

**OECD Due Diligence Guidance for
Responsible Supply Chains of Minerals from
Conflict-Affected and High-Risk Areas**



KOREA ZINC

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Intro

About the Guidance

- A government-backed, multi-stakeholder **risk-based due diligence framework** to manage responsible mineral supply chains in **conflict-affected and high-risk areas**.
- **Purpose:** Help companies respect human rights and avoid contributing to conflict, guiding responsible sourcing across decision-making and supplier choices.
- **Scope:** Applies to all minerals and to all supply-chain actors (upstream and downstream), with flexible application proportional to company size, location, and product characteristics.
- **Components:** (1) Five-Step Framework (Annex I) (2) Model Supply Chain Policy (Annex II) (3) Risk-mitigation measures/indicators (Annex III) (4) Supplements for 3T and Gold.

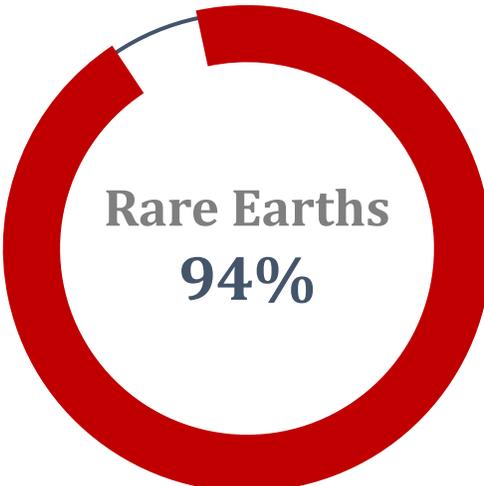
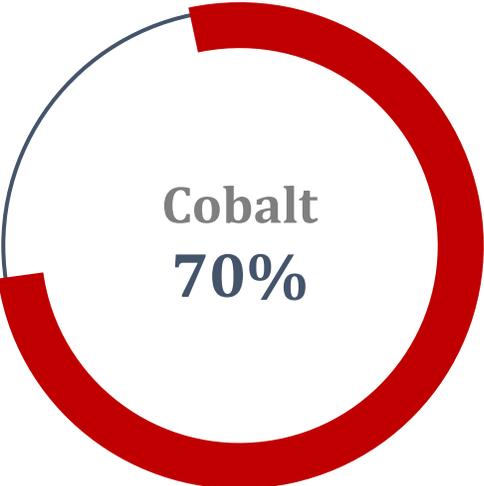
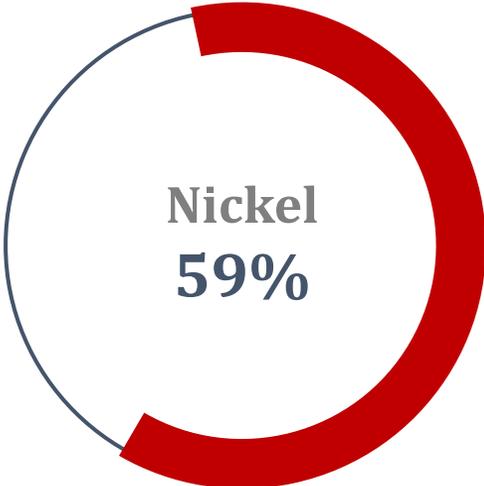
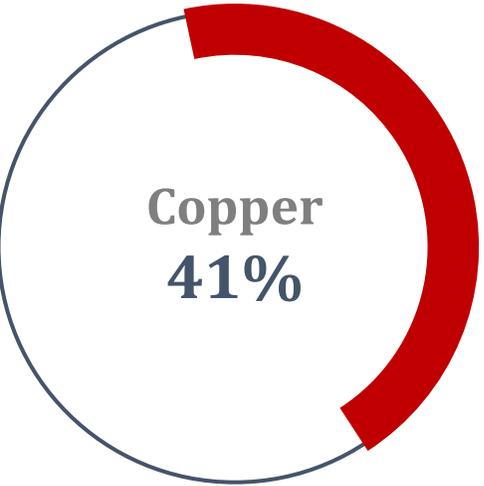
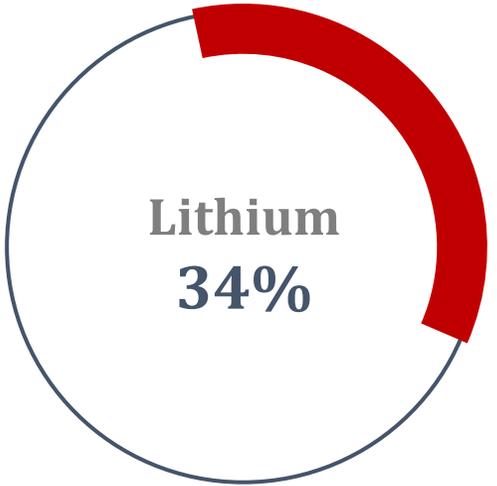
What is Conflict-Affected and High-Risk Areas(CAHRA)?

