A Standard to demonstrate due diligence for mineral sourcing in accordance with the Chinese Due Diligence Guidelines for Minerals Supply Chains and/or OECD Due Diligence Guidance for Responsible Mineral Supply Chains from Conflict-Affected and High Risk Areas, Edition 3 (OECD Guidance). Developed in collaboration by CCCMC, the Responsible Cobalt Initiative and the Responsible Minerals Initiative.
TABLE OF CONTENTS

I. Introduction .................................................................................................................. 4

II. Scope ........................................................................................................................... 5
    A. Companies within scope of the audit ........................................................................ 6
    B. Companies not in scope of the audit ........................................................................ 6
    C. Materials within scope of the audit ......................................................................... 7

III. Disclaimer .................................................................................................................... 7

IV. CROSS-RECOGNITION .............................................................................................. 8

V. Conformance requirements .......................................................................................... 9
    A. Step 1: Establish Strong Management Systems ...................................................... 9
    B. Step 2: Identify and Assess Risks in the Supply Chain ............................................ 13
        1. Identification of CAHRAs, Warning Signs or Red Flags .................................... 14
        2. Mapping of factual circumstances ..................................................................... 16
        3. On-the-ground risk assessment ....................................................................... 17
        4. Assessment of risks against the Supply Chain Policy ........................................ 17
    C. Step 3: Design and Implement a Strategy to Respond to Identified Risks ............. 18
        1. Risk mitigation strategy .................................................................................... 18
        2. Internal reporting ............................................................................................... 18
        3. Risk management plan ..................................................................................... 18
        4. Build leverage ................................................................................................... 19
    D. Step 5 – Public Reporting ...................................................................................... 19

VI. Definitions of terms and acronyms ............................................................................ 20

VII. Revision history and effective date .......................................................................... 25

VIII. Appendices ............................................................................................................... 26

APPENDIX I: UPSTREAM SUPPLY CHAIN REQUIREMENTS ........................................... 26
    A. Recognition of Upstream Assurance Mechanisms ................................................. 26
    B. System of Controls and Transparency: Data Points .............................................. 27
    C. Assessment of Due Diligence Practices and Qualitative Conditions .................. 28
        1. Assessment of Treatment Units ....................................................................... 28
        2. Assessment of Mechanized Mining Operations ................................................ 30
I. INTRODUCTION

The China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC) aims to address the social and environmental risks along the cobalt supply chain, and advocates a systemic, inclusive and sustainable approach. To achieve this objective, CCCMC launched the “Responsible Cobalt Initiative (RCI) to bring together actors along the cobalt value chain. The Responsible Minerals Initiative (RMI) is a collaborative multi-industry initiative that improves the enabling conditions for companies to conduct due diligence on their supply chains. The RMI develops a range of tools and resources that support responsible sourcing of cobalt from conflict-affected and high-risk areas.

To increase transparency in cobalt supply chains, CCCMC, the RCI and the RMI collaborate to jointly implement a cobalt refiner assessment program (herein referred to as “the program”). This Cobalt Refiner Supply Chain Due Diligence Standard (herein referred to as “the Standard”), developed by CCCMC in collaboration with the RCI and the RMI, describes the expectations for cobalt refiners to conduct due diligence on cobalt supply chains.

This Standard exclusively focuses on supply chain due diligence by cobalt refiners. CCCMC, the RCI and the RMI encourage the responsible sourcing of minerals from conflict-affected and high risk areas. Responsible sourcing includes the exercise of due diligence, but may further require for companies to engage more broadly with relevant stakeholders in their supply chains with a view to drive positive impact for the local communities, beyond the actions required under this Standard.

Auditees are encouraged to engage with their supply chain actors to identify, assess and mitigate risks associated with conflict-affected and high-risk areas. In particular when considering the suspension or discontinuation of a supplier relationship, auditees are encouraged to take into account the potential socio-economic impacts of disengagement on mining acommunities and in particular the risk of extensive and / or sustained loss of livelihoods or the loss of economic activity essential to the welfare of the communities. In particular when sourcing from artisanal and small scale mining (ASM), the program strongly encourages auditees to engage with their supply chain actors for the effective mitigation of risks as well as the provision for, or cooperation in, remediation where auditees have caused or contributed to actual adverse impacts.

The Standard follows the five step framework for risk-based due diligence from the Chinese Due Diligence Guidelines for Minerals Supply Chains (Chinese Guidelines) which itself is based on the OECD Due Diligence Guidance for Responsible Mineral Supply Chains from Conflict-Affected and High Risk Areas, Edition 3 (OECD Guidance). The Standard allows for auditees to apply either the Chinese Guidelines or the OECD Guidance for their due diligence system with a view to promote the adoption of a national due diligence framework aligned with the OECD Guidance for China based refiners.

Due diligence is a continual, ongoing process to be undertaken by companies and that is expected to improve over time. Auditees are expected to monitor the emerging risks and incidents in their supply chains and take these into account for their sourcing activities. Each auditee remains fully responsible for the scope and quality of due diligence in their supply chains, for reporting on the due diligence undertaken
and for determining the risk(s) in the supply chains associated with conflict-affected and high risk areas.

Responsibility for determining the severity of identified risks, as well as the actions in response to such risks rests with the auditee’s management.

Auditees shall use good faith and reasonable efforts in their due diligence and are responsible to adapt the scale and complexity of their due diligence to the level of the identified risks and impacts. Where appropriate, auditees may cooperate with other companies or work via an industry program, in particular to share costs for third party assurance and / or on-the-ground assessments of high risk supply chains.

Steps to establish management systems, conduct risk assessments based on the collection of supply chain information, and report on due diligence shall be implemented by all auditees, regardless of the source of their materials. Steps related to the management of risks where red flags are identified are only required to be implemented by auditees having identified such warning signs or red flags.

**TABLE 1: APPPLICABILITY OF CHINESE GUIDELINES AND OECD GUIDANCE 5-STEP FRAMEWORKS**

<table>
<thead>
<tr>
<th>Chinese Guidelines / OECD Guidance</th>
<th>Application to Auditees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1: Strong Management Systems</strong></td>
<td>Design of System and Processes</td>
</tr>
<tr>
<td>All auditees</td>
<td>All auditees</td>
</tr>
<tr>
<td><strong>Step 2: Identification and Assessment of Supply-Chain Risk(s)</strong></td>
<td>All auditees, enhanced due diligence for auditees having identified warning signs / red flags</td>
</tr>
<tr>
<td><strong>Step 3: Risk Management</strong></td>
<td>Auditees having identified warning signs / red flags</td>
</tr>
<tr>
<td><strong>Step 4: Third Party Audit of Due Diligence</strong></td>
<td>Conducted by approved third party auditors against this Standard</td>
</tr>
<tr>
<td><strong>Step 5: Reporting on Due Diligence</strong></td>
<td>All auditees</td>
</tr>
</tbody>
</table>

**II. SCOPE**

This assurance process applies to the identified “choke points” in the cobalt supply chain. According to the Chinese Guidelines, “choke points” may be identified using a number of considerations, including but not limited to:
Key points of transformation in the supply chain;
Stages in the supply chain that generally include relatively few actors that process a majority of the commodity;
Stages in the supply chain with visibility and control over the mineral production and trade;
Key points of leverage over mineral production and trade.²

The assurance process is global in scope and covers all risks detailed in the Type 1 risks defined in the Chinese Guidelines or the OECD Guidance, Annex II Model Policy. Due diligence requirements are driven by those risks.

A. Companies within scope of the audit

It is the responsibility of the auditee to provide sufficient evidence for the program to review and confirm that the auditee meets the eligibility requirements to participate.

