



SUMMARY

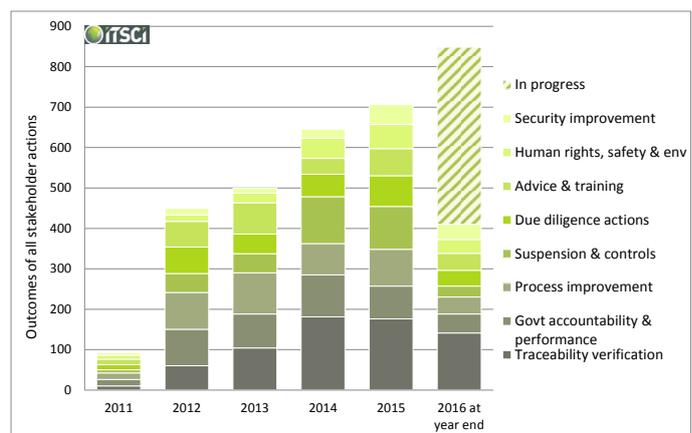
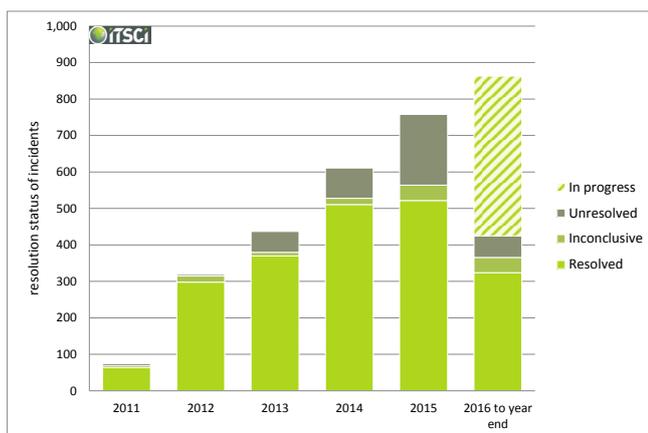
The iTSCi Programme is designed to support the effective application of OECD recommended due diligence by companies throughout the 3T upstream supply chain. As such, the provision of supply chain traceability, identification of risks, facilitation of risk resolution and various forms of independent evaluation by iTSCi enables companies to take appropriate decisions to trade responsibly and avoid financing of conflict or support to human rights abuses as well as to respond to other identified risks.

This report focuses on data from the iTSCi incident management system which has been generated over six years of implementation from 2011 to 2016 by our extensive on-the-ground teams and knowledgeable reporting officers. The iTSCi teams currently undertake around 400-500 site visits per month to mining areas, transport routes and processing facilities in Burundi, DRC, Rwanda and Uganda, helping to monitor the situation around trading of almost 18,000 tonnes of mineral concentrate from up to 1,341 mines.

iTSCi receives information from multiple sources including field agents, whistle-blowers, local NGO’s and UN reports, which, if confirmed as plausible, is then recorded and reported to companies and other stakeholders for joint discussion and follow up. From 2011 to 2016 iTSCi recorded and monitored **3,063 individual incidents**, which include potential risks in the vicinity of iTSCi locations even if risks do not ultimately impact directly on minerals being traded. One incident may involve a combination of issues, at differing levels of seriousness and 3,325 instances of risk categories were recorded in total.

Each year, the numbers of incidents and positive outcomes has risen as a result of both the increased scale and scope of iTSCi over time, and the progress in awareness and engagement of all stakeholders around due diligence and the importance of avoiding conflict, human rights abuses and other risks. As iTSCi has continued to grow and be implemented in increasingly complex high risk areas this has been reflected in increases in recorded security related risks. Nevertheless, in and around iTSCi implementation areas, across four countries, and in six years;

- Instances of serious human rights abuses were very low, averaging 2 per year;
- Potential risks from non-state armed groups or unidentified bandits totals 22, or 0.7% of incidents;
- Potential or actual interference, including taxation, by state security services was recorded 62 times, representing 2% of incidents.



iTSCi strongly encourages and follows up on the resolution of risks and, while a number of incidents remain under investigation (in progress), or are inconclusive (with insufficient evidence), a high number are resolved by multi-stakeholder actions with positive outcomes. While our internal programme management systems include 58 potential outcomes across 4 stakeholder types, these are aggregated for reporting.

It is the co-ordinated combination of actions by stakeholders that achieves successful and progressive improvement in the supply chain, and over the course of implementation, iTSCi directly contributed to more than 40% of the resolutions, followed by government actions (23%), companies (16%) and civil society. In total, outcomes achieved by all stakeholders for 2011 to 2016 include;

- Traceability verification (24%)
- Government accountability and improved performance (15%)
- Process improvements in due diligence and systems (15%)
- Suspension and controls of mines or companies (12%)
- Due diligence actions on specific supplies (11%)
- Advice and training by iTSCi or others (11%)
- Human rights, safety and environmental improvements (7%)
- Security improvements by state and private services (5%)

Of outcomes associated with companies, around 70% were related to due diligence actions and improvements in processes for managing risks. Of those associated with governments, 40% of outcomes achieved improved government performance, plus significant numbers of actions on suspensions, arrests, or direct action from the command structure of state services.

Some incidents do remain partially or completely unresolved and in the majority this is due to lack of engagement by one or more relevant responsible party, whether company, government or others, however around 25% of all unresolved incidents are caused by the continued lack of international agreement on a method for disposal of seized minerals or stocks.

The focus of iTSCi implementation is on risks discussed in the OECD Annex II. Nevertheless, the incident system is also used to record and report progress on additional activities including for example, around health and safety. It is notable that almost one quarter of positive outcomes from company actions relate to improvements in safety around mines, and contributions to the community following accidents. iTSCi is able to work on training and specific actions designed to bring about further improvement in safety at pilot sites supported by and participating in the Dutch Ministry of Foreign Affairs 'Scaling Up Mineral Traceability' project, but additional resource would allow more to be done.

This is a public summary report. A significant additional level of detail and analysis is utilised for internal programme management, some of which will also be available in due course to those companies, authorities, NGO's and other partners who participate in, or contribute in a positive manner to the continued progress and financing of the iTSCi programme via the available and existing routes.

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Thanks go to the iTSCi reporting teams for their commitment to reviewing such a large amount of information and their continued hard work.



1. INTRODUCTION TO INCIDENT REPORTING

The iTSCi Programme assists companies to implement the recommendations of the OECD due diligence guidance through the provision of supply chain traceability, identification of risks, facilitation of risk resolution and various forms of independent evaluation. These activities provide information which enables companies to take appropriate decisions on risks and therefore for the entire supply chain to trade responsibly.

As described in the seven page Appendix to the OECD Due Diligence Guidance, the essential enabler for due diligence is the presence of an on-the-ground team to continuously monitor and evaluate risks, discuss with all relevant stakeholders, and report on mitigation actions and outcomes. The Appendix recommends that field teams have appropriate competence to provide reliable and independent information based on credible evidence in order to fully understand the complex issues which exist in high risk environments. The teams are recommended to have an understanding of the general political and legal context, specific businesses and supply chains, geological and mineral processing techniques, due diligence, security and human rights expectations in order to properly manage risks.

iTSCi provides expert on-the-ground teams through our field partner Pact. These teams currently operate with around 130 staff across the central African region and the teams make around **400-500 site visits per month** to mining areas, mineral processing and storage facilities and along transport routes. The field teams are supported by qualified multi-lingual personnel, and incident information is distributed through the iTSCi secretariat to members, governments, other partners and the public. Decisions on critical high level incidents such as conflict issues requiring suspension of mines or operators are made by the iTSCi Governance Committee while the majority are resolved through local stakeholder discussions. For this purpose, iTSCi facilitates the set-up and operation of local stakeholder meetings, as well as funds and provides an additional whistleblowing system so that any member of the public can contribute to risk reporting. Follow-up and resolution of every single incident is our goal although various practical and systemic challenges can sometimes make this difficult.

iTSCi receives information from multiple sources including field agents, whistle-blowers, local NGO's and UN reports, which, if confirmed as plausible, is then recorded through the iTSCi incident management process. These identified supply chain risks are reported to companies and other stakeholders for joint discussion and follow up. iTSCi focuses on incidents relating to conflict and other topics described in OECD Annex II, but also includes additional issues such as occupational health and safety.

Since 2011, iTSCi has recorded and managed a total of **3,064 incidents**, across 1,341 mine sites in four countries as well as across transport routes within Africa, and internationally to receiving smelters. These incidents demonstrate effective risk identification and management in the trade of more than 90,800,000 kg of mineral concentrate, traded through more than 5.4 million in-region business transactions.

