

ITSCI PROGRAMME INCIDENT AND OUTCOME REVIEW

November 2018 to October 2019



SUMMARY

This report gives an overview of the success of stakeholders working with the ITSCI Programme to achieve risk mitigation relating to mineral supply chains from Burundi, Democratic Republic of Congo (DRC), Rwanda and Uganda during the twelve month period 1st November 2018 to 31st October 2019.

The ITSCI Programme has extensive experience supporting companies, governments and civil society in the identification and mitigation of risks associated with minerals supply chains. Our standards are independently confirmed to be 100% aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and we support companies performing due diligence according to those expectations. Our on-the-ground teams supplement traceability with an incident management system to identify and verify risks, recommend mitigation actions, and facilitate the discussion of mitigation among local stakeholders. We also follow up on, and report, the progress of mitigation.

Measures of ITSCI implementation during this reporting period include;

- 2,201 monitored mine sites
- 690 on the ground visits per month
- 650,000 mineral transactions
- 450 whistle-blower calls
- 1,492 incidents opened

Of the 1,492 incidents, 144 were categorised as Level 1 seriousness, with potential association with human rights abuses, the involvement of non-state armed groups, or illegal taxation or involvement in mineral business by rogue individuals of state armed groups.

Of the 144 Level 1 incidents, 9 were categorised as High Risk, with relevance for U.S. Securities and Exchange Commission reporting. To date, 3 have been closed as resolved, while 6 remain under mitigation and monitoring.

To facilitate resolution of incidents ITSCI supported local multi-stakeholder meetings for 45 committees and conducted 267 training sessions with 4,832 beneficiaries. As a result, across all incidents and ITSCI areas the overall rate of resolution of incidents rose to 81%.

ITSCI has 32 measures of outcomes from incident management which for the purpose of simplification are aggregated into 7 groupings. For resolved incidents, the proportion of major outcomes was;

- 48% Due Diligence Improvements
- 12% Governance & Security Improvements
- 12% Awareness-Raising & Mediation
- 4% Human Rights/Health and Safety Risk Mitigation
- 2% Mine/Company/Mineral Suspension or Seizure

As a result of better training and reporting the measure of improved due diligence significantly increased from that in previous calendar years.

Further information can be obtained by companies contributing to the continued progress and financing of the ITSCI programme.



1. INTRODUCTION AND SCOPE

The ITSCI Programme assists companies to implement the recommendations of the **OECD Due Diligence Guidance** for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016) through the provision of supply chain traceability, identification of risks, facilitation of risk resolution, due diligence training and various forms of independent evaluation. This support for stakeholders enables the supply chain to trade responsibly and avoid financing of conflict or support to human rights abuses, as well as to respond to other identified risks. ITSCI is unique among supply chain initiatives to have achieved standards confirmed by independent evaluation to be **100% aligned** with the 3T Supplement of the OECD Guidance, including Annex II risks, and response to such risks¹.

An essential enabler for due diligence is the presence of an **on-the-ground team** to continuously monitor and evaluate risks, engage local stakeholders, and report on mitigation as described in the Appendix of the OECD Guidance. Through our field partner Pact, ITSCI provides expert teams currently totalling around 200 staff across the central African region who make around **690 visits** to mine or company sites **per month** in order to cost effectively provide credible risk information to supply chain companies and other stakeholders.

ITSCI receives information on risks from multiple sources including our own on-the-ground teams, government agents, company representatives, the community, local NGO's, UN and other reports. ITSCI also operates a **whistleblowing mechanism** in the DRC, partly funded by Apple Inc. which received around 450 calls in the last year. All relevant potential and verified supply chain risks are recorded through the ITSCI incident management system to track issues in terms of category and severity, and track mitigation with measures of status and outcome.