All fully operational companies meeting the definition of cobalt refiner below are included within the scope of this assurance process. For companies that operate multiple facilities that meet the definition of a cobalt refiner, all such facilities will be subject to this assurance process. Conformance with this Standard is determined at the level of the individual refining facility.

Cobalt Refiner
An entity that processes cobalt concentrates, intermediates or recycled feed and produces a cobalt product for direct use in a downstream manufacturing process.

Refer to Appendix IV for further information on the types of cobalt products and their use in downstream manufacturing processes.

B. Companies not in scope of the audit

For the purpose of this Standard, the following companies are not considered to meet the definition of “cobalt refiner” and are not in scope for this assessment. This is not an exhaustive list.

Treatment units (“Unité de traitement“)
For the purpose of this Standard, treatment units includes any company that uses metallurgical, chemical or other processes to produce a cobalt product that will require further refining prior to its use in the downstream manufacturing process.

Trading companies

² Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, Section VII.7.4. p.30
Companies trading in materials where the material traded is in the same chemical and physical state as received.

**Material recovery companies**

A company with one or more facilities with the ability to mechanically but not thermally or chemically process secondary materials using means such as shearing, cutting, sawing, shredding, briquetting/compacting, shot/sand blasting (wheel abrade and pneumatic) and machining.

**C. Materials within scope of the audit**

All material intended for production of cobalt metal, products, or intermediates physically received, held, and/or processed during the audit period, regardless of origin or in-country storage location and type, are included in the assurance process.

Materials in inventory that have been physically received prior to the current assessment period are in scope of the assessment solely for the purpose of the reconciliation of material inputs and outputs over time but do not require the identification of the point of origin.

All material sent to or received from a third party (including a refiner) for processing under a tolling or sub-contracting agreement during the audit period will be considered part of the auditee’s receipts and production, and therefore are included in the audit scope.

**III. DISCLAIMER**

This assurance process and this Standard follow the ISO 19011 auditing standard in conducting an independent third-party audit. Auditors follow reasonable procedures to assess the auditee’s management system, taking into consideration materiality as well as the quality and quantity of the evidence available. At a minimum, auditors must fulfill the qualification requirements defined by the program.

The audit assesses whether the auditee’s due diligence and risk assessment are in conformance with the Chinese Guidelines or the OECD Guidance. The audit will **not** determine that material at the auditee is conflict-free or free of severe social and environmental impact. **This is not a material certification audit.**

Documentary evidence may be sampled by the auditor.

This Standard strives to align with both the Chinese Guidelines and OECD Guidance. **Auditees are able to follow either the Chinese Guidelines or the OECD Guidance for their due diligence system,** and must follow the entire chosen Guidance.
IV. CROSS-RECOGNITION

In some cases, the program may evaluate the cross-recognition of other third-party assessment programs and recognize these other programs as meeting the standards set forth in this document.
V. CONFORMANCE REQUIREMENTS

In accordance with the OECD Guidance, due diligence is an on-going, proactive and reactive process, and therefore information may be collected and progressively built with the quality progressively improved\(^3\). The program incorporates the concept of continuous improvement across all its activities. For conformance with this Cobalt Refiner Standard, the auditee shall conform, in all material aspects, with all requirements outlined in Section V this Standard. Auditees are expected to improve due diligence over time, including, but not limited to, the progressive implementation of all elements of Appendix I of this Standard.

A. Step 1: Establish Strong Management Systems

Supply Chain Policy
Auditees shall adopt a supply chain policy that is consistent with the standards provided in one of the following documents:

1) Chinese Guidelines Annex: Model Supply Chain Policy; or
2) OECD Guidance, Annex II Model Policy.

The supply chain policy shall set out a clear and coherent management process for risk management and commit the auditee to the due diligence steps defined by the Chinese Guidelines or OECD Guidance for cobalt supply chains. The supply chain policy shall:

- Apply to the auditee and its suppliers;
- Define the principles and standards for identifying and managing risks in the cobalt supply chain;
- Address all the risks included in Model Policy of the Chinese Guidelines or OECD Guidance as well as any additional risks defined in Table 2 of this Standard;
- Be communicated to suppliers and the public.

Internal Management Support
The auditee shall ensure sufficient internal management support and allocation of resources to enable the effective operation and monitoring of the supply chain due diligence system. At a minimum, the auditee shall:

- Assign authority and responsibility to a senior staff member with the necessary competence, knowledge and experience for the due diligence management system;
- Ensure internal accountability with respect to the implementation of the due diligence management system;
- Provide training and periodic refresher training (timing is defined by the auditee) to all relevant employees covering critical information on the due diligence management system;

\(^3\) OECD Guidance, Footnote 4, p.37
• Control documents and records required by the management system (at a minimum those required by this Standard). Records generated by the management system for due diligence shall be maintained for a minimum of five (5) years;
• Regularly assess the effectiveness of the supply chain due diligence system.

**Business Partner Engagement**

Auditees shall strengthen company engagement with suppliers. Where possible, auditees shall assist suppliers in building capacities with a view to improving due diligence performance.

Adherence to the supply chain policy shall be required as part of contracts or written agreements with suppliers that can be applied and monitored. The auditee’s communication to suppliers shall ensure that critical information, including the auditee’s supply chain policy and its expectations that suppliers conduct due diligence in accordance with the Chinese Guidelines or the OECD Guidance, reaches suppliers.

Auditees shall avoid cash transactions where practicable. Where cash transactions are unavoidable, auditees shall:

• Ensure cash purchases of minerals are supported by verifiable documentation.
• Assess the risks associated with cash purchases of minerals.

Where possible, auditees are encouraged to engage with downstream companies to request they conduct due diligence themselves and source from cobalt refiners that conduct due diligence or work with their suppliers or appropriate external mechanisms to conduct due diligence. Auditees shall pass relevant due diligence information on to downstream companies, with due regard taken of business confidentiality.

**Grievance Mechanism**

The auditee shall develop or refer to an effective mechanism allowing any interested party (affected persons or whistle-blowers internal or external to the auditee) to voice concerns regarding the circumstances of mineral extraction, trade, handling and export, without fear of retaliation⁴. The auditee may refer to grievance mechanisms provided by industry mechanisms as applicable and appropriate for their operations.

The mechanism shall, at a minimum, include a formalized process to investigate the concern or grievance received and, if applicable, determine appropriate corrective and preventive actions.

**System of Controls and Transparency**

The auditee shall ensure sufficient material control over its own operations as well as cobalt supply chains to allow for the identification of any red flags or warning signs associated with cobalt suppliers or material

---

The system of controls and transparency, in particular the determination of origin for mined material, is required to enable the identification, assessment and mitigation of risks. This is not a material certification assessment.

Internal material control systems shall ensure:

- Each individual transaction of relevant material received is identified and recorded. The process shall record the date the material is physically received or the date the material is received in the auditee’s material control system as well as the type, weight and source of the material.
- The auditee’s internal material control system shall ensure all material received is inspected to confirm the type, weight and source of the material. The extent of such investigations may vary based on the risk profile of the material source.
- The auditee shall demonstrate the ability to reconcile material inputs and outputs over a given period of time. Unreasonable changes to inventory (losses or gains) shall be investigated and the findings established in writing. For the purpose of this Standard, “unreasonable” refers to a significant deviation from the average losses or gains observed during the auditee’s operations.

The auditee shall establish and implement Know Your Supplier (KYS) requirements to determine the identity, type of business relationship and legality of business operations for each supplier of cobalt material. The information shall be maintained on file for each supplier of cobalt material.