In order to measure and report the outcomes of this important work, as well as evaluate opportunities for further improvement in the systems, iTSCi has reviewed all incidents which were opened in the period 2011-2016 and the results are described in this report.

2. METHODOLOGY OF INCIDENT MANAGEMENT AND REVIEW

iTSCi and its field operator Pact have developed the iTSCi incident management process to be a practical and effective system implementing the theoretical recommendations of the OECD due diligence guidance. Over the six years of programme growth we have taken into account direct experience and learnt vital lessons which allow iTSCi, our members, governments and partners to achieve continued progress in managing risks related to conflict, human rights and other key issues.

Both the incident categorisation and reporting system have evolved significantly over a few short years and iTSCi has recently undertaken a review of past data to update reports to align with currently used definitions as well as to gain

further insight into issues, trends and outcomes achieved through our system. These current processes and definitions are generally described below in order to provide background information;

Categories

Incidents are evaluated as relevant to one or more key issues under the **categories** of; due diligence, chain of custody, corruption, armed groups and security forces and human rights and other concerns. Our primary focus is on establishing a supply chain free of human rights abuses and conflict financing, in particular with reference to the scope of OECD Annex II. Other activities stretch beyond topics mentioned in the OECD Annex II such as labour, health and safety, or mining in protected parks and these are recorded and being addressed in pilot actions supported through the Dutch Ministry of Foreign Affairs project on '*Scaling up Mineral Traceability*¹'. We continue to seek resources to expand these additional activities to wider areas of implementation. In total iTSCI has defined 49 sub-categories of incident in order to sufficiently classify the many potential risk types. An overview of the process as well as the categories is provided in Annex 1.

Levels of seriousness

In addition to categories of type, incidents are allocated a level of seriousness. There are 3 **levels**, where 3 is ranked the lowest, and 1 the highest level of seriousness. Priority issues requiring immediate and high level attention and possible disengagement in the supply chain according to OECD Annex II are classified as Level 1. Low level incidents relating to mistakes or lack of capacity or training are considered Level 3, with intermediate or repeated issues as a mid-category of Level 2.

Status

iTSCI investigates the causes of incidents to help determine, advise and facilitate discussion between stakeholders on mitigation activities and to focus on where efforts are needed to achieve improvements. As per OECD recommended timescales for mitigation, incidents may remain **open** for up to six months while the iTSCI team and/or involved stakeholders are verifying information, monitoring the situation and/or implementing mitigation actions but after that time will be closed off and allocated a final **status** chosen from one of the three possibilities associated with closure below:

- **Resolved** –The iTSCI team and/or involved stakeholders have agreed and implemented actions which have resulted in mitigation.
- **Unresolved** – The involved stakeholders may not have agreed, or more commonly have not effectively implemented mitigation actions.
- **Inconclusive** - The iTSCI team do not find sufficient evidence to support an allegation or need for mitigation.

Outcomes

Following closure of each incident, the team identifies whether positive **outcomes** were achieved, such as sanction by authorities, due diligence improvement by companies, or procedural improvements at iTSCI. It is also noted whether expected outcomes were not achieved due to lack of engagement from the relevant stakeholders. For the purpose of this latest overall review, stakeholders were analysed based on their ability and success in influencing, shaping and improving final outcomes of reported incidents. Outcomes were identified for four core groups; companies, authorities, civil society and iTSCI.

In total iTSCI has defined 58 potential outcomes across the 4 stakeholder groups in order to enable trends to be identified. For this public summary, outcomes have been aggregated into fewer outcome groups in order to limit the complexity of reporting.

Other metrics

Further analysis is also carried out internally in order to determine the percentages of incidents involving tagged mineral, the extent of intentional or accidental causes of incidents and the most commonly recommended actions for each stakeholder. This enables us to measure to precise levels, for example, how many due diligence incidents were due to companies refusing to provide requested information, or how many human rights incidents related to gross human rights abuses. These provide extensive additional information which is not discussed in this general initial public report.

¹ Please see <http://www.pactworld.org/projects/scaling-itsci>

3. CONTEXT RELEVANT TO INCIDENT NUMBERS

iTSCi has always used the OECD guidance as our primary reference, taking an inclusive approach which accepts that risks exist, while focusing on credible and accurate reporting and progress in resolution. The incident reporting process is therefore a vital part of a successful approach to due diligence. Almost all improvements achieved through iTSCi result from the incident system rather than from initial or infrequent audits of mines or companies.

Increases in incident numbers are in themselves positive since they demonstrate;

- Increased understanding of conflict, human rights issues and due diligence
- Increased awareness and engagement in the iTSCi systems
- Improvements in efficiency and effectiveness of iTSCi procedures
- Increased ongoing monitoring, better resolution and more outcomes
- Increased transparency of risks to the supply chain

Increases in the numbers of mines, companies and tonnages being traded under the iTSCi programme can also lead to further increases in the numbers of risk incidents recorded and managed due to the increased and extensive scale of activities.

The iTSCi Programme was piloted in South Kivu in 2010, introduced in Rwanda and Katanga in 2011, and gradually extended to other provinces of the DRC and other countries as funding became available either from member company investments or donor funders, specifically the Development Bank of Southern Africa (DBSA) and Ministry of Foreign Affairs of the Netherlands (MFA). As a result of this step-by-step scaling-up process simple **year-on-year comparisons of incident numbers and outcomes are complex and not recommended** without an awareness and understanding of other related factors that are essential for informed and meaningful comparisons or conclusions. Some key comments on this important context is provided below.

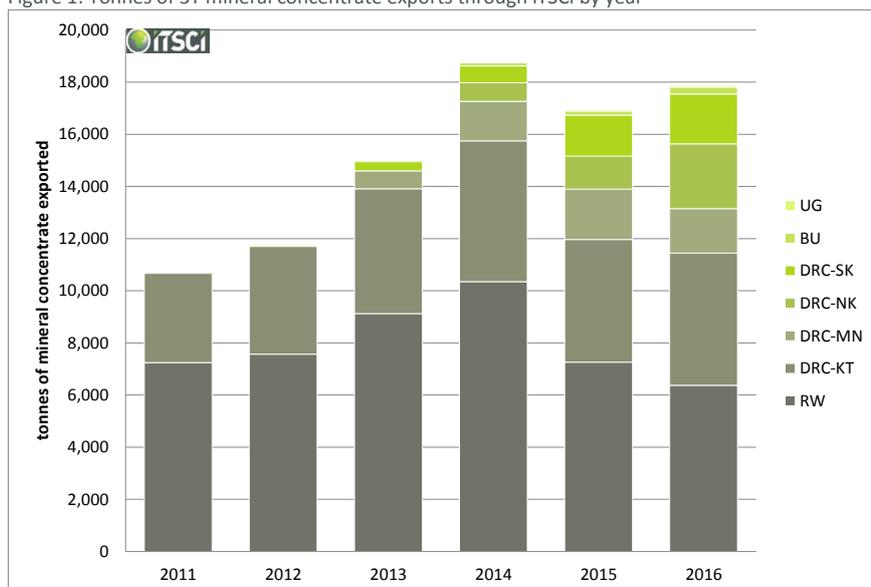
Tonnage of mineral

The inclusion of more mineral trading within iTSCi can result in more incidents being recorded. Annually, over 10 thousand kilograms of 3T mineral concentrate have been exported collectively from the region through iTSCi, and in total for the period 2011 to 2016 just over 90 thousand kilograms of 3T minerals were exported. Table 1 and Figure 1 below provide further information. Tonnage figures are themselves heavily influenced by other external factors such as metal prices, cash flow in the supply chain, logistics, weather, policies adopted by the government and so on which impact, and can only be followed and understood at very local level. The information below should therefore only be used for the purpose of a general understanding of the level of business activity and no other conclusions should be drawn by the reader.