ITSCI's expert teams provide support and recommendations to stakeholders for actions appropriate for OECD aligned **mitigation**, and ITSCI also facilitates 45 national, provincial and mine area level **multi-stakeholder** committees to transparently discuss mitigation plans. Our teams also conduct regular **training** sessions on a wide range of issues including traceability procedures, overall due diligence principles, risk assessment and mitigation. ITSCI supplements on-the-ground activity with **analysis** of corrective actions and outcomes of incidents monitored and closed over 12 months to understand the mitigation impact of the programme.

This report covers the twelve month period 1st November 2018 to 31st October 2019 relating to mineral supply chains from Burundi, Democratic Republic of Congo (DRC), Rwanda and Uganda. During that time, ITSCI has recorded and managed a total of **1,492 incidents, across 2,201 monitored mine sites**, as well as along transport routes at the four countries within Africa. In this period we have recorded the export of over 22,000,000 kg of 3T mineral concentrate through more than 650,000 in-region transactions, as well as through the international trading chain to independently audited smelters.

It is the intention of ITSCI to produce regular annual summaries of this kind in order to enable public review of the progress and success of stakeholders working with ITSCI to achieve risk mitigation.

¹ OECD alignment assessment <https://www.oecd.org/corporate/industry-initiatives-alignment-assessment.htm>

2. METHODOLOGY OF INCIDENT MANAGEMENT AND REVIEW

ITSCI and its field partner Pact have developed the incident management process in alignment with the OECD guidance, and with added direct experience and vital lessons learned over the course of programme's growth and implementation. Both the incident categorisation and reporting system have evolved significantly and progressed since our work piloted in 2010.

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. Other concerns go beyond topics mentioned in the OECD Annex II to include recording of issues such as health and safety or mining in protected parks although the resolution of these are not currently in the scope of activities which are primarily focused on establishing a supply chain free of human rights abuses and conflict financing. In total ITSCI has defined 49 sub-categories of incident in order to sufficiently classify the many potential risk types.

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 are classified as Level 1. Level 1 incident's may also be considered '**high-risk**' when relevant for U.S. Securities and Exchange Commission (SEC) reporting. 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 and advise stakeholders on mitigation activities and to focus on where efforts are needed to achieve improvements. 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 below:

- **Resolved** –The ITSCI team and/or involved stakeholders have agreed and implemented actions which have resulted in satisfactory mitigation.
- **Unresolved** – The involved stakeholders may not have agreed, or commonly have not effectively implemented all recommended 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 arrest or sanction by authorities, or whether all expected outcomes were not achieved due to lack of engagement from responsible stakeholders. For the purpose of metrics, 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
- ITSCI

In total ITSCI has defined 32 potential outcomes in order to enable trends to be identified. For this public summary, outcomes have been aggregated into 7 outcome groups to reduce the complexity of reporting.

3. INCIDENT NUMBERS AND RESOLUTION STATUS

A total of **1,492 incidents** were recorded by ITSCI in the 12 month period from 1st November 2018 to 31st October 2019. This reporting period has been selected in order to enable downstream companies who report on their due diligence activities in the first quarter of any calendar year to reference ITSCI data and explain how they have evaluated the potential impact on their own supply chains. Direct comparison with other ITSCI publications which refer to calendar years should not be made; however, it is notable that this reporting period had the highest number of incidents recorded over 12 months. The increased number of incidents is considered to be due to various factors including, but not limited to improved reporting by on-the-ground teams and other stakeholders, changes in legal framework in operating environments and the expansion of ITSCI to new areas during the reporting period.

Figure 1 depicts the split of incident occurrence across ITSCI operating areas;

- To the country level for Burundi (BU), Rwanda (RW) and Uganda (UG)
- To the sub-national level for DRC, including ‘Katanga’ (KT), Maniema (MN), North Kivu (NK) and South Kivu (SK)
- Noting that aggregated data is reported for ‘Katanga’ which encompasses the new provinces of Haut-Lomami, Haut-Katanga, Tanganyika and Lualaba to allow for comparison against other ITSCI publications.