Furthermore, the auditee shall identify the point of origin for each individual transaction of relevant material received within the audit period.

The point of origin of the material received depends on the type of material:

- **Mineral material**: The origin for any cobalt-bearing mined material is the mine site where the material was extracted, regardless of the extraction method (large scale, medium scale, small scale or artisanal) and regardless of whether the material is a mining by-product or not.
- **Recycled material**: The origin of recycled material is the point where the material is returned to the cobalt refiner or other downstream intermediate processor or recycler.

For mined cobalt material, the auditee’s system of controls and transparency shall at a minimum identify:

- The point of origin of the mined cobalt material (the location(s) and name(s) of mines where cobalt is extracted either directly or as a by-product);
- The identity of the direct supplier of the cobalt mined material.

For mined cobalt material, the auditee shall take due regard to the difference between large scale mining (LSM) and artisanal and small scale mining (ASM) operations. The auditee shall further include a determination whether upstream cobalt producers purchase cobalt (including ASM cobalt) from other production sites and whether this may trigger any red flags.

Auditees shall use a risk-based approach to establish appropriate chain of custody or traceability over mineral production and trade between the mine site and the auditee for mined material.
For recycled cobalt material, auditees shall implement a risk-based assessment of the likelihood that raw materials are laundered through recycled channels to conceal its origin. The auditee shall maintain reasonable evidence to demonstrate that the material is recycled.

For cobalt material received from another cobalt refiner, the auditee shall:

- Identify the point of origin for all cobalt material sourced from the supplying cobalt refiner; OR
- Provide reasonable evidence that the supplying cobalt refiner has successfully undergone a third party validation of their due diligence systems either against this Standard or a program recognized as equivalent by the program.
B. Step 2: Identify and Assess Risks in the Supply Chain

The auditee shall conduct a risk assessment on all cobalt material sourced, covering all risks described in the Chinese Guidelines: Annex Model Supply Chain Policy or OECD Guidance Annex II Model Policy as well as any additional risks included in Table 2 of this Standard. The identification and assessment of risk in the supply chain due diligence system is an on-going process. Auditees should repeat the steps outlined in this section:

- After implementation of a risk mitigation strategy; or
- Changes in the auditee’s supply chain may require some steps to be repeated in order to prevent or mitigate adverse impacts.

Table 2: Risks Covered in the Supply Chain Policies

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Serious human rights abuses</td>
<td>• Serious abuses associated with the extraction, transport or trade of minerals:</td>
</tr>
<tr>
<td>o Any forms of torture, cruel, inhuman and degrading treatment;</td>
<td>o Any forms of torture, cruel, inhuman and degrading treatment;</td>
</tr>
<tr>
<td>o Any forms of forced or compulsory labor;</td>
<td>o Any forms of forced or compulsory labor;</td>
</tr>
<tr>
<td>o The worst forms of child labor;</td>
<td>o The worst forms of child labor;</td>
</tr>
<tr>
<td>o Other gross human rights violations and abuses such as widespread sexual violence;</td>
<td>o Other gross human rights violations and abuses such as widespread sexual violence;</td>
</tr>
<tr>
<td>o War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.</td>
<td>o War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.</td>
</tr>
<tr>
<td>• Direct or indirect support to non-state armed groups and public or private security forces</td>
<td>• Direct or indirect support to non-state armed groups.</td>
</tr>
<tr>
<td>• Corruption, money laundering and payments to governments</td>
<td>• Direct or indirect support to public or private security forces.</td>
</tr>
</tbody>
</table>

---

6 See ILO Convention No. 182 on the Worst Forms of Child Labour (1999).
7 This includes direct or indirect finance or benefit to armed groups as defined in the Securities and Exchange Commission 17CFR Parts 240 and 249b (SEC Final Conflict Minerals Rule). To identify non-state armed groups, companies should refer to relevant UN Security Council resolutions.
Bribery and fraudulent misrepresentation of the origin of minerals.
  • Money laundering.
  • Non-payment of taxes, fees and royalties to governments.

Additional risk(s):
Occupational health and safety conditions that are not adequate to maintain the miners’, direct and indirect employee’s physical and mental health.

1. Identification of CAHRAs, Warning Signs or Red Flags

The auditee shall gather, examine and verify the information as appropriate and engage with suppliers to identify risks and confirm information on cobalt suppliers and the origin of cobalt material received as part of their system of controls and transparency to identify any red flags or warning signs.

The auditee shall design and implement a process to determine any conflict-affected and high risk areas (CAHRAs) as defined by the Chinese Guidelines or OECD Guidance in its supply chain.

**Conflict-affected and high-risk areas (CAHRAs):** Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law. (Source: OECD Guidance, p.13)

The process shall include, at a minimum:

- The types of resources used by the refiner to make the determination;
- The criteria used by the auditee to determine a CAHRA;
- The frequency within which the determination is reviewed and updated.
- A record of all the countries and / or areas identified as CAHRA within the auditee’s supply chain.

At a minimum, the auditee shall consider the following red flags or warning signs in accordance with the Chinese Guidelines and the OECD Guidance:

8 Chinese Guidelines Chapter 6 Warning Signs, p23
---|---
**Warning signs locations of resource origin or transit** | **Red flag locations of origin and transit**
1. The mineral resources originate from or have been transported through a conflict-affected or high-risk area. | 1. The mineral originates from or has been transported through a conflict-affected or high-risk area.
2. The resources are claimed to originate from a country that has limited known reserves or stocks, or expected production levels of the mineral resource in question. | 2. The mineral is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of the mineral (i.e. the declared volumes of the mineral from that country are out of keeping with its known reserves or expected production levels).
3. The mineral resources are claimed to originate from a country through which resources from conflict-affected and high risk areas are known or reasonably suspected to transit. | 3. The mineral is claimed to originate from a country through which minerals from conflict-affected and high-risk areas are known or reasonably suspected to transit.
4. The resources are claimed to originate from recyclable/scrap or mixed sources and has been processed in a country where these resources from conflict-affected and high-risk areas is known or reasonably suspected to transit. | 4. The mineral is claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where minerals from conflict-affected and high-risk areas is known or reasonably suspected to transit.
5. The mineral resources originate from a conflict-affected or high-risk area where the worst forms of child labor are prevalent. | In each of these location-based red flag considerations, the risk is increased when anti-money laundering laws, anti-corruption laws, customs controls and other relevant governmental oversight laws are weakly enforced; informal banking systems operate, and cash is extensively used.

---

<sup>9</sup> Red flags are defined in the mineral supplements in the OECD Guidance and thus, there are no red flags defined specifically for cobalt supply chains. This Standard uses the red flags defined by the OECD Guidance Supplement on Gold, taking into account that it was drafted after the Supplement on Tin, Tantalum and Tungsten and took into account further developments in the drafting process. These are reflected in the additional red flag on circumstances that is not included in the Supplement on Tin, Tantalum and Tungsten.
Supplier Warning Signs

1. Suppliers or other known upstream companies operate in locations that exhibit the warning signs above, or have shareholder or other interests in suppliers from one of the abovementioned warning sign locations.
2. Suppliers or other known upstream companies used to purchased from one of the above-mentioned warning sign locations.

Supplier red flags

1. Suppliers or other known upstream companies operate in one of the abovementioned red flag locations of mineral origin and transit, or have shareholder or other interests in suppliers of the mineral from one of the above-mentioned red flag locations of mineral origin and transit.
2. Suppliers or other known upstream companies are known to have sourced the mineral from a red flag location of mineral origin and transit in the last 12 months.

Circumstantial Warning Signs

Anomalies or unusual circumstances are identified through the information collected in Step 1 which give rise to a reasonable suspicion that the mineral resources may contribute to conflict or serious abuses associated with the extraction, transport or trade of said resource.

