July 2018

Dear David Weight,

**The Cobalt Industry Risk Assessment Framework, CIRAF: A joint NGO statement**

We are a group of non-governmental organisations with a focus on business and human rights, and specifically the impact of the mining industry. Members of our group formed the first OECD working group on responsible mineral supply chains and were members of the tripartite drafting committee of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) and its gold and tin, tantalum and tungsten supplements. We have also helped frame the OECD Guidelines for Multinational Enterprises and have filed complaints on non-compliance.

We are writing with respect to the proposed Cobalt Industry Risk Assessment Framework (CIRAF), on the understanding that there is not going to be a formal public consultation.

Given the influence of Cobalt Institute (CI) members within the cobalt market, and the continued documentation of abuses and other supply chain red-flags within cobalt supply chains, we write to ensure that the CIRAF adopts all elements of the UN Guiding Principles on Business and Human Rights (UNGPs) - as operationalised in the mining sector by the OECD Guidance. This is the established international standard for responsible business conduct throughout globalised supply chains.

Failure to adopt this standard, in full, will prevent CIRAF from being effective in identifying, preventing and addressing human rights risks and abuses in the cobalt supply chain, which will severely undermine its credibility. The impact of industrial and artisanal cobalt extraction and trading on the human rights and livelihoods of thousands of miners and their communities has been identified and is well-documented.

As members of this group have said elsewhere over five years, industry schemes like CIRAF can provide useful information and resources to companies in support of their individual due diligence efforts. At the heart of the UNGPs, however, is the fundamental principle of individual corporate responsibility. Companies are individually responsible for the impact of their business activities. The responsibility for due diligence cannot be outsourced to third parties. The OECD’s “Alignment Assessment” of five prominent industry schemes, published this April,
makes this principle and the limitations of industry schemes abundantly clear. We urge the Cobalt Institute to take the learnings of the Alignment Assessment into account to ensure the credibility and effectiveness of its own scheme.

The CIRAF initiative is right to suggest that it can enable member companies to “conduct enhanced risk management in line with industry good practice and global standards focused on the responsible sourcing of minerals”. However, it must be made clear to members from the outset that the CIRAF is a tool to enable them to carry out due diligence in line with international standards and not a substitute for those efforts. Due diligence is not a “tick-box”, one-time exercise in risk-management. To be effective in changing supply chain behaviour for the better it must be continuous, detailed, transparent and subject to external scrutiny.

Cobalt mining and trading companies have been linked to wide-ranging and egregious abuses in recent years (please see pertinent case studies in the supplementary document). CI member companies must take meaningful action to better look for and address risks and abuses associated with the sector and publicly demonstrate they are doing so. CIRAF could be a useful supplementary tool to facilitate this.

Initial reports of the draft scheme indicate that CIRAF is likely to include a broad range of risks including those included in ‘Annex 2, Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas’ of the OECD Guidance.

This is encouraging and if properly implemented would support robust and thorough supply chain due diligence by companies. The OECD standard is clear that companies must review their supply chains for human rights risks and abuses as well as social and environmental harms, then mitigate these risks and remediate any abuses identified at any point in their supply chains. This must go hand-in-hand with full disclosure to allow independent scrutiny or adjudication where necessary.

In order to ensure that CIRAF and other new supply chain initiatives uphold the established international standard for responsible mineral sourcing, it is critical that the following minimum standards, based on the UNGPs, OECD Guidance, Alignment Assessment and the OECD Guidelines for Multinational Enterprises, are incorporated into CIRAF.

Our recommendations are as follows:

- Ensure individual company responsibility for identifying and managing human rights risks in their supply chain, and publicly reporting on their efforts to do so against the risk framework. Companies cannot outsource their individual responsibility by relying on CI’s efforts. Whilst CI’s provision of support and good practice guidance for companies can be valuable, individual companies themselves must ensure compliance with international due diligence and responsible sourcing standards and demonstrate publicly their compliance through full disclosure of the risks in their supply chain, and what they are doing about them.

