA-accredited gold refiners, compared to the total number of 3TG smelters and refiners in each world region, including EU-28.
- Despite the fact that the EU conflict minerals Regulation has not yet come into force, a high participation of EU-28-based 3TG smelters and refiners in the two responsible sourcing initiatives can be observed.
- Figure 1 also shows that most of the 3TG smelters and refiners worldwide are located in Asia, with a moderate number of participants of responsible sourcing initiatives.

⁴ See methodological notes.

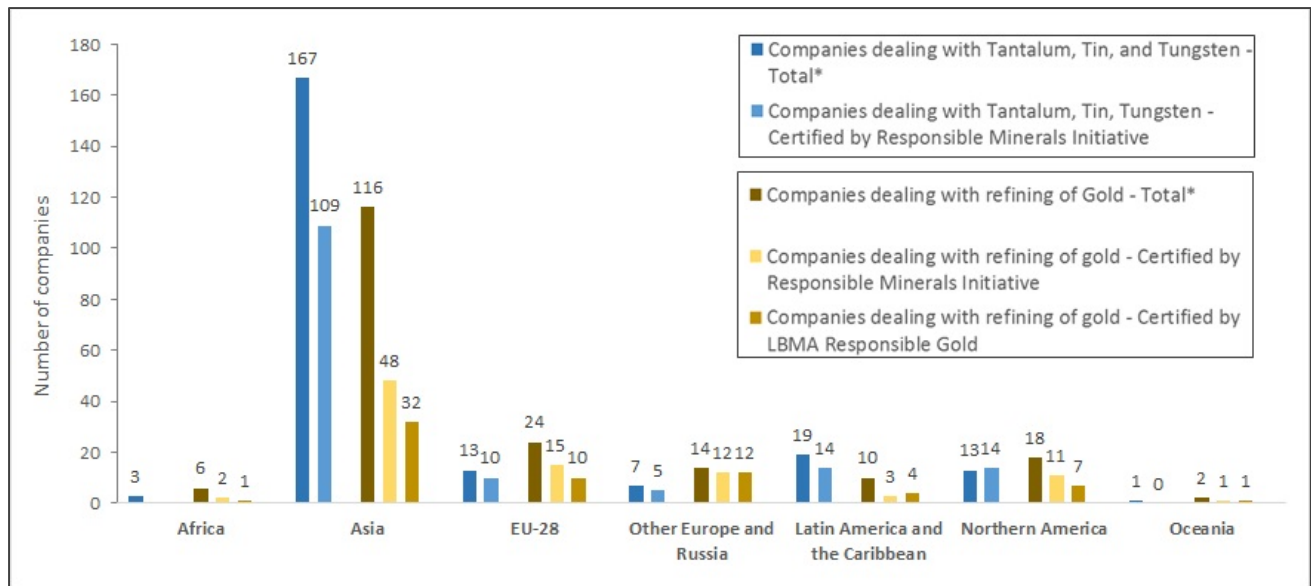


Figure 1. Number of Responsible Minerals Initiative (RMI)-conformant smelters and refiners and LBMA Responsible Gold-conformant refiners by world region.

Methodological notes

- **Name of indicator:** Participation of (EU-28) 3TG smelters/refiners in responsible sourcing initiatives
- **Organization (data provider):** Responsible Minerals Initiative and International Trade Administration.
- **Website (URL):**
 1. Responsible Minerals Initiative; providing the list of conformant smelters and refiners of 3TG: <http://www.responsiblemineralsinitiative.org/conformant-smelter-refiner-lists/> (retrieved in March 2017)
 2. Responsible Minerals Initiative, providing the list of LBMA accredited gold refiners: <http://www.responsiblemineralsinitiative.org/conformant-smelter-refiner-lists/> (retrieved in November 2017)
 3. Data on 3TG smelters and refiners per world region: <https://www.trade.gov/industry/materials/metal.asp>
- **Definition, description of data:**
 1. Number of smelters and refiners of 3TG (Tantalum, Tin, Tungsten, and Gold) that are conformant with the Responsible Minerals Assurance Process assessment protocols, audited between 2013 and 2016, by world region. The Responsible Minerals Initiative is an initiative addressing responsible mineral sourcing issues in the supply chains focusing on smelters and refiners of minerals. It has an assurance process with independent third party audit to determine which smelters and refiners can be verified as having systems in place to responsibly source minerals.
 2. Number of companies that are accredited by the London Bullion Market Association (LBMA) Responsible Gold by world region. LBMA Responsible Gold is a mandatory framework set by the LBMA for all refiners wishing to sell gold into the London Bullion Market. The framework is intended to assure investors and consumers that all London gold stocks are conflict-free. The number of companies compliant with the LBMA responsible gold standard was retrieved from the Responsible Minerals Initiative website.
 3. Number of 3TG smelters and refiners per world region from the list of 3TG smelters published by the International Trade Administration (ITA) (2016). It includes data from the following sources: US Government Accountability Office, London Bullion Market Association, Electronic Industry Citizenship Coalition (EICC) and the related Global e-Sustainability Initiative (GeSI), Dubai Multi Commodities Center (DMCC) and World Gold Council (WGC).
- **Update frequency:** The list of conformant 3TG smelters/refiners is updated periodically in the website of RMI. The list of 3TG smelters and refiners by ITA is updated annually.

- **Data format:**
 1. The list of conformant RMI and LBMA 3TG smelters/refiners is available online in XML format
 2. The list of 3TG smelters and refiners is available online in PDF format
- **Geographic coverage:** World regions where the smelters and refiners are located include: Africa (Burundi, Congo-Kinshasa, South Africa, Sudan, and Rwanda); Asia (China, Hong Kong, India, Indonesia, Iran, Japan, Kazakhstan, Kyrgyzstan, Malaysia, Oman, Philippines, Saudi Arabia, Singapore, South Korea, Thailand, Turkey, United Arab Emirates, Uzbekistan, and Vietnam); EU-28 (Austria, Belgium, Czech Republic, Estonia, Finland, Germany, Italy, Netherlands, Poland, Spain, Sweden and the United Kingdom); Europe- non EU-28 (Russia, Switzerland and Macedonia); Latin America and the Caribbean (Bolivia, Brazil, Chile, Mexico, Peru); North America (Canada and the United States); Oceania (Australia and New Zealand).
- **JRC processing methodology for the indicator:** Data on companies (smelters and refiners) that are conformant with the Responsible Minerals Assurance Process assessment protocols and companies that are accredited by the London Bullion Market Association (LBMA) Responsible Gold were extracted from the Responsible Minerals Initiative (RMI) online database. In order to have a sound comparison between the number of conformant companies and the total number of companies in the sector, when a conformant company was not in the list of global 3TG smelters and refiners provided by ITA, the company was added to the total number (count) of 3TG smelters and refiners.