- **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 characterised by widespread human rights abuses and violations of national or international law.

Reference indicators for location risk identification by the LBMA

Sources	Detail
Dodd Frank s. 1502	<ul style="list-style-type: none"> Requires SEC-reporting companies to publicly disclose their use of 3TG and conduct a reasonable country of origin inquiry and OECD-aligned due diligence
EU CAHRA list	<ul style="list-style-type: none"> Provides an indicative, non-exhaustive, regularly updated list of CAHRAs to facilitate compliance with Regulation (EU) 2017/821
Heidelberg Barometer	<ul style="list-style-type: none"> IIK’s annual Conflict Barometer classifies conflicts by intensity (1–5) and provides regional trend overviews.
Fragile States Index or equivalent	<ul style="list-style-type: none"> An annual assessment by The Fund for Peace covering 178 countries using 12 indicators and a triangulated methodology To highlight state fragility and conflict risk trends of countries
UN Human Rights Office of the High Commissioner	<ul style="list-style-type: none"> OHCHR supports Human Rights Council Special Procedures that issue country visits, communications, and thematic/country reports—useful sources for human-rights risk assessment
Reports by the Financial Action Task Force (FATF)	<ul style="list-style-type: none"> Identifies high-risk and monitored jurisdictions Announce blacklist (countermeasures) and grey list (enhanced monitoring) triggers enhanced due diligence
Others	<ul style="list-style-type: none"> Sanctions lists (US, UK, EU, UN, and relevant sanctions lists) Credible market intelligence on high-risk gold centres/transit hubs and on countries where there is a high risk of money laundering.

Proportion of Energy Transition Minerals Located in Countries with High Levels of Corruption



Principles

- Conduct due diligence on an **ongoing, proactive, and reactive basis**
- Tailor the depth and intensity **based on risk**
- Achieve progressive improvements through **engagement with suppliers**
- Facilitate **responsible investment and trade in CAHRAs**; avoid blanket blacklists or embargoes
- Collaboration is encouraged, but **each company remains responsible for its own due diligence**
- **Strengthen transparency** with reasonable steps and good-faith efforts

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Due Diligence

Method

Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain (Annex I)

Step 1

Establish strong company management systems

Step 2

Identify and assess risk in the supply chain

Step 3

Design and implement a strategy to respond to identified risks

Step 4

Carry out independent third-party audit of supply chain due diligence

Step 5

Report on supply chain due diligence

Ref. Risks of significant adverse impacts (Annex II)

Risks of significant adverse impacts that may be associated with extracting, trading, handling and exporting minerals globally, and especially from conflict-affected and high-risk areas

No.	Risks
1	Serious abuses associated with the extraction, transport or trade of minerals
2	Direct or indirect support to non-state armed groups
3	Public or private security forces
4	Bribery and fraudulent misrepresentation of the origin of minerals
5	Money laundering
6	Payment of taxes, fees and royalties due to governments