- Check for the full range of risks and abuses as part of supply chain due diligence, according to Annex 2 of the OECD Guidance. This includes, but is not limited to, the worst forms of child labour and dangerous and hazardous working conditions for adults, who suffer abuses to their right to health and negative impacts on their right to
livelihoods. Supply chain checks must also include corruption risks given its prevalence in the formal mining sector.³

- **Mitigate the full range of risks** as per Annex 2 of the OECD Guidance, including elements to manage the significant corruption risks in cobalt supply chains. For example, transparency of contractual and financial information should be introduced to reduce corruption risk. Based on extensive detailed research on corruption risks in the Congolese mining sector, we recommend companies and/or governments publish fully the following:
  - Details of competitive tendering processes
  - All contracts
  - Beneficial owners of all partner companies, contractors and subsidiaries
  - Payments made to governments and state bodies (including state-owned enterprises), on a project-by-project basis, including both amounts and recipients.

- **Address any human rights abuses** that companies identify as occurring at any point in their supply chains and publicly report on the steps they have taken. If human rights abuses have occurred at any point in the supply chain, a company must, in cooperation with other relevant actors, such as its suppliers and national authorities, take action to mitigate these risks and remediate the harm suffered by the people affected. Even if a company terminates a relationship with a supplier where human rights abuses have occurred, it continues to have a responsibility to take corrective measures where it has benefited from adults and children who have suffered human rights abuse in the past.

- **Reinforce the right to an effective remedy.** Where human rights abuses have occurred, all victims of human rights abuse have the right to an effective remedy. This right is well established in international law. Remedy can take the form of restitution, compensation, and guarantees of non-repetition. The right to remedy contains substantive and procedural elements and requires that victims be provided with:
  - Equal and effective access to justice
  - Adequate, effective and prompt reparation for harm suffered
  - Access to relevant information concerning the harm and avenues for redress.

Companies must remediate any adverse human rights impacts they cause or to which they contribute. For abuses by actors in a company’s supply chain, and/or where adequate remediation depends necessarily on State action, companies, in accordance with the UNGPs, should use their leverage to press for effective State remedy and collaborate with official processes.

A company’s own grievance mechanism should never be a substitute for official adjudication processes in cases which involve a breach of national or international law. There should be adjudication that is at arms-length from the company concerned where grievances cannot be resolved through dialogue, and/or in cases of the most serious abuses. Where grievances are handled within a company’s operational grievance mechanism, such a mechanism must be legitimate, transparent, and rights-compatible.
• In line with the “know and show” element of the UN Guiding Principles and step 5 of the OECD Guidance, companies should **publicly report** on the individual due diligence efforts. Sharing information about risks, abuses and mitigation is how the supply chain can collectively take ownership of, and address, risks in order to drive improvement. It also allows stakeholders to monitor and assess companies’ practice. Association with the CIRAF scheme alone cannot be used as evidence of responsible practice. Companies must demonstrate their responsible sourcing practice through publication of internal systems established, granular information on specific harms and risks identified, and efforts made to mitigate and remediate the specific harms and risks identified. Similarly, it is imperative that CIRAF does not aggregate risk reporting before publication.

• Implementing companies should demonstrate compliance with the CIRAF standard, and enhance the credibility of those efforts through **independent, third party assessment** at comparable points in the supply chain to where audits are required within the OECD Guidance. Relying on self-assessment for verification of company practice against the OECD standard will not fulfil international due diligence obligations. Similarly, self-assessments undertaken by the CI of its own members will not be sufficient to demonstrate **individual company** efforts to meet the OECD standard. As was recently concluded in the Alignment Assessment, industry schemes are not established to police the due diligence of each of their members, and are also not effective in doing so. Especially given the gravity of allegations put against CI member companies in the past, reliance on CIRAF verification alone will not be seen as credible and would jeopardise the integrity of the scheme.