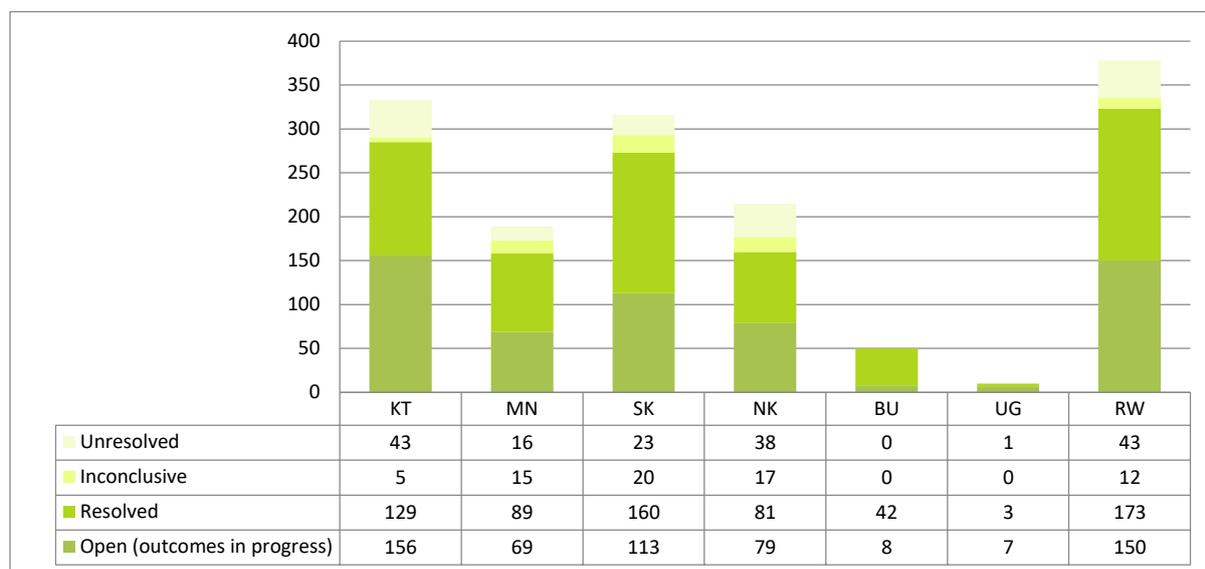


Figure 1: Incident numbers and status for the reporting period

In any reporting period the total number of recorded incidents is influenced by a range of factors, including but not limited to;

1. Total level of production
2. Numbers of mines, as well as the activity level of those mines
3. Numbers of operators, as well as the amount of business those operators complete

For example, new companies may set up in business to engage in 3T trading, and may be less familiar with due diligence requirements, therefore potentially increasing the number of incidents. However those same new

companies may be less able to compete in what is a new market for them and deal in only low weights of mineral, therefore potentially decreasing the number of incidents. Understanding context and establishing trends is highly complex and requires access to full ITSCI information which is not available in this report. We recommend that readers do not attempt to draw any conclusions other than contained in this report.

Success in resolution of incidents can be assessed by considering the percentage of those resolved from the total number verified as incidents and not found to be inconclusive. In this reporting period the resolution rate overall was 81% with variations between areas illustrated in Table 1. Resolution of risks in North Kivu was challenging in this period due to a complex context, including regular disputes between stakeholders. Incidents may result in actions taken by stakeholders and thus in positive outcome, but may be categorised as unresolved if not all expected outcomes based on ITSCI and OECD expectations were achieved.

ITSCI Resolution of incidents	KT	MN	SK	NK	BU	UG	RW
Resolved	129	89	160	81	42	3	173
Unresolved	43	16	23	38	0	1	43
Total	172	105	183	119	42	4	216
Percentage of Resolved Incidents	75%	85%	87%	68%	100%	75%	80%

Table 1: Percentage of resolved incidents for the reporting period

The relative proportion of Level 1, 2, and 3 incidents per ITSCI area is illustrated in Figure 2. While Level 1 incidents include serious breaches of due diligence or traceability, they more commonly relate to weaker governance or greater insecurity in particular locations. As mentioned above, there were a number of challenges in North Kivu during the reporting period, for example relating to involvement of rogue security personnel in mineral fraud and serious abuses, which are reflected in higher Level 1 incident numbers.