Step 1. Establish strong company management systems

- ❖ **Policy:** adopt a supply chain policy aligned with subsequent due-diligence steps
- ❖ **Governance:** assign senior responsibility, allocate resources, ensure communication/training, and internal accountability
- ❖ **Transparency & controls:** keep inventory and transaction records with unique references, avoid cash purchases and use banking channels, cooperate with authorities, retain records at least 5 years
- ❖ **Supplier engagement:** prefer long-term relationships; embed requirements in contracts (incl. spot-check rights); provide capability-building and measurable improvement plans
- ❖ **Grievance:** set up a company-level channel for concerns (direct, collaborative, or via external ombudsman)

Step 2. Identify and assess risk in the supply chain

- ❖ **Ref-flag Triggers:** Use red-flag triggers (origin/transit, supplier, circumstances) to determine the depth of due diligence; map the factual circumstances; and, where appropriate, deploy on-the-ground assessment teams to verify conditions of extraction, transport, trade, and export.
- ❖ **Upstream & Downstream:** Upstream focuses on traceability and field data; Downstream identifies smelters/refiners and reviews their due diligence
- ❖ **Supplement:** In the Gold Supplement, collect evidence tailored to LSM/ASM/Recyclable Gold (origin, routes, taxes/fees, security-force involvement, serious abuses, etc.), and, for downstream, verify refiner due-diligence and audit outcomes.

Step 3. Design and implement a strategy to respond to identified risks

- ❖ **Risk-management Plan:** Report findings to senior management and adopt a risk-management plan choosing among
 - ① continue with measurable mitigation
 - ② temporarily suspend during mitigation
 - ③ disengage where mitigation is infeasible/unacceptable
- ❖ **Action:** Aim for significant, measurable improvement within six months; if not achieved, suspend for at least three months. Consult stakeholders, monitor progress, and segregate/secure shipments associated with identified risks.

Step 4. Carry out independent third-party audit of supply chain due diligence

- ❖ **Audit Points:** smelter/refiner for 3T(Tin, Tungsten, Tantalum) and refiner for Gold
- ❖ **Scope:** Policies, procedures, and internal controls; supply-chain information and disclosures; risk assessments (including on-the-ground research); and risk-management actions
- ❖ **Process:** Independent auditors review documents, conduct site visits (including sampling of suppliers), and consult relevant stakeholders (e.g., authorities, civil society). Independence, competence, and accountability are essential
- ❖ **Outputs:** Audit findings with recommendations; publication of a summary audit report (while protecting business-confidential information). Industry programs (e.g., RMI/RMAP, LBMA, etc.) may organize or verify audits

Step 5. Report on supply chain due diligence

- ❖ **Upstream (mine to refiner):** Policy, governance, and controls (e.g., chain-of-custody /traceability, records); how risks were identified and assessed (including any on-the-groundwork); risk-management measures and results (e.g., six-month follow-up, instances of suspension/disengagement)
- ❖ **Refiners (3T & Gold):** The above, plus publication of a summary audit report
- ❖ **Downstream (post-refining):** Identification of refiners in the supply chain, how their due diligence was assessed, risk-management measures and outcomes, and any related audits

Role of Stakeholders

Company

Execute due diligence using the 5-step framework, potentially leveraging industry associations or initiatives.

Government

Establish a conducive environment to support responsible mineral supply chains.

Civil Society

Oversee governance within the mining sector and track company activities across the entire global mineral supply chain.

Whole of supply chain due diligence



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Responsible Minerals Report

Korea Zinc Responsible Minerals Report

❖ Purpose

- Address risks such as human rights abuses and environmental destruction arising in global conflict-affected and high-risk areas (CAHRA)
- Strengthen supply-chain transparency for the ethical sourcing of 3TG (tantalum, tin, tungsten, gold) and other responsible minerals

❖ Scope

- Conflict minerals (3TG) and responsible minerals (zinc, lead, silver, copper), managing both raw materials and by-products

❖ Management

- Operate a five-step due-diligence process based on the OECD Due Diligence Guidance
- Identify high-risk areas and sanctioned countries in line with global standards such as RMI, LME, and LBMA
- Conduct supply-chain risk assessments → carry out additional investigations for items with red-flag indicators → link findings to corrective actions

Thank you