Red flag circumstances

Anomalies or unusual circumstances are identified through the information collected in Step 1 which give rise to a reasonable suspicion that the material may contribute to conflict or serious abuses associated with the extraction, transport or trade of material.

No red flags: If the auditee can reasonably determine that the warning signs or red flags defined in Table 3 above do not arise in the supply chain, no additional due diligence is required for that supply chain.

Red flags identified or information unknown: If the auditee identifies a warning sign or red flag in the cobalt supply chain or is unable to reasonably exclude one or more of the warning signs or red flags defined in Table 3, the auditee shall proceed with enhanced due diligence.

ENHANCED DUE DILIGENCE – APPLICABLE ONLY IF WARNING SIGNS OR RED FLAGS ARE IDENTIFIED

2. Mapping of factual circumstances

Where the auditee’s due diligence process has triggered warning signs or red flags, or where the auditee is unable to reasonably exclude one or more of the warning signs or red flags, the auditee shall map the factual circumstances of that supply chain. Such mapping shall include, at a minimum:

- Assessment of the context of conflict-affected and high risk area;
• Identification of the activities and relationships of all upstream actors in the supply chain where warning signs or red flags have been identified;
• Assessment of the due diligence practices of any suppliers where warning signs or red flags have been identified, covering all of the aspects referenced in this Standard;
• Clarification of the chain of custody of all cobalt material received from the supply chain where warning signs or red flags have been identified;
• Identification of the mineral transportation routes from the point of origin to the auditee;
• Identification of all locations and qualitative conditions of the extraction, trade, handling, and export of minerals in the supply chain where warning signs or red flags have been identified; and
• Conduct of on-the-ground assessments.

3. On-the-ground risk assessment

Where the auditee’s due diligence process identified one or more warning signs or red flags, the auditee’s due diligence shall include on-the-ground risk assessments for the supply chain and/or supplier concerned. On-the-ground risk assessments can be done individually or collaboratively to gather information on the qualitative conditions of production, handling and trade of the cobalt material.

On-the-ground risk assessments shall be performed by suitable qualified and independent assessors. They shall include, at a minimum, the conditions of extractions, including the red flagged sources and/or suppliers of mined materials. Auditees shall refer to the OECD Guidance, Appendix: Guiding Note for Upstream Company Risk Assessment as well as Appendix I of this Standard for detailed guidance on how to conduct the on-the-ground risk assessment and what information should be gathered.

4. Assessment of risks against the Supply Chain Policy

The auditee shall assess risks against its supply chain policy (consistent with the Chinese Guidelines Annex: Model Supply Chain Policy or the OECD Guidance Annex II Model Policy and including any additional risks defined in Table 2 of this Standard), national laws and other relevant legal instruments.

Any reasonable inconsistency between these requirements and the information obtained through due diligence should constitute a risk.

10 Auditees may rely on upstream assurance mechanisms to carry out the on-the-ground assessment, however the auditee remains individually responsible for following any of the recommendations put forward by assessment teams and acting on them.
C. Step 3: Design and Implement a Strategy to Respond to Identified Risks

Where risks are identified in the supply chain, it is the responsibility of the auditee to identify appropriate risk mitigation measures.

1. Risk mitigation strategy

The auditee shall mitigate risks by either:

1. Continuing trade throughout the course of measurable risk mitigation efforts;
2. Temporarily suspending trade while pursuing ongoing measurable risk mitigation;
3. Disengaging with a supplier after failed attempts at mitigation or where a company reasonably deems risk mitigation not feasible or unacceptable.

The strategy employed must be aligned with the risk mitigation strategy defined by the Chinese Guidelines Annex: Model Supply Chain Policy or the OECD Guidance Annex II Model Policy.

Risk mitigation should result in significant and measurable improvement towards eliminating the identified risks within a reasonable timescale from the adoption of the risk management plan. Measurable risk mitigation should be adjusted to the auditee’s specific suppliers and context of operations. It shall include clear performance objectives, qualitative and / or quantitative indicators to measure improvement over time.

The auditee shall assess the progress of the risk mitigation, at a minimum, after six months. If there no significant measurable improvement within this timeframe, auditees shall consider suspending or discontinuing engagement with the supplier for a minimum of three months.

2. Internal reporting

The auditee shall report findings on risks in the cobalt supply chain to senior management, outlining all relevant information gathered and the actual and potential risks identified in the supply chain risk assessment.

The auditee shall also report to senior management on the progress of risk mitigation efforts.

3. Risk management plan

The auditee shall devise and implement a risk management plan, including measurable risk mitigation efforts, and shall monitor and track performance of risk mitigation. The monitoring and tracking of performance of risk mitigation shall be carried out in cooperation and / or consultation with local and central authorities and other relevant stakeholders, as appropriate. The auditee shall consider establishing or supporting community-based networks to monitor risk mitigation.

The auditee shall further maintain ongoing risk monitoring, evaluate the effectiveness of risk mitigation efforts and undertake additional fact and risk assessments, as required for risks requiring mitigation or after changing circumstances.
4. Build leverage

In the design and implementation of risk mitigation, the auditee shall consult with suppliers and affected stakeholders, such as government or civil society as appropriate, to agree on the strategy for measurable risk mitigation in the risk management plan. In doing so, the auditee shall build and/or exercise leverage over the actors in the supply chain who can most effectively and most directly mitigate the risks of adverse impacts.

D. Step 5 – Public Reporting

Auditees shall publicly disclose information on their due diligence. Information shall be published, at a minimum, annually and directly by the auditee, for example by posting on a company website or industry association website as a mandatory requirement for any auditee participating in the program. Publication of such information shall pay due regard to business confidentiality and other competitive concerns.

Table 4 outlines the type of information and publication method to be applied by the auditee.

**Table 4: Publication requirements**

<table>
<thead>
<tr>
<th>Published by the auditee</th>
<th>Published by the program</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMI / RCI Members</td>
<td>Public¹¹</td>
</tr>
<tr>
<td>Aggregated Country of Origin Information:</td>
<td></td>
</tr>
<tr>
<td>• Low-risk</td>
<td>• Smelter ID number</td>
</tr>
<tr>
<td>• High-Risk</td>
<td>• Auditee Name</td>
</tr>
<tr>
<td>• Recycle/Scrap</td>
<td>• Country</td>
</tr>
<tr>
<td>• Supply Chain Policy</td>
<td>• Group Company Name</td>
</tr>
<tr>
<td>• Audit Summary Report</td>
<td>• Conformance Status¹²</td>
</tr>
<tr>
<td>• Step 5 Due Diligence Report</td>
<td>• Link to Supply Chain Policy</td>
</tr>
<tr>
<td>• Any other information deemed appropriate by the auditee</td>
<td>• Link to Audit Summary Report</td>
</tr>
<tr>
<td></td>
<td>• Link to Step 5 Due Diligence Report</td>
</tr>
</tbody>
</table>

¹¹ Information will be published on the program’s website(s).

¹² Via inclusion on the program’s list of auditees in conformance with this standard or Active Smelter List for auditees actively participating in this assurance process.
VI. DEFINITIONS OF TERMS AND ACRONYMS

Agreement for Exchange of Confidential Information (AECI): Non-disclosure agreement

Ability to convert: Direct, in-house capability to chemically or thermally convert materials and is not applicable to companies that wholly contract or sub-contract those processes.

Artisanal and Small-Scale Mining (ASM): Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labor-intensive technology. “ASM” can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners.¹³

ARC: Audit Review Committee. The ARC reviews audit reports for consistency in implementing the audit standard and it makes a conformance determination. ARC also reviews corrective actions when completed.