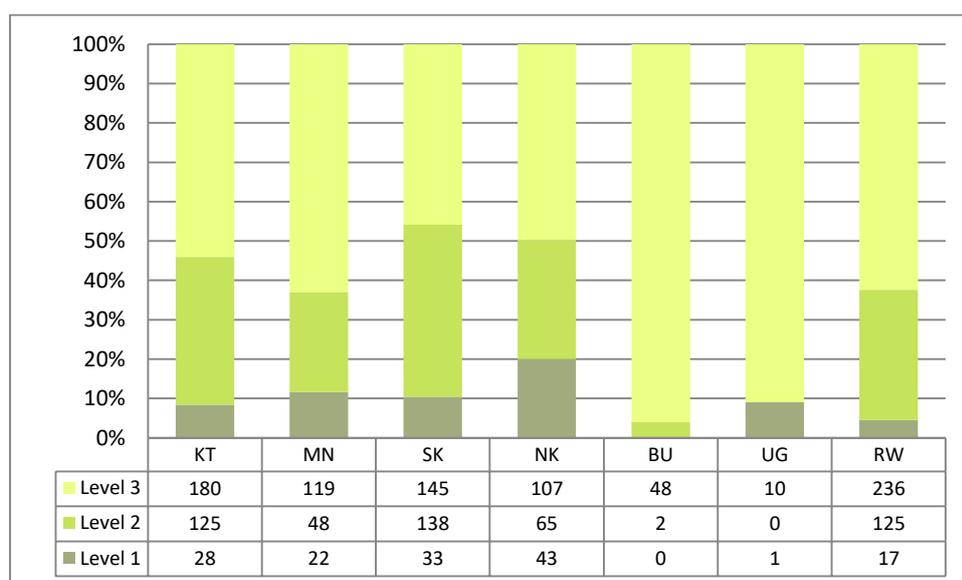


Figure 2: Seriousness of Incident per area for the reporting period

4. INCIDENT OUTCOMES

ITSCI has defined and uses 32 outcomes which measure the impacts achieved through the management of incidents and indicate the type of stakeholder engaged in the mitigation process. Outcomes of successful resolution are determined once any incident has been closed. Under ITSCI procedures this requires that all details of the identified risk are known, mitigation actions appropriate to OECD Annex II have been recommended and discussed, the mitigation actions have been implemented, and improvement confirmed.

For the purposes of providing a simplified overview of the positive impacts achieved through the ITSCI programme, the 32 outcomes have been combined into 7 aggregated groupings, further information on which can be seen in Annex I;

1. Due Diligence Improvements
2. Governance & Security Improvements
3. Mine/Company/Mineral Suspension or Seizure
4. Awareness-Raising & Mediation
5. Human Rights/Health and Safety Risk Mitigation
6. Incident Unsubstantiated
7. Incident Unresolved

Figure 3 illustrates the split of outcomes which have been achieved by the work and cooperation of all stakeholders, and the programme itself, in this reporting period. Note that there may be more than one outcome per incident.