Table 1: Tonnes of 3T mineral concentrate exports through iTSCi by year

| iTSCi concentrate exports (kg) | Burundi | DRC | Rwanda | Uganda | TOTAL |
|---------------------------------------|----------------|-------------------|-------------------|----------------|-------------------|
| 2011 | 0 | 3,414,813 | 7,245,500 | 0 | 10,660,313 |
| 2012 | 0 | 4,176,948 | 7,569,677 | 0 | 11,746,625 |
| 2013 | 0 | 5,818,680 | 9,126,261 | 0 | 14,944,941 |
| 2014 | 110,147 | 8,275,609 | 10,349,304 | 0 | 18,735,060 |
| 2015 | 164,325 | 9,471,534 | 7,258,268 | 44,668 | 16,938,795 |
| 2016 | 265,290 | 11,171,689 | 6,371,030 | 64,483 | 17,872,492 |
| Total | 539,762 | 42,329,274 | 47,920,039 | 109,151 | 90,898,225 |

Figure 1: Tonnes of 3T mineral concentrate exports through iTSCi by year



The volumes of minerals exported were badly affected by very low tin and other commodity prices which fell during 2015 to a low point in early 2016. Low prices discouraged activity reducing mining and trading to levels well below what would be expected for the large geographic coverage of the programme. Some recovery was seen in 2016 and further potential improvement is hoped for in 2017.

Numbers of mines

The inclusion of more mines within iTSCi can result in more incidents being recorded. Over the course of implementation of iTSCi the scale of the programme has continuously grown as requests for inclusion of new areas from local and international businesses and other stakeholders have been received, and financial resources for that scale up have become available. The programme is as inclusive as possible in order to ensure an industry and region wide solution is in place. We do not choose to only support more profitable mines larger mines but also support artisanal mines, even down to the very smallest scale, if identified and within an active mining territory.

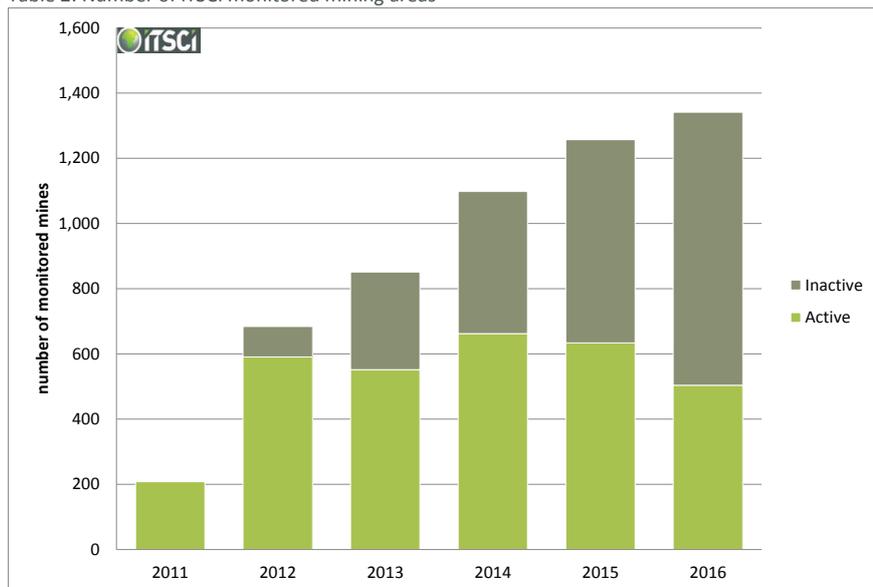
iTSCi works with local authorities to visit and evaluate the situation at mines, record appropriate naming, and if the security situation allows for approval, to train local authorities in implementation of tagging and traceability. Table 2 provides information on total numbers of mining areas within the scope of iTSCi at the end of each year. Note that iTSCi mine approval differs from official DRC validations and the figures for each are not easily compared.

Table 2: Number of iTSCi monitored mining areas

| iTSCi mining areas (active & inactive) | Burundi | DRC | Rwanda | Uganda | TOTAL |
|--|---------|-----|--------|--------|-------|
| 2011 | 0 | 113 | 95 | 0 | 208 |
| 2012 | 0 | 186 | 498 | 0 | 684 |
| 2013 | 0 | 213 | 638 | 0 | 851 |
| 2014 | 31 | 266 | 801 | 0 | 1,098 |
| 2015 | 34 | 346 | 873 | 4 | 1,257 |
| 2016 | 36 | 409 | 891 | 5 | 1,341 |

The activity around each mining area can change very rapidly as local weather, security, cash flow or market demands dictate and mines can become inactive, and then re-activate within short periods of time. It is one of the tasks of the iTSCi field staff to continually follow these developments to ensure that mining activity/inactivity at all known sites is recorded, and that all inactive sites, as well as currently active sites, are regularly monitored for risks. Figure 2 presents information split by active and inactive mines at that particular point in time.

Table 2: Number of iTSCi monitored mining areas



The significant numbers of inactive mines arise primarily from the current situation in Rwanda where at the end of 2016 there were 207 active mines, and 684 inactive mines i.e. 77% of Rwandan mines were inactive. This is partly related to business issues, but in the majority due to a change in government policy during 2015 to promote formalisation and fully implement the mine licencing system. ‘Inactive’ in this particular local scenario means that a mine does not have an exploitation permit from the government, and the government does not therefore implement traceability at the site. Unfortunately, it does not mean that the site is in practice inactive and illegal mining can continue when there is limited control or prevention measures by the authorities. The decrease in active mine numbers in Rwanda has not led to an equal decrease in incident numbers.

Numbers of participating companies

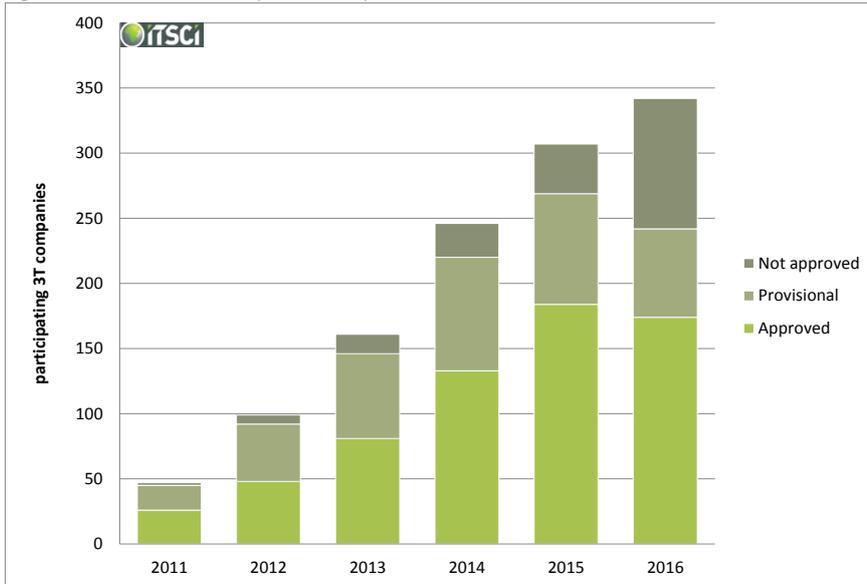
The inclusion of more operators within iTSCi can result in more incidents being recorded. While mines and related cooperatives and companies are identified through the mining area evaluation mentioned above, companies further along the supply chain who are key to the application of due diligence are requested to become iTSCi participating members. The iTSCi membership system is important to enable an understanding of the complete upstream supply chain from mine, local processor, exporter, trader(s) to smelters and make the supply chains appropriately transparent in order to allow due diligence, while retaining essential commercial confidentiality.

Submission of an application together with relevant documentation provides an initial **provisional** membership, but only after subsequent successful independent evaluation by a third party can a company achieve **approved** membership. It is at this point that the company begins to trade as a full participant of the programme. As can be seen in Table 3, at the end of 2016, there were 68 provisional members and 174 approved members.

Table 3: Numbers of 3T companies transparent via iTSCi

| iTSCi companies participating | Approved | Provisional | Not approved | Total |
|-------------------------------|----------|-------------|--------------|-------|
| 2011 | 26 | 19 | 2 | 47 |
| 2012 | 48 | 44 | 7 | 99 |
| 2013 | 81 | 65 | 15 | 161 |
| 2014 | 133 | 87 | 26 | 246 |
| 2015 | 184 | 85 | 38 | 307 |
| 2016 | 174 | 68 | 100 | 342 |

Figure 3: Numbers of 3T companies transparent via iTSCi



There are **342** companies who have made an application to participate in iTSCi and whose willingness and capacity to apply due diligence has been evaluated. Of this total, a number have decided to withdraw, some applications have been failed, and some companies have been suspended or expelled from participation, including for performing insufficient due diligence. In total 100 companies are currently **not approved**.

Figure 3 demonstrates that the number of approved participants increased steadily, especially from the start of the programme but that the number is now less changeable as all 3T exporting areas are within the scope of activity. It is also positive to note that numbers of participating approved companies dropped in 2016 as numbers not approved increased. As this trend continues, better performing companies with better internal management systems will be expected to make up a greater portion of the participating companies.