• **Third party assessments or audits should not be seen as the main goal of CIRAF.** Similarly, the development of any kind of certification model around CIRAF should be avoided. Members should not be divided into static, binary categories such as “compliant” and “non-compliant”. Instead members should be encouraged to gather more and better information about supply chain risks and abuses, to respond to these as outlined in this letter and to publicly report on progress. Public reporting of this nature enables the full resources of the supply chain to be brought to bear on challenges and problems.

• **Use the OECD Alignment Assessment**, including the governance component, to ensure CIRAF is genuinely aligned with the OECD Guidance.

• **Avoid requiring binary statements**, like “child labour free” or “conflict free”. Supply chains are dynamic, particularly in high-risk locations. Consequently, even the most well-managed supply chains are vulnerable to the possibility of contributing to human rights abuses or corruption. The responsible sourcing practices of CIRAF members should not turn on a passive label. Rather, companies must evidence how they are actively checking their supply chains on an ongoing basis to look for risks and abuses, and when necessary, taking measures to address these problems. Requiring binary statements can also encourage companies to actively avoid “high-risk” supply chains, which can in turn negatively impact local economies and the miners and communities
that rely on trade in those areas. Companies should not seek to impose de facto boycotts on specific minerals from specific areas, but rather address risks where they arise.

- **Encourage, not discourage, responsible sourcing from high-risk areas and artisanal and small-scale mining (ASM).** ASM producers and exporters from high-risk areas are taking decisive steps to act in accordance with the OECD Guidance. International standards, and the OECD Guidance in particular, encourages progressive engagement with ASM producers. CIRAF should pro-actively encourage member companies to source from ASM producers that take progressive steps to implement the OECD Guidance.

- **Ensure market distortions caused by industry schemes do not harm ASM,** but generate information needed to ensure that workers involved in ASM get a fair share of profits generated from the trade and their conditions of work are improved.

Overall, CIRAF must take note of critical lessons learned by other responsible sourcing endeavours to date. For example, wholesale private sector withdrawal or disengagement with a sourcing area or production type, triggered simply by added scrutiny, may have a significant impact on livelihoods, and so may be irresponsible in itself. New market distortions can also marginalise or erode the bargaining power of the most vulnerable members of mineral supply chains, in particular artisanal mining communities. Companies, especially those who have profited from supply chains for some time, have a duty to mitigate and manage these risks, where possible. The business decisions made by CI members have, and will, affect the livelihoods of the thousands of miners and their communities. CI members must not overlook the full range of impacts their sourcing decisions can have, and it is critical that new market interventions do not further entrench the vulnerability of artisanal miners. The CI must therefore ensure it encourages companies first and foremost to engage responsibly and transparently, creating supply chains that are resilient to the risks found in areas affected by corruption, conflict, or instability.

We would be grateful to better understand how the elements listed above can be integrated into the evolving CIRAF scheme in order to ensure the framework aligns with international best practice and will be most effective for both implementing companies and communities impacted by cobalt mining.

**Signatories:**

Afrewatch  
Amnesty International  
Enough Project  
Global Witness  
IMPACT  
Observatoire Gouvernance et Paix  
Rights and Accountability in Development  
Save Act Mine
Case studies

The following case studies profile some of the risks identified in mineral supply chains closely or directly linked to cobalt. In the context of CIRAF, they demonstrate the need for: supply chain due diligence; implementing companies to check for risks and abuses in line with Annex 2 of the OECD Guidance, as a minimum requirement; and responsible and appropriate responses that are publicly reported by each supply chain member to ensure effective action is taken where supply chain red flags arise.

Worst forms of child labour and other abuses in the Democratic Republic of Congo

In January 2016, Amnesty International published their report *This is What We Die For: Human Rights Abuses in the Democratic Republic of the Congo Power the Global Trade in Cobalt*, which exposed how major electronics brands were failing to do basic checks to ensure that cobalt mined by children and adults working in hazardous conditions had not been used in their products. The report traced the cobalt from the artisanal mines of the southern DRC to end-user companies in the supply chain.