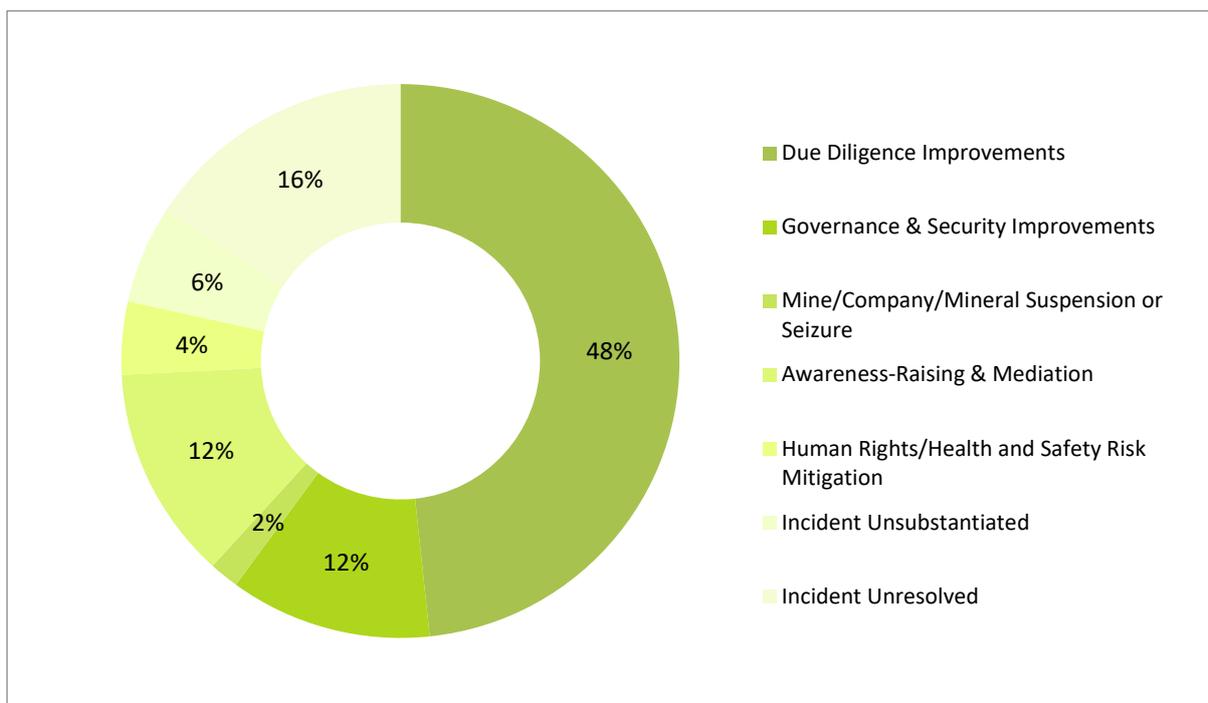


Figure 3: Aggregated incident outcomes achieved in the reporting period

Companies take actions to enhance **due diligence**, such as making additional mine site visits, improving working practices, drafting risks assessment reports and implementing mitigation measures. These actions can also be supported through focused monitoring and training by ITSCI field staff. Analysis of the data revealed that the greatest impact of outcomes was through direct due diligence activities which totalled 48% of the outcomes in the period.

Many risks arise from the operating environment and the need for capacity building at government level. It is therefore interesting to highlight that 12% of the outcomes are related to improvement in **governance and security** 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 **awareness raising and mediation** enabled the ITSCI team, stakeholders and multi-stake to share information that improved processes and procedures and which is the bedrock of continued improvement and better management of risks in the longer term, these actions accounted for 12% of the total impacts. In the DRC, ITSCI currently facilitates local consultation and mitigation at 7 provincial and 38 local committees and is currently in the process of encouraging the set-up of national steering committees in Burundi and Rwanda.

One key role of ITSCI on-the-ground teams is to assist companies in performing their due diligence and to support state services and authorities to enhance their management of mining activities and improve overall governance of the mining sector. To achieve these objectives, ITSCI teams conduct regular training sessions, one-to-one coaching sessions, capacity-building activities or group workshops for state agents, miners, negociants (middlemen), mining cooperatives, and exporters. Topics include a wide range of issues including tagging and traceability procedures, overall due diligence principles and risk assessment and mitigation. In the reporting period November 2018 to October 2019, ITSCI on-the-ground teams conducted **267 training sessions** across the Great Lakes Region, benefitting a total of **4,832 beneficiaries**. The extensive training activities performed by ITSCI over this time helped to achieve the high proportion of due diligence improvement (48%) as incident outcomes.