4. INCIDENT NUMBERS AND TYPE

Incident numbers

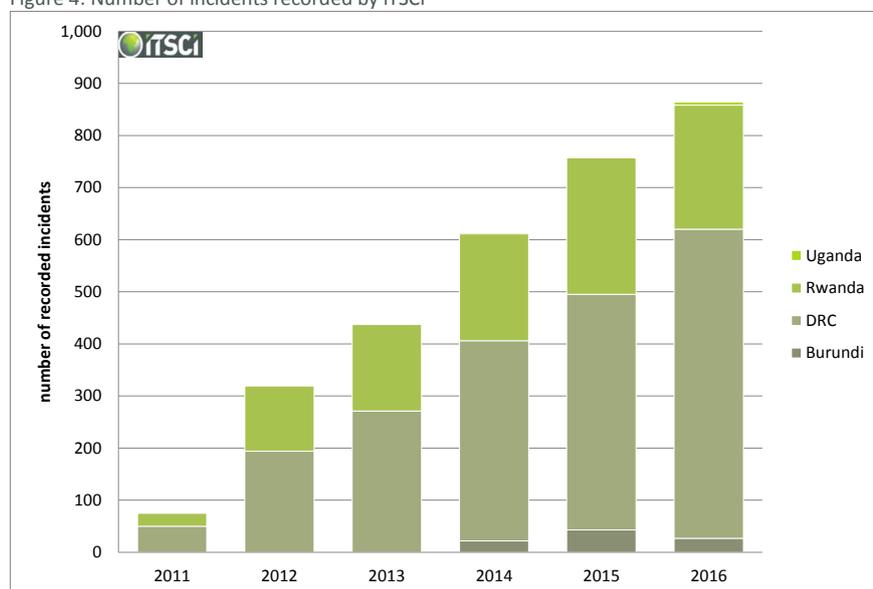
Table 4: Numbers of incidents recorded by iTSCi

| iTSCi incident numbers | Burundi | DRC | Rwanda | Uganda | TOTAL |
|------------------------|-----------|--------------|--------------|----------|--------------|
| 2011 | 0 | 50 | 25 | 0 | 75 |
| 2012 | 0 | 194 | 125 | 0 | 319 |
| 2013 | 0 | 271 | 166 | 0 | 437 |
| 2014 | 22 | 384 | 205 | 0 | 611 |
| 2015 | 43 | 452 | 262 | 1 | 758 |
| 2016 | 27 | 593 | 238 | 5 | 863 |
| Total | 92 | 1,944 | 1,021 | 7 | 3,063 |

The iTSCi incident team recorded **3,063 incidents** between 2011 and 2016 inclusive. As a result of the ever increasing number of mining areas covered (whether active or inactive), as well as a drive to achieve scaling up in the more challenging areas such as South and North Kivu during the more recent years of the programme, incident numbers overall continued to increase year-on-year. Increases are also due to the improved incident identification processes in place, including support for local whistleblowing introduced in 2016. The number of incidents in Burundi and Rwanda dropped in 2016 for the former due to low activity and improved understanding of traceability, and the latter relating to some extent to the more significant scale of drop in mineral exports.

It should also be noted that iTSCi records risks that are in the vicinity of mines or transport routes whether or not they have a direct impact on the 3T supply chain both for future reference and due to the need to track trends that may result in a 3T risk at a later date. Examples would include risks relating to non-state armed groups attracted to gold mining areas close by those of 3T's. Operating in a less secure environment will in itself lead to the recording of more incidents even though the iTSCi processes help to avoid those insecurities having any direct impact on the mineral supply chain.

Figure 4: Number of incidents recorded by iTSCi



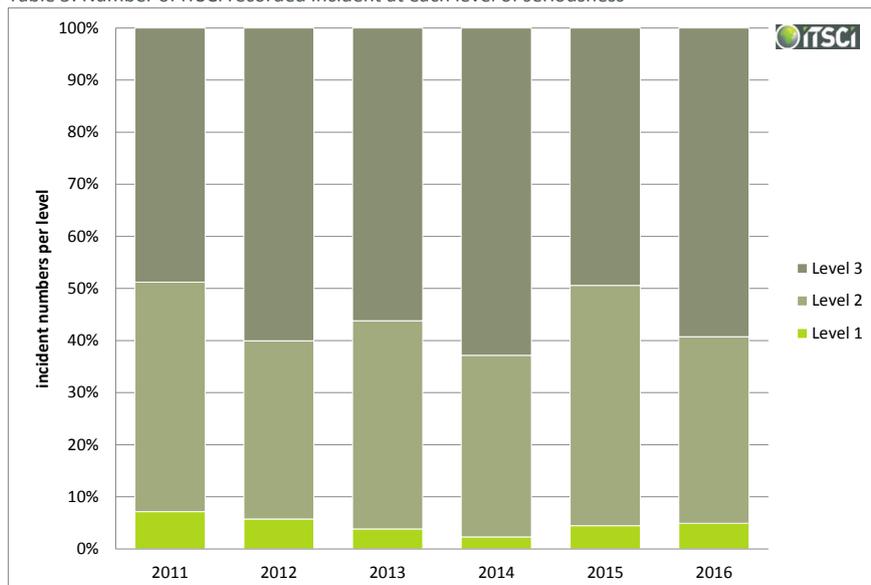
Incident levels

As noted above, the incident team has recently reviewed all incidents in order to apply the currently defined incident levels to all previous incidents from 2011 onwards. This will allow for further analysis of trends and drive improvements in due diligence tailored to specific areas. Data is provided in Table 5 and is also shown in Figure 5. In general terms, the split of Level 1, 2 and 3 incidents has remained fairly equal during the scaling up of the programme. The majority of serious Level 1 incidents were mainly in Katanga, DRC during the early years, then dropping as security improved in that location, followed by an increase in more serious incidents in 2015-2016 where more mining areas in the higher risk Kivus' were included in the scope of work. In general, Level 1 incidents make up around 5% of the total.

Table 5: Number of iTSCi recorded incident at each level of seriousness

| iTSCi incident levels | Level 1 | Level 2 | Level 3 | TOTAL |
|-----------------------|------------|--------------|--------------|--------------|
| 2011 | 6 | 37 | 41 | 84 |
| 2012 | 20 | 119 | 209 | 348 |
| 2013 | 19 | 197 | 277 | 493 |
| 2014 | 15 | 228 | 411 | 654 |
| 2015 | 37 | 383 | 410 | 830 |
| 2016 | 45 | 328 | 543 | 916 |
| Total | 142 | 1,292 | 1,891 | 3,325 |

Table 5: Number of iTSCi recorded incident at each level of seriousness



Incident categorisation

The iTSCi incident categories have changed and developed over time in order to implement improvements. During this recent review process the incident team have re-evaluated all available information in order to apply the currently defined categorisation to all previous incidents from 2011 onwards. The five main categories and the recorded incident numbers of all levels arising from this review are shown in Table 6.

Note that an individual incident can have more than one categorisation, for example bribery relating to mis-use of tags could be allocated both a corruption and a chain of custody categorisation. As a result, the count of incident categories will always exceed the count of individual incidents in the above section.

Various localised trends might be observed in more detailed data, for example more incidents on traceability might be expected at an early stage in implementation which can be reduced by training, for example, traceability incidents in Katanga in 2016 were around one quarter of those at a peak in 2014. Expectations on understanding of due diligence by companies also rises over time and this is a driver behind the rising numbers of due diligence related incidents.