Assessment: an evaluation of a person, organization, system, process, enterprise, project or product.

Auditee: The entity or entities included in the scope of the due diligence audit.

Child Labor: The term “child labor” refers to any person under the age of 15, or under the age for completing compulsory schooling or under the age for employment in the country, whichever is greatest.

In addition, the ILO Minimum Age Convention, 1973 (No. 138) specifies that: The minimum age for admission to any type of employment or work which by its nature or the circumstances in which it is carried out is likely to jeopardise the health, safety or morals of young persons shall not be less than 18 years.

Refer to the definition of “Worst Forms of Child Labor” for details on types of employment or work that are likely to jeopardise the health, safety or morals of children and young persons.

(ILO Minimum Age Convention, 1973 (No. 138):

China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCCMC): A nationwide industrial and nonprofit organization registered in Ministry of Civil Affairs of China. Formed jointly and voluntarily by various economic organizations engaged in manufacturing, import and export and other relative activities in metallic minerals and related products, non-metallic minerals and related

¹³ OECD Guidance for Responsible Supply Chains on Minerals from Conflict-Affected and High-Risk Areas, Third Edition
products, hardware and related products, construction materials, oil and oil products, chemicals and related products.


**Cobalt Refiners**: An entity that processes cobalt concentrates, intermediates or recycled feed and produces a cobalt product for direct use in a downstream manufacturing process.

**Conflict-Affected and High-Risk Areas (CAHRAs)**: Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law. 

**Country of Origin**: The country where the ore was mined.

**Critical Information**: For the purpose of this Standard, “critical information” refers to any and all information related to the auditee’s due diligence and that is necessary for all parties involved in the program, specifically employees and suppliers, to effectively carry out the tasks and responsibilities assigned to them as part of the program.

**Downstream Manufacturing**: For the purpose of this Standard, “downstream manufacturing” refers to any operation where cobalt product(s) are used as substance, material, sub-part or part of a product without undergoing further refining processes.

**Internal Material Control Systems**: These systems serve to validate the auditee’s ability to record, control and monitor the material received, stored, processed or otherwise handled by the auditee.

**ISO**: International Organization for Standardization

**Know Your Supplier (KYS)**: Principles established to combat money laundering and finance of terrorism. KYS principles require businesses to establish the identity of all organisations with which they deal, have a clear understanding of their business relationships and have a reasonable ability to identify and react to transaction patterns appearing out of the ordinary or suspicious. (Source: https://www.responsiblejewellery.com/files/RJC_Code_of_Practices_2013_V.2_eng.pdf?dl=0)

---

14 OECD Guidance for Responsible Supply Chains of minerals from Conflict Affected and High-Risk Areas, Third Edition
Large-Scale Mining (LSM): For the purposes of this document, the definition includes all formal operations characterized by substantial capital, heavy equipment, high technology and a significant workforce (large and medium in size) not considered to be within the ASM definition.


Qualification Status: Conformance with the standard at all times.

Material: For the purpose of this Standard, “material” refers to any cobalt-containing material.

Mined Material: Mined materials or substances used in the primary production of metals.

Product shipments: Include any finished good and secondary, intermediate, semi-processed, or other materials that are sold and then shipped out of the facility during the audit period.

Recycled Materials: Commonly referred to as recycle/scrap. Recycled metals as defined by the OECD Guidance, and referenced by the U.S. Securities and Exchange Commission are “reclaimed end-user or post-consumer products, or scrap processed metals created during product manufacturing including: excess, obsolete, defective, and scrap metal materials which contain refined or processed metals that are appropriate to recycle in the production of the mineral. As defined by the OECD Guidance, minerals partially processed, unprocessed, or a byproduct from another ore (for example, slags) are not recycled or secondary materials.

Responsible Cobalt Initiative (RCI): An international industry coalition dedicated to creating an inclusive, sustainable, and responsible supply chain of cobalt. The membership organization, representing multiple stages of the cobalt supply chain, works with international partners to improve transparency, address the challenges of cobalt extraction, and foster collaboration along the supply chain.

Responsible Minerals Initiative (RMI): A membership based initiative of the Responsible Business Alliance (formerly the Electronics Industry Citizenship Coalition (EICC)), formerly known as the Conflict Free Sourcing Initiative or CFSI.

Risk-Based Audit Program: A program that allows low-risk auditees, defined as auditees in Low-risk Countries that only sourcing domestic material to qualify for this program.

Smelter Company Identification Number (CID): Unique numeric identification number for smelter facilities, assigned by the program.

Supplier: The company which supplies material to the refiner in the supply chain, which may be suppliers such as a mining entities, traders, other refiners, or downstream users.
Supplying refiner: When an auditee receives material from another entity, the supplying refiner is the last point in the supply chain in which the material was processed. Trading companies and other pass-through segments of the supply chain would not be considered supplying refiners.

Tolling: A transaction where materials are processed by a refiner on behalf of a client who retains ownership of the agreed to elements and/or volume of those materials.

Transaction: For the purpose of this Standard, a transaction refers to an individual entry of material received in the refiner’s material control system. A transaction may be constituted of a single batch, container, shipment or other entity that is recorded as an individual entry.

Upstream Assurance Mechanism: A system that provides upstream actors with the necessary due diligence and/or chain of custody requirements to help conform to the Chinese Guidelines or OECD Due Diligence Guidance. These mechanisms may be third party entities or industry wide initiatives. In all cases, upstream entities retain individual responsibility for their due diligence.

Worst Forms of Child Labor: For the purpose of this Standard, the definition of Worst Forms of Child Labor (WFCL) of the ILO Worst Forms of Child Labor Convention, 1999 (No. 182) applies:

The term the worst forms of child labour comprises:

a. all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;

b. the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;

c. the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;

d. work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

On sub-clause (d), ILO Recommendation 190 specifies that the following types of work should be considered (emphasis added):

a. work which exposes children to physical, psychological or sexual abuse;

b. work underground, under water, at dangerous heights or in confined spaces;

c. work with dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads;

d. work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health;

e. work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.
(ILO Worst Forms of Child Labor Convention, 1999 (No. 182):
VII. REVISION HISTORY AND EFFECTIVE DATE

This Standard is in effect as of the date identified on the cover page as the “Effective Date.”
APPENDICES

APPENDIX I: UPSTREAM SUPPLY CHAIN REQUIREMENTS

This Appendix provides more detailed guidance on the requirements outlined in this Standard regarding the system of controls and transparency on supply chains as well as the scope and modalities of on-the-ground risk assessments in the context of conflict-affected and high-risk areas. It focuses on supply chains where warning signs or red flags have been identified and thus, enhanced due diligence needs to be carried out.

The Appendix details expectations specifically for cobalt refiner due diligence systems. Due diligence shall build on legal requirements in the cobalt producing country to ensure all local and national legal requirements are fully adhered to.

Auditees are expected to be able to provide evidence demonstrating that their due diligence system:

- Collects and maintains the data points described in this Appendix for the System of Controls and Transparency. The auditee may use any appropriate document to collect and maintain the required data points.
- Where warning signs or red flags are identified:
  - Includes the independent verification, either separately or as part of this assessment, of upstream supply chain actors’ own due diligence system or performance in regards to the risks addressed in this Standard;
  - The independent verification demonstrates conformance with the upstream supply chain requirements by all the supply chain actors.

A. Recognition of Upstream Assurance Mechanisms

The implementation of due diligence is the responsibility of the auditee. However, the auditee may decide to use information generated and / or independently verified by a third party service provider and / or upstream assurance mechanism.