Amnesty International researchers found that the vast majority of miners spend long hours every day working with cobalt in unsupported hand-dug tunnels without the most basic of protective equipment, such as gloves, work clothes or facemasks to protect them from lung or skin disease. These miners face the risk of long-term health damage and a high risk of fatal accidents.

Amnesty International also found that children as young as seven were working in the artisanal mines, where they scavenged for rocks containing cobalt in the discarded by-products of industrial mines, before washing and sorting the ore to sell. Children told Amnesty International they worked for up to 12 hours a day in the mines, carrying heavy loads to earn between one and two dollars a day. The dangers to the health and well-being of children make mining one of the worst forms of child labour. Several children also said that they had been beaten, or seen other children beaten, by security guards employed by mining companies when they trespassed on those companies’ mining concessions.

The organization traced the cobalt from these artisanal mines to a Chinese processing company called Huayou Cobalt, whose products then ended up in the batteries used to power electronics and electric vehicles.

The report showed that companies along the cobalt supply chain were failing to address human rights risks arising in their supply chain.

In 2017, Amnesty International released a follow up report, *Time to Recharge: Corporate Action and Inaction to Tackle Abuses in the Cobalt Supply Chain*, which assessed the policies and practices of 29 companies, including many of the world’s leading consumer electronics companies and automakers, aimed at identifying, preventing, addressing and accounting for human rights abuses in their cobalt supply chains. The report concluded that while there had been signs of progress by some companies, too many were continuing to lag behind. Significantly, none were disclosing meaningful information about the human rights risks and abuses in their supply chains as required under international standards.
Amnesty International’s 2017 report also confirmed that none of the 29 companies assessed had taken steps to provide an adequate remedy to miners who had suffered harm in their supply chains as required under international standards such as the UN Guiding Principles. It is likely that most, if not all companies, sourcing from the DRC have contributed to, or benefited from, human rights abuses in the DRC.

Amnesty International has not only exposed human rights abuses in the artisanal mining sector, but also abuses connected to large-scale mining.

The 2013 Amnesty International report, *Profits and Loss: Mining and Human Rights in Katanga, Democratic Republic of the Congo* documented forced evictions of communities from around mine sites. The 2014 Amnesty International report *Bulldozed: How a mining company buried the truth about forced evictions in the Democratic Republic of the Congo* showed how the Belgian mining company, Groupe Forrest International, consistently lied about the bulldozing of hundreds of homes in the DRC, thus denying justice to those affected. The company's subsidiary Entreprise Général Malta Forrest supplied the bulldozers that were used to unlawfully demolish homes and forcibly evict hundreds of people living next to the company's Luiswishi mine in Kawama, Katanga in 2009 as part of a police operation to clear the Kawama area of small-scale miners who were allegedly stealing from the copper and cobalt mine.

**The secret sales of Democratic Republic of Congo’s copper and cobalt assets**

Industrial mining can be particularly prone to corruption, due in part to the high-value commodities and assets involved, the need for significant capital investment and the fact that operations are often located in regions with weak governance. This is well illustrated in the case of DRC, where two companies affiliated with the Cobalt Institute became embroiled in disputes of alleged corruption in the acquisition of copper and cobalt assets.

Between 2010 and 2012, major mining concessions in DRC were acquired by Glencore and Eurasian Resources Group (ERG, at the time called Eurasian Natural Resources Corporation, ENRC) for billions of dollars. However most of that money did not reach the Congolese Treasury; the assets were sold in secret, initially transferred at knockdown prices to a series of offshore companies, which then made onward sales or struck lucrative deals with ERG and Glencore. The owner of the offshore companies and personal friend of Congolese President Joseph Kabila, Dan Gertler, profited immensely.

In one example, ERG paid one of Gertler's companies US$25 million to acquire a stake in a mine which cost him US$15 million, then paid him again – a further US$50m – to buy the stake for themselves; he had apparently quickly quintupled his money without investing in developing the asset or using any of his own fortune to acquire it. Glencore, meanwhile, offered privileged loan agreements and share deals to some of these offshore companies – offers not extended to their other partners in DRC mining projects – which enriched Gertler and allowed him and Glencore to take controlling interests in major copper mines.