The priority of iTSCi is to successfully identify security and human rights related incidents that are the primary focus of attention for 'conflict minerals' compliance and Figure 6 presents figures on those categories at all levels of seriousness. Security incidents relating to both non-state armed groups, and illegal interference in the mineral trade by state security services has recorded rises, however, these rises are in the main related to factors around how iTSCi was operating, and a general improvement in the incident system over time rather than additional issues directly impacting to mineral supply chain. Influencing factors are;

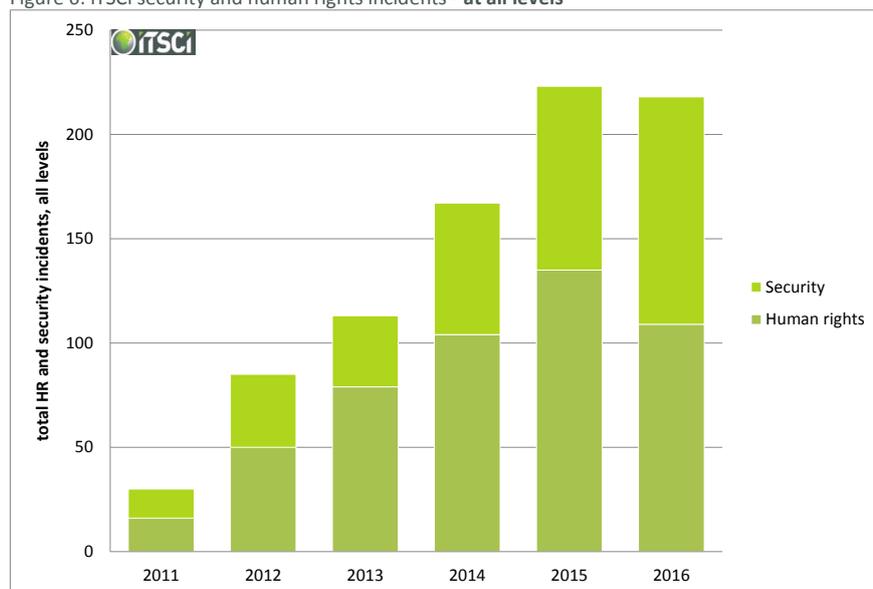
- The expanding scope and scale of programme implementation to higher risk areas with more complex local circumstances, particularly during 2015-2016;
- A general and progressing improvement in understanding of the OECD recommendations locally, leading on to more reporting and greater transparency on risks;
- The introduction of an iTSCi whistleblowing system in some areas in early 2016, and since rolled out further, which highlights more potential risks;
- Changes made to incident reporting procedures on security risks in more recent years made in order to ensure potential security issues within certain defined proximity of mining areas and routes are formally recorded.

Human rights issues which include topics such as protection of national parks, as well as key concerns such as child labour or threatening behaviour, have begun to reduce at all levels of seriousness as awareness raising, training and other activities have a positive effect. The majority of human rights incidents are health and safety incidents.

Table 6: Categories of incidents recorded by iTSCi

| iTSCi incident categories | Human rights | Security | Corruption | Due diligence | Chain of custody | TOTAL |
|---------------------------|--------------|------------|------------|---------------|------------------|--------------|
| 2011 | 16 | 14 | 7 | 0 | 47 | 84 |
| 2012 | 50 | 35 | 17 | 0 | 246 | 348 |
| 2013 | 79 | 34 | 39 | 3 | 338 | 493 |
| 2014 | 104 | 63 | 24 | 3 | 460 | 654 |
| 2015 | 135 | 88 | 22 | 31 | 554 | 830 |
| 2016 | 109 | 109 | 39 | 18 | 641 | 916 |
| Total | 493 | 343 | 148 | 55 | 2,286 | 3,325 |

Figure 6: iTSCi security and human rights incidents - at all levels



Overall, instances of serious, **Level 1**, gross human rights abuses at iTSCi monitored locations remain very low, with only a total of 13 incidents in 6 years of programme implementation, representing just 0.4% of those reported. The presence of non-state armed groups in the vicinity of implementation areas is also fairly low with a total of 22 instances at Level 1 in 6 years (0.7%). It should also be noted that these recorded incidents do not necessarily confirm that the non-state armed group interfered in mining or the mineral trade but that there was simply a risk that this could occur.

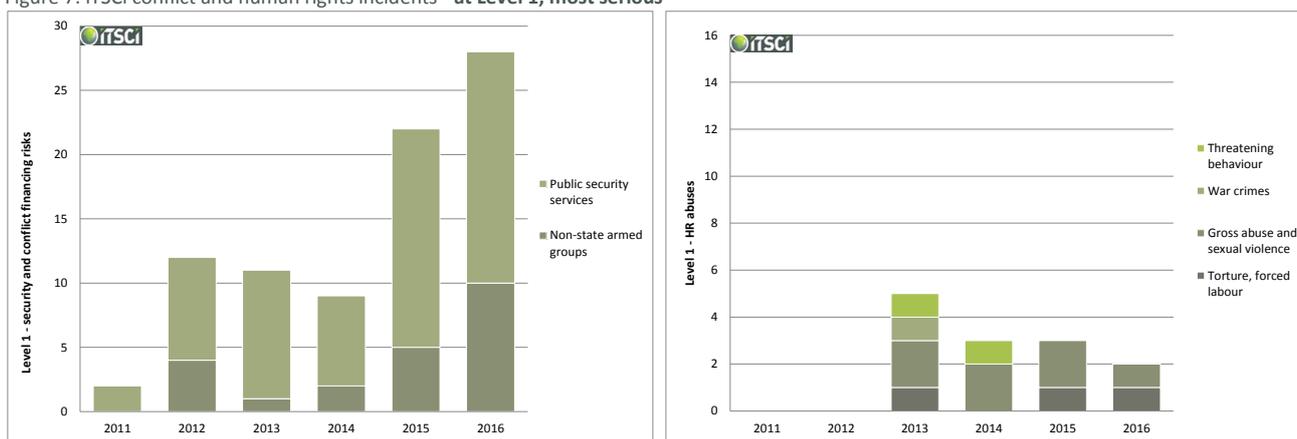
Table 7: iTSCi security and human rights incidents - at Level 1, most serious

| iTSCi incident categories | Non-state armed groups | Public security services | Torture, forced labour | Gross abuse & sexual violence | War crimes | Threatening behaviour | TOTAL |
|---------------------------|------------------------|--------------------------|------------------------|-------------------------------|------------|-----------------------|-----------|
| 2011 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| 2012 | 4 | 8 | 0 | 0 | 0 | 0 | 12 |
| 2013 | 1 | 10 | 1 | 2 | 1 | 1 | 16 |
| 2014 | 2 | 7 | 0 | 2 | 0 | 1 | 12 |
| 2015 | 5 | 17 | 1 | 2 | 0 | 0 | 25 |
| 2016 | 10 | 18 | 1 | 1 | 0 | 0 | 30 |
| Total | 22 | 62 | 3 | 7 | 1 | 2 | 97 |

Potential or actual interference by state security services at Level 1 has been recorded 62 times over 6 years of implementation (2%). This data is shown in Table 7, with associated charts for Level 1 incident numbers found in Figure 7 below. These also show the trend of increased/better reporting of security incidents as described in the above section on incident categories.

No potential risks of human rights abuses were recorded in 2011-2012 since the reporting systems were still under development at that time and may not have captured all relevant instances. Note that since the absolute number of human rights abuses around iTSCi sites and transport routes was very low, with only up to 5 cases per year, small variation in recorded numbers do not represent any significant trend.

Figure 7: iTSCi conflict and human rights incidents - at Level 1, most serious



5. INCIDENT RESOLUTION AND OUTCOMES ACHIEVED

Incident resolution status

Table 8: Number of incidents recorded and their final resolution status

| iTSCi incident status | Resolved | Inconclusive | Unresolved | In progress | TOTAL |
|-----------------------|--------------|--------------|------------|-------------|--------------|
| 2011 | 64 | 5 | 6 | 0 | 75 |
| 2012 | 298 | 17 | 4 | 0 | 319 |
| 2013 | 370 | 10 | 57 | 0 | 437 |
| 2014 | 511 | 17 | 83 | 0 | 611 |
| 2015 | 522 | 42 | 194 | 0 | 758 |
| 2016 | 324 | 42 | 59 | 438 | 863 |
| Total | 2,089 | 133 | 403 | 438 | 3,063 |

The iTSCi incident team has not only recorded 3,063 incidents between 2011 and 2016 but has facilitated discussion of each incident with relevant stakeholders, assisted in recommending actions, and followed up to encourage actions, record results and maximise positive resolution outcomes in every case. Low incident outcomes in 2011 rose sharply in following years as innovative and appropriate systems were developed, awareness of due diligence and procedures were improved.

Table 8 provides data on the final status of all incidents at the end of 2016. A total of 2,222 incidents (73% of total) have been **resolved** with progressive outcomes, or have been determined as unsubstantiated or otherwise **inconclusive** with lack of evidence of required information.

Incidents that have been opened in the prior 6 months but have not yet reached a conclusion for any reason are noted as **in progress** i.e. open incidents. This status is only relevant for 2016 incidents as all earlier incidents have already

been determined as one of resolved, inconclusive or unresolved. It is important to note that the 6 month limit for closure of incidents was introduced during 2015, and this is the factor which has created the lower numbers of 'unresolved' incidents in earlier years. Prior to this change in procedure incidents remained open for significant periods of time until resolved but this was a less successful approach.