Data, assurance reports and / or assurance results from an upstream assurance mechanism may be used by the auditee during this assessment as evidence to determine conformance with the Standard. Such upstream assurance mechanisms include, but are not limited to:

- Upstream due diligence and / or responsible mining service providers;
- Second party verified management systems;
- Third party verified management systems or performance.

Auditees may select to use one or more of the above upstream assurance mechanisms or may decide not to use any of the above options for the exercise of due diligence.
B. System of Controls and Transparency: Data Points

As part of the System of Controls and Transparency, auditees are required to identify the point of origin for all material received during the assessment period. To demonstrate the point of origin, auditees are expected to maintain, at a minimum, the following data points for ALL supply chains of mined material:

- The name and location of the mine of origin for mined material, with the greatest possible specificity;
- Each location where mined material is consolidated, blended, crushed, milled, smelted and/or refined;
- The method of extraction, defined as either:
  - Artisanal mining;
  - Mechanized mining (medium scale or large scale);
- The date the mineral is extracted, processed, concentrated, smelted and/or refined;
- The mineral weight;
- The assay results indicating the metal grade.

Section V.B.2. of this Standard determines that “where the auditee’s due diligence process has triggered warning signs or red flags, or where the auditee is unable to reasonably exclude one or more of the warning signs or red flags, the auditee shall map the factual circumstances of that supply chain”. For supply chains where warning signs or red flags are identified, auditees are expected to maintain, at a minimum, the following data points:

- Evidence of chain of custody for each transaction of cobalt material received, including for each transaction:
  - All the above data points for mined material;
  - All locations of the extraction, trade, handling, and export of minerals;
  - Documented chain of custody between the mine site and the auditee;
  - The transportation route and the means of transportation;
  - Description of the process to ensure the integrity of the shipment, with due regard of security concerns
- Identification of the activities and relationships of all upstream actors in the supply chain where warning signs or red flags have been identified:
  - The name of the upstream actor / company
  - The type of business operation
  - The legality of business operations
  - The ownership (including beneficial ownership)
The corporate structure including the names of corporate officers and directors
- The business, government, political or military affiliations of those companies and officers within conflict-affected and high-risk areas

- Identification of payments made related to the extraction, trade, transport and export of minerals, including for each supplier or transaction:
  - All taxes, fees and royalties paid to government related to the extraction, trade, transport and export of minerals;
  - All payments or compensation made to government agencies and officials related to the extraction, trade, transport and export of minerals;
  - All payments made to public or private security forces or other armed groups at all points in the supply chain from extraction onwards, unless prohibited under applicable law.

C. Assessment of Due Diligence Practices and Qualitative Conditions

In addition to the system of controls and transparency, the auditee shall assess the context of the conflict-affected and high-risk area, the due diligence practices of any suppliers where warning signs or red flags have been identified as well as the qualitative conditions of the extraction, trade, handling, and export of mineral.

This assessment should focus on, but not be limited to, the following supply chain actors:
- Treatment Unit
- Mining operation(s) (mechanized or artisanal)
- Transportation routes

For the supply chain actors involved in the mineral extraction and/or processing, the assessment of due diligence practices and qualitative conditions should include, at a minimum, the risks, processes, systems and procedures described in the following sections of this Appendix. Additional risks, processes, systems or procedures may be included by the auditee as appropriate and proportional to the size and complexity of the supply chain where warning signs or red flags have been identified.

1. Assessment of Treatment Units

Treatment Units shall undergo an on-the-ground risk assessment verified by an independent party. The auditee shall refer to the OECD Guidance, Appendix: Guiding Note for Upstream Company Risk Assessment, in particular for details on how to create enabling conditions for an effective risk assessment and how to establish the on-the-ground assessment team.

At a minimum, on-the-ground risk assessments shall respond to the following questions:

Due Diligence System:
• Does the Treatment Unit carry out due diligence in accordance with the Chinese Guidelines or OECD Guidance, including the specific requirements defined in this Standard and its Appendix I?
• Does the Treatment Unit’s due diligence system include all risks defined in the Chinese Guidelines: Annex Model Supply Chain Policy or OECD Guidance Annex II Model Policy as well as any additional risks included in Table 2 of this Standard?
• Does the Treatment Unit have a strong management system in place to manage risks specifically related to worst forms of child labor? Is the management system aligned with the OECD Practical actions for companies to identify and address the worst forms of child labour in mineral supply chains?  

Systems of Controls and Transparency

• Does the Treatment Unit maintain all the data points required for the system of controls and transparency as defined in this Standard and Section B. of this Appendix, covering all its material suppliers and sources?
• Has the Treatment Unit made all data points of the system of controls and transparency for the material supplied available to the auditee?

Internal Material Controls

• Does the Treatment Unit implement internal material control system that, at a minimum, meet the requirements of Section V.A. System of Controls and Transparency, Internal Material Controls, of this Standard? These are:
  o Each individual transaction of relevant material received is identified and recorded. The process shall record the date the material is physically received or the date the material is received in the auditee’s material control system as well as the type, weight and source of the material.
  o The auditee’s internal material control system shall ensure all material received is inspected to confirm the type, weight and source of the material. The extent of such investigations may vary based on the risk profile of the material source.
  o The auditee shall demonstrate the ability to reconcile material inputs and outputs over a given period of time. Unreasonable changes to inventory (losses or gains) shall be investigated and the findings established in writing. For the purpose of this Standard,

---

15 The OECD Practical Actions clarifies that the document “do not represent new or additional recommendations from the OECD but aim to explain in simple terms the recommendations set out in the OECD Due Diligence Guidance to identify, assess and address the risks of the worst forms of child labour in the minerals supply chain. Companies should refer to the full text of the OECD Due Diligence Guidance for detailed due diligence recommendations with regards to sourcing minerals from conflict-affected and high-risk areas” (p.4).
“unreasonable” refers to a significant deviation from the average losses or gains observed during the Treatment Unit’s operations.

- Considering the equipment and operations of the Treatment Unit:
  - Is the level of concentration declared for the material input and output plausible? For the purpose of this Standard, “plausible” refers to the expected level of concentration considering the type of material input and type of equipment observed at the Treatment Unit.
  - Are the estimated losses in the mass balance calculation reasonable? For the purpose of this Standard, “unreasonable” refers to a significant deviation from the average losses or gains observed during the Treatment Unit’s operations.

2. Assessment of Mechanized Mining Operations

For material sourced from mechanized mining operations, the auditee’s due diligence system is expected, at a minimum, to provide evidence of the independent verification, either separately or as part of this assessment, that:

Due Diligence
- The mechanized mining operation has designed and effectively implements a due diligence system to identify, assess and appropriately mitigate risks that are conformant with the Chinese Guidelines or the OECD Guidance;
- The due diligence system shall ensure that ongoing monitoring is in place to ensure the timely and effective reporting of incidents at mine level to relevant supply chain actors including the auditee;
- The due diligence system covers all risks defined in the Chinese Guidelines: Annex Model Supply Chain Policy or OECD Guidance Annex II Model Policy;

Responsible Mining
- The mechanized mining operation does not use any worst forms of child labor;
- There are no serious abuses associated with the extraction, transport or trade of minerals from the mechanized mining operations as defined in Chinese Guidelines: Annex Model Supply Chain Policy or OECD Guidance Annex II Model Policy;
- The mechanized mining operation has designed and effectively implements an occupational health and safety management system in conformance with internationally recognized standards;
- If the mechanized mining operation is involved in trading and / or sourcing of material from artisanal miners or cooperatives it shall adopt a due diligence and internal control system to
assess risks related to forced labor, child labor, unsafe working conditions and uncontrolled use of hazardous substances in their supply chain;  

**Internal Material Control**  
- The mechanized mining operation has internal material control systems in place that:  
  - Generates all the data points required for the system of controls and transparency as defined in this Standard and Section B. of this Appendix for all material produced and externally sourced;  
  - Includes effective controls to prevent the illegal mixing of external material into the supply chain;  
  - Is able to reconcile material inputs and outputs over a given period of time using a mass balance calculation;  
- The mechanized mining operation has made all data points of the system of controls and transparency for the material supplied available to the auditee.