Gertler has since been sanctioned by the US for “corruption mining deals” in DRC. ERG is under investigation by the UK’s Serious Fraud Office for its involvement with Gertler, while Glencore is reported to be facing a similar probe. Glencore temporarily ceased making...
contractual payments to Gertler following the imposition of US sanctions, but in June resumed those payments in euros rather dollars. It remains to be seen whether the US Department of the Treasury will take any action in response to these payments to a sanctioned individual.

The costs of corruption to both the host country and mining companies can be enormous. It is clearly vital that any initiative to clean up cobalt supply chains takes seriously the risk of corruption.

**Why industry scheme certifications cannot be relied on as evidence of good practice: the case of Elemetal**

In 2016, the Global Initiative against Transnational Organized Crime reported that the judicial authorities of Peru had accused six international gold refiners, of which four were accredited by the London Bullion Market Association (LBMA), of criminal acts arising from the “seizure of gold” in Peru between 2013 and 2014 and of the money laundering of the proceeds of illegal mining.

Miami-based NTR Metals, a major U.S. refiner and a subsidiary of Elemetal LLC (‘Elemetal’), was one of the companies named in the report. At the time, Elemetal’s gold refiner in Jackson, Ohio (Elemetal Refining LLC) was certified by the LBMA and the Conflict Free Smelter Initiative (CFSI). However, it was not until a year later, in March 2017, when Bloomberg published investigators’ findings in relation to NTR Metals that the LBMA and CFSI delisted Elemetal Refining LLC. It is unclear what the industry schemes were doing in the interim to assess and manage the risks associated with the allegations linked to NTR Metals.

Last year, three former NTR Metals employees were arrested for their alleged involvement in a multi-billion dollar gold money-laundering scheme. The U.S. Department of Justice has since stated that all three have pleaded guilty to a money laundering conspiracy, and reportedly all three have been sentenced to between six and seven and a half years in prison. Elemetal and its subsidiary NTR reportedly pleaded guilty on 16 March 2018 to one count of failure to maintain an adequate anti-money laundering programme. Elemetal agreed to a fine of US$15 million as part of a plea agreement with federal prosecutors. On Thursday 24 May 2018 the plea agreement was approved by a federal judge, who placed the company under probation for five years.
1 Cobalt Institute, “Introducing the Cobalt Industry Risk Assessment Framework (CIRAF)”,


3 See related case study material in the accompanying brief.

4 Afrewatch and Amnesty International, “This is what we die for”: Human Rights Abuses in the Democratic Republic of the Congo Power the Global Trade in Cobalt” (Index: AFR 62/3183/2016) available at


8 For a summary of Global Witness’s work on these deals see ‘Congo’s Secret Sales’ and associated documents,


13 Financial Times, “Glencore settles legal dispute with former Congo business partner”, 15 June 2018,
https://www.ft.com/content/21213516-7063-11e8-92d3-6c13e5c92914

14 Global Witness, “Glencore must not pay millions to sanctioned individual”, 15 June 2018,


16 See Bloomberg Business Week, ‘How to become an International gold smuggler’, 9 March 2017,
https://www.bloomberg.com/news/features/2017-03-09/how-to-become-an-international-goldsmuggler; LBMA, List of LBMA refiners on the former Good Delivery list : http://www.lbma.org.uk/refiners-gold-former; The Conflict-Free Sourcing Initiative, now re-branded as the Responsible Minerals Initiative:
http://www.responsiblemineralsinitiative.org/

17 Bloomberg Business Week, ‘How to become an International gold smuggler’, 9 March 2017,
https://bullion.directory/lbma-quietly-removes-elemetal-gooddelivery-status; LBMA, List of LBMA refiners on the former Good Delivery list: http://www.lbma.org.uk/refiners-gold-former; Elemetal Refining, LLC is no longer listed as a conformant gold refiner by the Responsible Minerals Initiative (previously CFSI):
http://www.responsiblemineralsinitiative.org/gold-conformant-smelters/