Following the 6 month period, if sufficient action does not appear to have been taken, or other factors block final conclusion of the incident, the incident is considered **unresolved**. There can be various issues which hamper the resolution of incidents such as;

- lack of engagement of a company, authority or relevant person regarding potential actions
- a legal process which does not reach a final outcome according to normal procedures
- conflict affected minerals in the supply chain which cannot be disposed of due to the long term and ongoing lack of international agreement on how this should be achieved

Figure 8: Number of recorded incidents per year showing resolution status

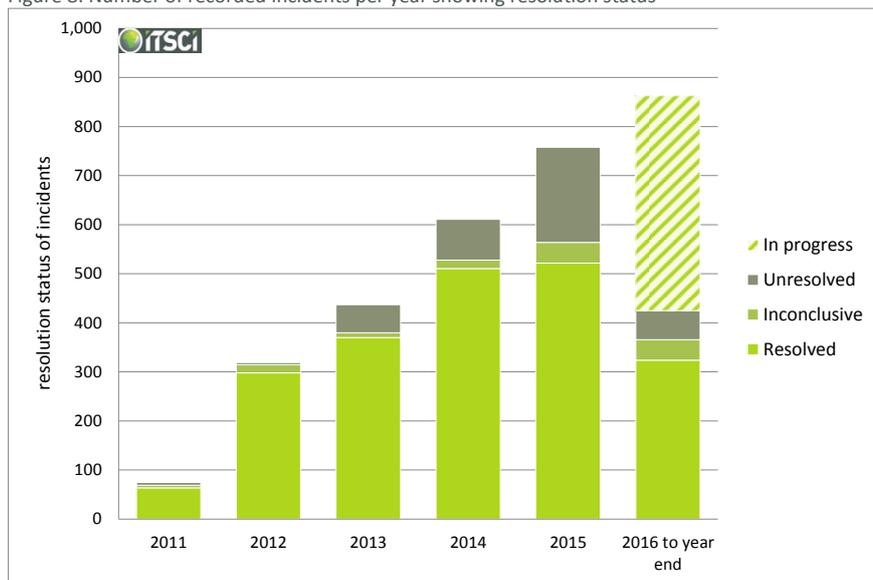


Figure 8 illustrates the increase in resolved incidents over the years of implementation, as well as a unexpectedly high number of unresolved incidents in 2015. Aside from the change in the 6 month closure process described above, many aspects of iTSCi operations were affected by the market slump during 2015-2016, and resolution rates during this time were also hampered by the closure or temporary inactivity of participating companies, lay-off of staff and similar issues. The necessity of budget cuts to the programme itself in 2015-2016 also led to reduced field staff numbers and some limits on non-essential travel which limited potential improvements in incident resolution numbers. Another factor reducing the successful resolution of incidents is the increase in illegal mining in Rwanda (for the reasons discussed in the earlier section on active and inactive mine numbers).

Figure 9 provides a comparison of the contribution made to resolution by different stakeholders (noting that more than one stakeholder may contribute to resolving any single incident). Over the course of implementation, iTSCi directly contributed to more than 40% of the resolutions, followed by government actions (23%), companies (16%) and civil society. It is very positive to observe the role of government and authorities and how this has also progressed over the years. Nevertheless, it should be noted that the extent to which authorities at local levels are engaged in incident resolution and positive influences can be quite variable and these differences can only be seen in the detailed data. Further progress to increase the extent of successful resolution of incidents could potentially be achieved through specific and targeted training programmes for local authorities and the local stakeholder committees however this is unlikely to be possible within current iTSCi budgets.

Figure 9: Contribution to positive outcomes of resolved incidents – all stakeholders

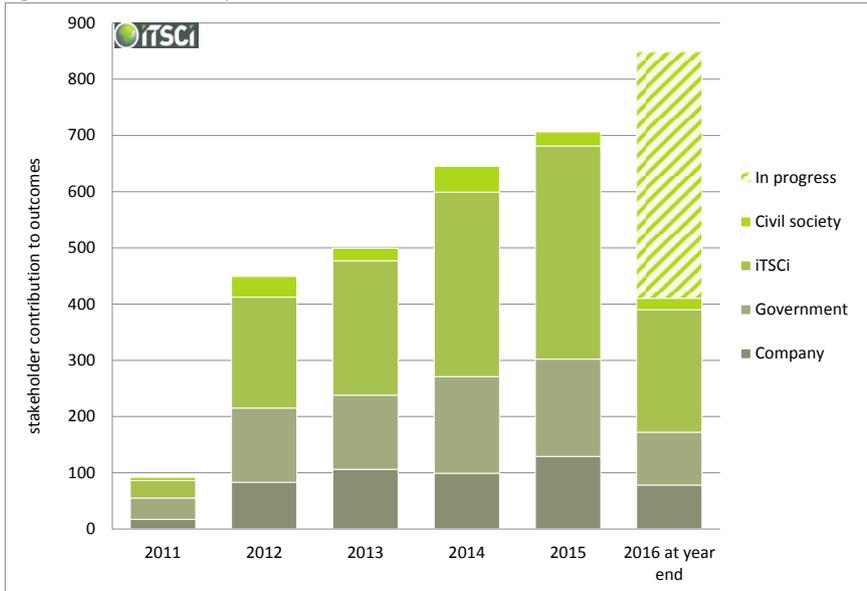
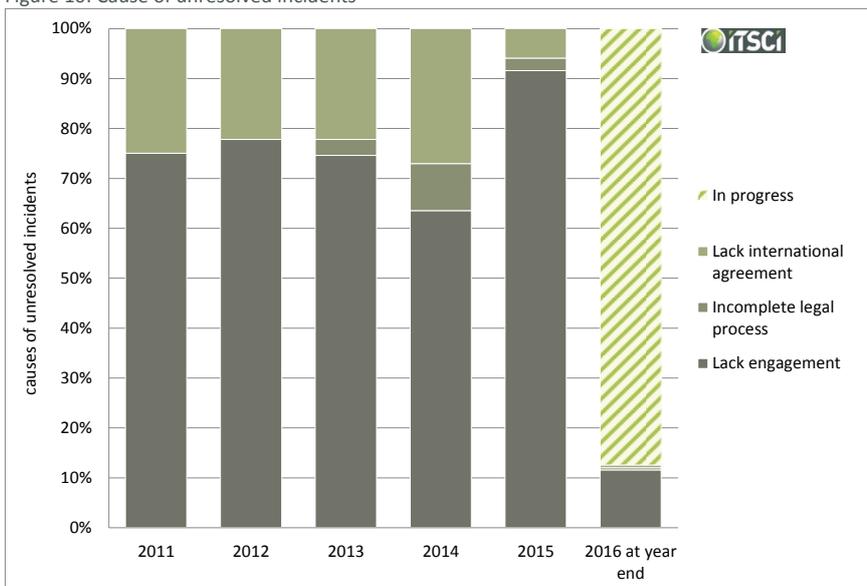


Figure 10 illustrates the causes of unresolved incidents. The majority are as a result of lack of engagement by the relevant stakeholder(s) in following up on the risk, for example failing to provide requested information, or failing to carry out additional checks such as recommended mine site visits. Some other incidents remain unresolved when authorities do not complete a legal process which has been initiated as a result of a risk, such as a police investigation which does not appear to reach a conclusion, with no outcome or report after an unreasonable period of time, or with the accused released without apparent justification.

Around 25% of all unresolved incidents relate to uncertainty regarding any procedure to manage negatively affected minerals. This includes minerals that have been seized as illegal, smuggled or otherwise fraudulent as well as minerals with less origin information available such as stocks. Minerals arising from both these scenarios have been debated numerous times at international fora at the request of iTSCI and in-region governments but with no solution found. Supply chains remain reluctant to accept and report on these type of minerals and this issue continues to hamper management and controls.

Figure 10: Cause of unresolved incidents



Outcomes of incident resolution

iTSCi has defined 58 outcomes which account for a combination of the type of stakeholder engaged as well as the impacts achieved through the management of incidents. Outcomes of successful resolution are determined once all details of the risk and mitigation actions are known, have been followed up, and are confirmed.

For the purposes of providing an overview of the positive impacts achieved through the iTSCi programme, the 58 outcomes have been combined into 8 aggregated groupings, further information on which can be seen in Annex II;

- Advice & training
- Due diligence actions
- Govt accountability & performance
- Human rights, safety & environmental
- Process improvement
- Security improvement
- Suspension & controls
- Traceability verification

Table 8 and Figures 11 and 12 highlight the split of outcomes which have been achieved by all stakeholders, and the programme itself, over the 6 year operational period of iTSCi.