This program recognizes that there may be additional or other material risks that apply to mechanized mining operations, regardless of whether they operate within a conflict-affected and high risk area or not. Mechanized mining operations are strongly encouraged to manage all material risk areas and, in doing so, demonstrate compliance against recognized standards as appropriate and applicable to the relevant risk area.

**3. Assessment of Artisanal Mining Operations**

For material sourced from artisanal mining operations, the auditee’s due diligence system is expected, at a minimum, to provide evidence of the independent verification, either separately or as part of this assessment, that:

**Due Diligence**

- The artisanal mining operations are legitimate. Legitimacy is defined as follows: “legitimate refers, among others, to artisanal and small-scale mining that is consistent with applicable laws. When

---

the applicable legal framework is not enforced, or in the absence of such a framework, the
assessment of the legitimacy of artisanal and small-scale mining will take into account the good
faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable
legal framework (where it exists) as well as their engagement in opportunities for formalisation
as they become available (bearing in mind that in most cases, artisanal and small-scale miners
have very limited or no capacity, technical ability or sufficient financial resources to do so).\(^{17}\);

- There is an ongoing monitoring system in place that ensures the timely and effective reporting of
  incidents at mine level to relevant supply chain actors including the auditee.

**Responsible Mining**

- The artisanal mining operations do not use any worst forms of child labor;
- There are no serious abuses associated with the extraction, transport or trade of minerals from
  the artisanal mining operations as defined in Chinese Guidelines: Annex Model Supply Chain
  Policy or OECD Guidance Annex II Model Policy;
- Occupational health and safety conditions are adequate to maintain the artisanal miner’s physical
  and mental health\(^{18}\). At a minimum, this includes:
  - Basic mine safety rules are defined and followed by the artisanal miners.
  - Appropriate personal and well-maintained protective equipment is provided to and used
    by the artisanal miners.

**Internal Material Control**

- The artisanal mining operation generates all the data points required for the system of controls
  and transparency as defined in this Standard and Section B. of this Appendix for all material
  produced and externally sourced;
- The artisanal mining operation has made all data points of the system of controls and
  transparency for the material supplied available to the auditee.

This program recognizes that there may be additional or other material risks that apply to artisanal mining
operations, regardless of whether they operate within a conflict-affected and high risk area or not.
Artisanal mining operations are strongly encouraged to manage all material risk areas. Where applicable
and appropriate for their operations, they may chose to rely on existing responsible artisanal mining
standards, initiatives or programs.

\(^{17}\) OECD Guidance Edition 3, Supplement on Gold, Definitions, p.69

\(^{18}\) This expectation is based on the Responsible Business Alliance, Code of Conduct, Version 6.0 (2018), Provision B.1) Health
and Safety; Provision 2.6 of the of the Guidelines for Social Responsibility in Outbound Mining Investments of the China
Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters and Provisions M.5/1.3.3/R.1 and
M.5/1.3.4/R.1 of the Code of Risk-mitigation for ASM engaging in Formal Trade, Version 1.0
For supply chains where warning signs or red flags have been identified, the on-the-ground risk assessment as well as the review of the management systems and performance at the mining level shall be independently verified. Such independent verification may be conducted using one or a combination of the following options:

**On-the-ground risk assessment of the Treatment Unit:**
- Conducted by an independent third party;
- Conducted by the auditee and included in the scope of the auditee’s assessment against this Standard. In this case, the auditor is required to conduct an **onsite verification** of the auditee’s on-the-ground risk assessment at all or a sample of the treatment units.

**Mechanized and / or artisanal mining operations:**
- Conducted by an independent third party, which may or may not be associated with an assurance and / or certification mechanism;
- Conducted by the treatment unit and included in the scope of the on-the-ground risk assessment. In this case, the on-the-ground risk assessment is required to include an **onsite verification** of the review conducted by the treatment unit at all or a sample of the mine sites.

For any independent verification, the assessor or assessment team must meet the following, minimum, requirements:
- Independence from the activity being assessed;
- Free from any conflict of interest;
- Appropriate level of competence, including:
  - Demonstrated experience in the implementation of on-the-ground risk assessments and / or assessments of mining (mechanized and / or artisanal) operations in the context of conflict-affected and high risk areas;
  - Knowledge and experience in the subject matter to be assessed.

Auditees shall ensure that the assessor or assessment team engaged for the independent verification collectively possess the skills, knowledge and experience to completely perform the assessment.
APPENDIX II: EXAMPLE DOCUMENT LIST

This is a non-exhaustive, indicative list only.

Auditors will review documentation to test the implementation of due diligence management systems. This Appendix includes guidance on the types of documents that may be used to demonstrate implementation of the management systems. This list is indicative only and other forms or documents may equally be used by the auditee.

Documentary evidence will be reviewed by the auditor(s) during the assessment. No copies or pictures of evidence are required as part of the assessment.

Step 1: Establish Strong Management Systems

Supply Chain Policy

- Supply Chain Policy and link to publication of the Policy

Internal Management Support

- Due diligence process or procedure
- Cobalt procurement process (including due diligence, chain of custody/traceability requirement)
- Records of team / management meetings discussing the implementation of the due diligence system
- Training records and training material
- Records of the due diligence management systems review, e.g. meeting records, internal audit report, external audit report, others
- Record keeping policy

Business Partner Engagement

- Contracts or written agreements with suppliers
- Records of communication of the Supply Chain Policy and critical due diligence information to suppliers, e.g. email, meeting records, content of supplier trainings / events, other
- Receipts for cash transactions (if applicable)
- Records of communication of due diligence information to downstream customers, e.g. emails, meeting records, external audit (summary) reports, other

Grievance Mechanism

- Reference to industry mechanism that is applicable and appropriate to the operations
- Company grievance mechanism
• Procedure to investigate and resolve concerns or grievances received

**System of Controls and Transparency**

**Internal Material Control**

• Procedure or process to record material received
• Inventory records showing material receipts
• Raw material warehouse records
• Records of outgoing shipments
• Procurement, quality or production procedure describing the criteria to accept material
• Mass balance calculation
• Records of investigations for any unreasonable changes to inventory

**Know Your Supplier**

• Business license
• Business structure and registration
• Individual identification piece(s)
• KYS questionnaires (completed)

**Identification of Point of Origin**

• Recycled material:
  o Material assay
  o Information on physical form such as photos, or explicit descriptions of the material lot
  o Direct supplier contract and/or purchase agreement containing description of the material supplied

• Mined material:
  o Customs export record
  o Official (e.g., government-issued) country of origin certificate
  o Official (e.g., government-issued) mine license
  o Purchase order or contract showing mine name
  o For ASM sources: Mine visit reports from auditee, supplier or other representative

• Material from a supplying cobalt refiner:
  o Conformance statement from an assessment against this Standard or equivalent
  o Production records linking the material received to the inputs used by the supplying cobalt refiner
  o Documentation for the point of origin for all inputs used by the supplying cobalt refiner