Table 9: Positive outcomes from resolved iTSCi incidents

| iTSCi outcomes | Advice & training | DD actions | Govt acc. & perf. | HR, safety & env | Process impr. | Security impr. | Suspension & controls | Traceability verification | TOTAL |
|----------------|-------------------|------------|-------------------|------------------|---------------|----------------|-----------------------|---------------------------|-------|
| 2011 | 13 | 13 | 16 | 10 | 16 | 6 | 8 | 10 | 92 |
| 2012 | 63 | 66 | 90 | 16 | 91 | 16 | 47 | 60 | 449 |
| 2013 | 77 | 49 | 84 | 24 | 102 | 12 | 47 | 104 | 499 |
| 2014 | 39 | 56 | 104 | 50 | 77 | 22 | 116 | 181 | 645 |
| 2015 | 67 | 76 | 81 | 60 | 91 | 49 | 106 | 176 | 706 |
| 2016 | 42 | 39 | 47 | 34 | 42 | 38 | 27 | 141 | 410 |
| Total | 301 | 299 | 422 | 194 | 419 | 143 | 351 | 672 | 2,801 |

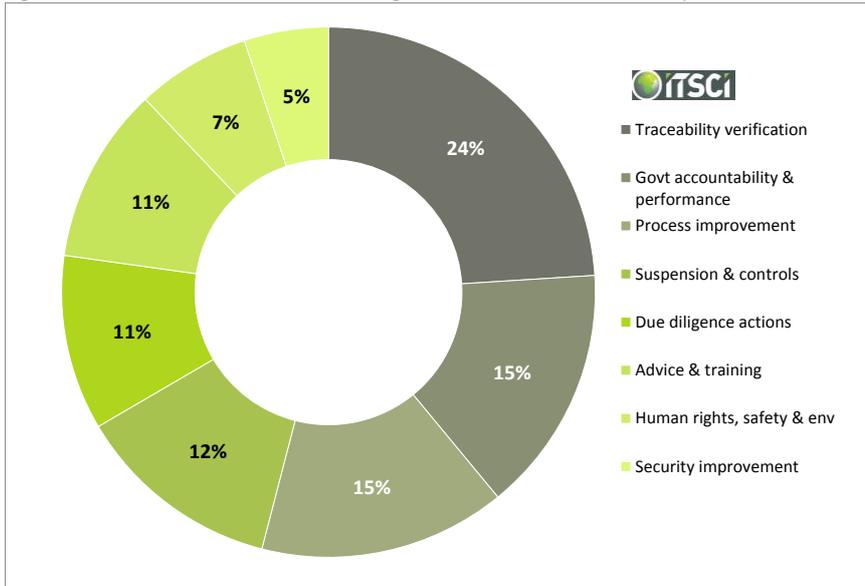
Traceability of mineral and accurate chain of custody information from mine to the smelter is the fundamental basis for knowing the supply chain and being able to understand and manage risks. The iTSCi procedures are established in new implementation areas from a zero level base, that is, mines are identified, checked, assessed and regularly visited, and training is provided to put in place traceability and monitoring of data returned. Errors are inevitable, and errors need to be separated from more questionable trends in volumes of mineral traded. Around one quarter of incidents relate to data points which require specific follow up, evaluation, or other action. Note that many other checks on data quality are made separately to the incident process.

Companies take actions for enhanced **due diligence**, such as making additional mine site visits, reporting risks of illegal taxation or verifying issues along their local transport routes. These actions can also be supported through focused monitoring by iTSCi field staff and local accountability mechanisms. These direct due diligence activities have made up 11% of the outcomes to end of 2016.

Many risks arise from the operating environment and the need for capacity building at government level. It is therefore interesting to highlight that 15% of the outcomes are related to **accountability and improvement in government** level performance. Examples include, arrests, court martial, reposting of mining or security service staff or similar legal actions against perpetrators, as well as improved performance through training or new commitments to principles of due diligence.

In addition to direct actions related to specific incidents, it is positive to also note the **improvements in processes and procedures** are achieved which are key to continued improvement and better management of risks in the longer term. These improvements can be to iTSCi systems, government policies or laws, company management, engagement of civil society or customary authorities. These improvements make up 15% of the total impacts.

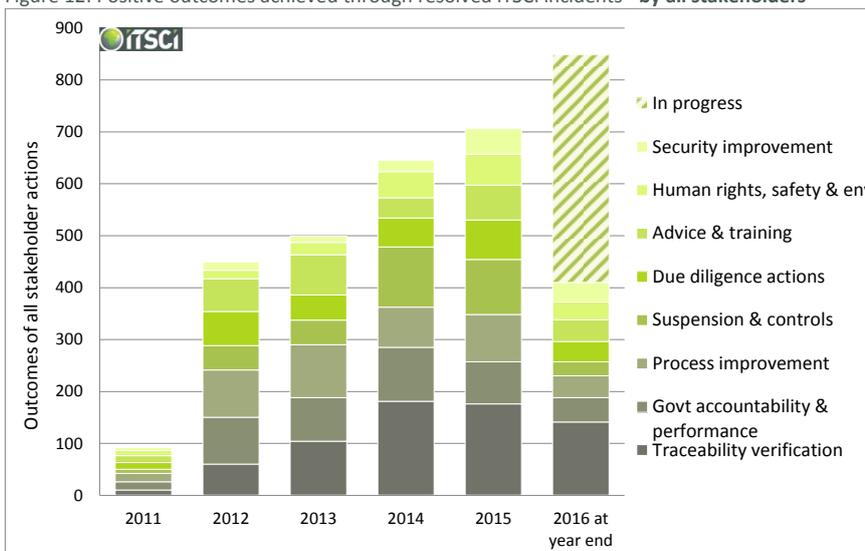
Figure 11: Positive outcomes achieved through resolved iTSCi incidents in the period 2011-2016



Not all operators in the mineral trade, nor all government agents or security staff fully adopt due diligence and illegal behaviour such as smuggling remains inevitable. Various **suspension and control** measures are implemented as necessary, either by the relevant authority perhaps by suspending mining licences, or seizing minerals, or by iTSCi through measures such as suspension of membership approval, or reduction or removal of allocated tags and so on. These measures are in addition to suspension of trade that companies may have implemented in response to risks. These measures represent 12% of outcomes.

As a balance to suspensions and controls, the provision of **advice and formal training** by iTSCi is important in order to bring about improved understanding of due diligence and ways to avoid funding conflict and human rights abuses. iTSCi staff at every level, and in all communications, with all stakeholders continually refer to the OECD due diligence guidance and advise companies, authorities and civil society groups on the meaning of that complex document in practical terms at the local level. That informal advice and support is also supplemented by more formal training events by iTSCi, and in cooperation with other bodies. In a typical year, iTSCi will formally train around one thousand individuals, with several thousand reached through informal advice and day to day awareness-raising. Over the 6 years of implementation, 11% of incidents have resulted in provision of advice and training.

Figure 12: Positive outcomes achieved through resolved iTSCi incidents - by all stakeholders



The primary objective of iTSCI is to reduce conflict financing and cases of direct financial benefits to armed groups are at a very low level, 28 incidents highlighting a possible risk of those issues at Level 1 in 2016 (see Figure 7 and earlier comments). The implementation of iTSCI and the constant on-the-ground team presence, as well as the understanding of potential loss of markets if these risks are confirmed is a powerful incentive for local community protection of security of mineral trade. In addition, 5% of incidents have led to clear outcomes for **improvements in security**, either in better training or management of private security, or more commonly, deployment of official security and improved security management by state security forces in areas identified to be high risk. This is in addition to accountability and other actions by the government (see Figure 14).

Finally, beyond concerns regarding conflict, positive impacts have also been recorded in management of **human rights (including child labour), health and safety and environmental** as a result of the iTSCI system. One or more of these improvements have been noted in 7% of incidents resolutions.

Outcomes achieved by stakeholders

Outcomes from resolved incidents can be separated into achievements by each stakeholder group. Companies remain ultimately responsible for due diligence even when participating in the joint industry iTSCI programme and it is therefore notable that for companies, the primary outcome is for improved company procedures, which together with increasing company due diligence actions, make up around 70% of achieved actions of resolved incidents.

Also notable are the actions by companies to improve safety as well as to provide contributions to the community or affected parties following any accidents. These together make up a further 24% of the company related outcomes, higher in more recent years.

Lower level outcomes such as for awareness-raising by companies are generally less well recorded via the incident process. Companies do participate in local stakeholder meetings which facilitate discussion of due diligence, but their major contributions to improving understanding among suppliers are carried out through direct discussions as part of their normal business activities. This is a topic which is evaluated during company audits.