**Step 2: Identify and Assess Risks in the Supply Chain**
Identification of CAHRAs, Warning Signs or Red Flags

- Procedure to identify CAHRAs
- Record of all countries and/or areas identified as CAHRA within the auditee’s supply chain
- Records of the assessment of all warning signs or red flags related to locations of origin and transit, suppliers and circumstances, including the conclusion reached as to whether or not enhanced due diligence is required

Mapping of factual circumstances

Chain of Custody

- Process to ensure the integrity of the shipment
- Domestic Transportation:
  - Trucking documentation or transportation logs
  - Warehouse receipts
  - Contract showing transporter name
  - Invoices from appointed transport agent
  - License from appointed transport agent
  - Inland forwarding note
- International Transportation:
  - Airway Bill
  - Bill of lading (by sea)
  - Through bill of lading
  - Customs import record (smelter’s country)
- Cobalt chain of custody records (including minerals origin and all upstream suppliers’ information):

Identification of activities and relationships of all upstream actors

- Know Your Supplier information for all upstream actors
- Identity of the beneficial owner(s)
- Records of checks on business, government, political or military affiliations of companies and officers within CAHRAs

Payments / Legality

- Customs export record
- Supplier or in-country exporter financial reports
- Records of taxes, fees and royalties paid
- Records of payments or compensation made to government agencies and officials
- Contracts with public/private security forces
**On-the-ground Assessment**

- Terms of reference for independent third party on-the-ground assessment
- Methodology and scope of the on-the-ground assessment
- Assessment report
- Records of internal meetings to discuss assessment results and define follow up action
- Supporting evidence demonstrating implementation of due diligence by Treatment Units (e.g. Step 5 Report, other second or third party audit reports)
- Media / NGO reports mentioning supply chain actors related to areas covered by this Standard
- Statement of conformance / certificate for mechanized and / or artisanal mining operations from upstream assurance mechanisms
- Independent verification reports for mechanized and / or artisanal mining operations
- Reports of due diligence and / or responsible mining service providers
- Incident reports and records of follow up on incidents for artisanal mining operations

**Step 3: Design and Implementation of a Strategy to Respond to Identified Risks**

- Process or procedure describing the company's risk assessment process (including risk criteria, risk assessment, risk mitigation, risk reporting, supplier communication, 3 risk mitigation strategies in accordance with Chinese Guidelines or OECD Due Diligence Guidance)
- Risk assessment results
- Risk mitigation plan
- Records of engagement with suppliers on risk mitigation
- Communication records with relevant stakeholders during risk mitigation, e.g. meeting records, emails
- Records to monitor / track progress of risk mitigation
- Notice of suspension / cancellation of contracts with suppliers for failed mitigation
- Records of internal reporting on risk mitigation, e.g. emails, meeting records

**Step 5: Public Reporting**

- Step 5 Due Diligence Report and link to publicly accessible location
APPENDIX III: STEP 5 REPORT OUTLINE

The Chinese Guidelines and OECD Guidance requires auditees to publish annual reports on supply chain due diligence policies and practices with due regard to business confidentiality and other competitive concerns. Business confidentiality and other competitive concerns means price information and supplier relationships without prejudice to subsequent evolving interpretation\(^{19}\).

As auditees of this program are considered an upstream entity for the purposes of the Chinese Guidelines or OECD Guidance, they must conform to the Step 5 reporting requirements for upstream companies. The Responsible Minerals Assurance Process requires all auditees to report publicly on their due diligence program.

Below is an outline of categories that are recommended to be included in these reports. This outline is recommended for all auditees; however, the scope and level of detail may reasonably be reduced in low-risk contexts. It is recommended to provide examples where possible to illustrate application of due diligence concepts.

1. Auditee Introduction
   a. Auditee Name
   b. Smelter Company ID (CID)
   c. Location
   d. Materials processed

2. Audit Summary
   a. Date of last audit
   b. Audit period
   c. Lead auditor name
   d. Link to most recent publicly available audit summary report

3. Company Management System
   a. Supply Chain Policy
   b. Management Structure and Responsibility
   c. System of Controls and Transparency
   d. Record keeping system

4. Risk Assessment
   a. Risk assessment process, methodology and results
   b. Methodology, practices and information yielded in on-the-ground assessments (if applicable)

\(^{19}\) OECD Guidance Edition 3, Tin and Tantalum Supplement, p.52 and Footnote 34
5. Risk Management (if applicable)
   a. Risk mitigation strategy
   b. Involvement of affected stakeholders
   c. Descriptions of efforts to track and monitor progress

6. OPTIONAL: Description of other issues and/or risks beyond the Annex of the Chinese Guidelines or Annex II of the OECD Guidance included in the due diligence system (e.g., Environment; Health & Safety; Child Labor, all forms)

Where the auditee utilizes an upstream assurance mechanism, some of the information may be published by this system and does not need to be repeated by the auditee. This applies, in particular, to descriptions of methodologies or systems of control over the supply chain. It is the responsibility of the auditee to request and obtain this information from the upstream assurance mechanism and to make it available for the due diligence audit. Auditees, auditors, and the program may be subject to confidentiality agreements in regards to information generated by the upstream assurance mechanism.
APPENDIX I: TYPES OF COBALT MATERIAL

For the purpose of this assurance process, a cobalt refiner processes cobalt concentrates, intermediates or recycled feed and produces a cobalt product for direct use in a downstream manufacturing process. Facilities that only produce battery cathode, alloys, ceramics are downstream and not considered a refiner.

This section provides further information on the cobalt value chain and types of cobalt products. The section is based on the information made available by the European Union Raw Materials Information System (RMIS) and can be accessed here: [http://rmis.jrc.ec.europa.eu/?page=mfa-inventory-fc6a02#materials/cobalt](http://rmis.jrc.ec.europa.eu/?page=mfa-inventory-fc6a02#materials/cobalt).

Figure 1 below presents a simplified cobalt value chain. Cobalt refiners are entities that sell their products directly into the “manufacturing” stream without further refining, highlighted with the red circle.

Cobalt is often found as a by-product of nickel (estimated 50% of cobalt production) and copper (estimated 44% of cobalt production) with less than 10% of the material originating from primary cobalt production (estimated 6%).

The process for the production of pure cobalt metal can be classified into hydrometallurgy and pyrometallurgy. For hydrometallurgical processes, cobalt extraction generally includes some form of leaching, often using hydrochloric or sulphuric acid. It can also include solvent extraction and electrowinning. Pyrometallurgy uses the differences in melting points and densities of different materials.
to separate them. After smelting, cobalt is normally still combined with nickel and the materials are separated using electrolytic processes\(^\text{20}\).

Examples of cobalt products include the following: \textit{This list is for indicative purposes only and is not exhaustive.}

- **Intermediate cobalt products:**
  - Cobalt-containing mattes
  - Cobalt-containing crude metal
  - Cobalt hydroxide
  - Crude cobalt oxide
  - Cobalt sulphate

- **Refined cobalt production:**
  - Cathodes
  - Briquettes
  - Ingots
  - Granules
  - Powder
  - Cobalt chloride
  - Cobalt oxide
  - Cobalt hydroxide
  - Cobalt salts

- **Examples of recycling feed:**
  - Industrial scrap
    - Alloys
    - Superalloys for aeronautic applications
    - Cemented carbide cutting tools
    - Turbine blades
  - Post-consumer scrap
    - Consumer electronics batteries
    - Electric vehicle batteries
    - Magnets
    - Catalysts

\textbf{Main uses of cobalt include}\(^\text{21}\):
  - Battery chemicals

---


Superalloys
Hard materials (in carbides used for cutting tools)
Catalysts
Ceramics and pigments
Magnets
Tyre adhesives and paint tryers