This data can be seen in Figure 13. Note that open incidents of 2016 remaining in progress are not shown on this graph since outcomes have not yet been verified.

Figure 13: Positive outcomes achieved through resolved iTSCI incidents - by companies

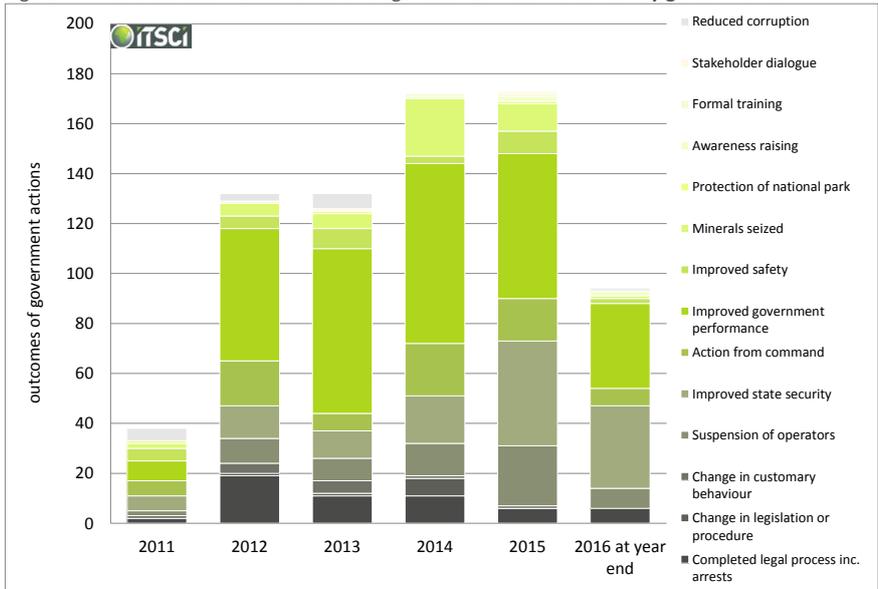


For government related outcomes, the most frequent result from resolved incidents was for improved government performance which was noted in almost 40% of cases. An improvement in state security was also achieved in 17% of outcomes, which could for example be achieved by training for security services, or mobilisation to protect mineral areas.

Direct action from command structures of official state services was noted in 10% of cases, for example court martial or reposting of rogue individuals of the army or other services who may have collected illegal taxes or otherwise acted improperly. In addition, 7% of outcomes led to legal action such as arrests, and 9% to suspension of operators. This adds to a total of 27% of outcomes by government demonstrating accountability actions.

There were also instances of changes in legislation and procedures, and participation in training for longer term progress as well as incidents where authorities have taken action leading to improved safety on sites. This is illustrated in Figure 14. Note that open incidents of 2016 remaining in progress are not shown on this graph since outcomes have not yet been verified.

Figure 14: Positive outcomes achieved through resolved iTSCI incidents - by governments



6. FURTHER READING

For further information please refer to online resources at www.itsci.org

A summary booklet describing how the iTSCI programme works and how systems refer to and adopt the OECD due diligence guidance is available here; <https://www.itri.co.uk/information/itsci/itsci-graphics/itsci-booklet>

All incident summaries to the end of June 2016 are publicly available here; <https://www.itri.co.uk/information/itsci/itsci-incident-summaries> Note that the most recent incident information is available only to members companies, governments, donors, other partners and the iTSCI Advisory Panel who contribute to the implementation of the programme.

The iTSCI whistleblowing address is itsci.whistleblowing@itri.co.uk and the whistleblowing policy including other contact details is available here; <https://www.itri.co.uk/information/itsci/membership-information/itsci-whistleblowing-policy-and-procedure> Additional DRC whistleblowing contacts are promoted locally.

ANNEX 1: Short overview of incident categories defined by the iTSCI Programme

| iTSCI incident categories overview | Due Diligence | Chain of Custody | Corruption | Security & Armed Group | Human Rights |
|---|--|--|---|---|--|
| Level 1 | Inadequate action on due diligence or false information | Inexplicable or deliberate traceability or procedural issues | Bribes influencing stated mineral origin | Non state armed groups, or illegal behaviour of state security impacting minerals | Serious human rights abuses or attacks on personnel |
| Level 2 | Failure to implement due diligence plans or lack of response | Repeated traceability or unresolved procedural issues | General bribery or non-payment of official fees | Non state armed groups, or state security without reason, near minerals | Worst forms of child labour, accidental death, mining protected areas, intimidation of personnel |
| Level 3 | Lack of general policies or company updates | Indications of traceability or procedural errors | Offers of bribes, non-contractual or receipted payments | State security missions disrupting minerals, poorly contracted security | Child labour, community dispute, lack of stakeholder meetings |

ANNEX 2: Brief overview of incident outcomes and aggregated outcome groupings

|  INCIDENT OUTCOMES | | |
|--|---|--|
| Overview level | Detailed level | Description |
| Advice & training | Awareness raising | Stakeholders participate in informal training or receive general advice on processes or activity |
| Advice & training | Formal training | Stakeholders participate in formally organized training sessions with particular agendas |
| Due diligence actions | Continued monitoring | iTSCI continues focused monitoring beyond incident period of issues considered high risk or likely to recur |
| Due diligence actions | Improved company due diligence | Company gathers more information from suppliers, via mine visits, or from other sources and follows up |
| Due diligence actions | Increased local accountability and monitoring | Stakeholders extend actions to protect responsible supply chains including via whistleblowing |
| Due diligence actions | Risk alert to companies | iTSCI provides alerts on higher risk mines, suppliers or locations to participants |
| Due diligence actions | Stakeholder dialogue | Stakeholders participate in negotiation between commercial parties or others to resolve disputes |
| Govt accountability & performance | Action from command | Authorities discipline, hold tribunal or otherwise take effective action against or punish rogue individuals in official positions |
| Govt accountability & performance | Completed legal process | Authorities arrest, fine or otherwise act against illegal activity and complete actions from the legal process |
| Govt accountability & performance | Improved government performance | Authorities replace poor performing or missing agents, increase number of agents, or participate in training |
| Human rights, safety & env | Company contribution | Company pays voluntary compensation including for care of injured miners or for community recompense |
| Human rights, safety & env | Improved safety | Stakeholders close mines or otherwise act to prevent repeated accidents such as via training |
| Human rights, safety & env | Protection of national park | Authorities prevent minerals originating from national parks entering the supply chain |
| Human rights, safety & env | Reduced child labour | Stakeholders train, raise awareness or bring about reduced child labour |
| Human rights, safety & env | Reduced forced labour | Stakeholders take action to prevent forced labour |
| Process improvement | Change in customary behaviour | Tribal or other traditional leaders adopt new behaviour which better supports due diligence |
| Process improvement | Change in legislation or procedure | Authorities or customary leaders introduce national or local law or revised procedures to protect traceability and reduce risk |
| Process improvement | Improved company procedure | Company modifies their method of future working or formalizes documentation and systems |
| Process improvement | Improved iTSCI procedures | iTSCI modifies method of working or documentation including adapting processes to local requirements |
| Reduced corruption | Reduced corruption | Stakeholders identify, report or prevent corruption |
| Security improvement | Improved private security | Company formalizes contracts with private security provider, vets or trains the security firm on human rights |
| Security improvement | Improved state security | Authorities provide added security, train or otherwise improve protection around mineral areas |
| Suspension & controls | Membership or mineral trade suspension | iTSCI suspends companies or mines from participation or freezes mineral movement |
| Suspension & controls | Mineral quarantined | iTSCI requests participants set aside mineral from trading during incident investigation |
| Suspension & controls | Minerals seized | Authorities seize questionable minerals |
| Suspension & controls | Plausibility control | iTSCI manages risks from implausible mineral type or production level at mines or weight changes |
| Suspension & controls | Suspension of operators | Authorities suspend mining licenses or operators |
| Traceability verification | Improved data | iTSCI resolves questions on data or supply chain of custody information |
| Unresolved incomplete legal process | Unresolved incomplete legal process | Unresolved due to failure to complete legal process following arrests or similar |
| Unresolved inconclusive | Unresolved inconclusive | Unresolved due to lack of sufficient information or any evidence to enable a conclusion to be reached |
| Unresolved lack engagement | Unresolved lack engagement | Unresolved due to lack of requested information or action from company or authorities |
| Unresolved lack international agreement | Unresolved lack international agreement | Unresolved due to no agreed solution, including for disposal of seized minerals |