5. HIGH RISK INCIDENTS FOR SEC REPORTING

Of the total 1,492 incidents recorded in the reporting period, 9 were identified as High Risk in relation to **US SEC reporting**. These are Level 1 incidents which are associated with the potential involvement of individuals who are, or may be, members of an armed group that is identified as a perpetrator of serious human rights abuses in annual Country Reports on Human Rights Practices under sections 116(d) and 502B(b) of the Foreign Assistance Act of 1961 (22U.S.C. 2151n(d) and 2304(b)) relating to the Democratic Republic of the Congo or an adjoining country. This may relate to non-state armed groups or rogue individuals in state armed groups such as the police or national army whether or not the individual themselves was armed at the time of the incident.

The numbers of High-Risk incidents per area are shown in Table 2. Overall across all ITSCI areas, 6% of Level 1 incidents were considered High Risk.

Of the 9 identified incidents, 3 have been closed;

- 2 recorded rogue individuals from the DRC army involved, or potentially involved, in mineral fraud,
- 1 recorded rogue individuals from the mines police, contracted by a company, potentially committing human rights abuses or fraud,

The remaining 6 are currently open and under investigation or mitigation which the team will continue to monitor in accordance the ITSCI procedures.

ITSCI incident levels	Level 1 TOTAL	Level 1 HIGH RISK	% as Level 1
KT	28	1	4%
MN	22	1	5%
NK	43	2	5%
SK	33	5	9%
BU	-	-	-
RW	17	-	0%
UG	1	-	0%
Overall	144	9	6%

Table 2: High risk incidents identified in the reporting period

6. UPDATE ON 2018 HIGH RISK INCIDENTS

In 2018, eight of the 1,389 incidents reported and monitored were identified as “High-Risk” and having potential links to rogue elements of the police in the DRC and/or the DRC national army in connection with a variety of alleged illicit activities such as fraud, bribery, illegal payments or taxation. Three of these eight were closed at the end of 2018 and the remaining **five were closed during 2019** after follow-up in accordance with ITSCI criteria.

Of the five outstanding incidents, one was closed after it was confirmed that alleged collection of illegal taxes from transporters stopped after ITSCI liaised with the commander of the implicated regiment. The commander investigated and reprimanded the guilty parties.

The remaining four incidents were closed as unresolved due to insufficient evidence or engagement by local authorities and/or companies.

7. FURTHER INFORMATION

Companies who wish to perform continual due diligence can participate as **members of the ITSCI Programme** in order to be regularly informed of individual incidents. Members receive a monthly report on each incident, actions recommended and underway, and whether each incident has been resolved. In addition, ITSCI members receive alerts on each Level 1 incident as soon as sufficient information is available to describe the risk so that companies can determine their own due diligence strategy in response to that risk.

ITSCI also produces an annual **summary of High Risk** incidents potentially relevant for US SEC reporting. This is available for purchase by downstream companies outside the ITSCI membership.

Information on all incidents is also made **public** with a delay of three months after all incidents in any six month period have been closed. Incident information is available on the Info pages of the ITSCI website; <https://www.itsci.org/incident-summaries-public/>

For suggestions or enquiries please contact the Secretariat of the ITSCI Programme at Unit 3, Curo Park, Frogmore, St. Albans, Herts AL2 2DD, UK, or via email to itsci@internationaltin.org

Our special thanks go to the ITSCI reporting teams for their commitment and continued hard work.

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ANNEX I: Overview of incident outcomes and aggregated outcome groupings

		
Overview Level	Detailed Level	Description
Due Diligence Improvements	Improved company due diligence	Company gathers more information from suppliers, through mine visits or other sources and follows up
	Improved company procedures	Company improves working practise or formalises documentation and systems
	Improved data	ITSCI and the company, in cooperation with relevant state services, resolve questions on data or supply chain of custody information
	Plausibility control	ITSCI manages risks from implausible mineral type or production level at mines or weight changes
	Risk alert to companies	ITSCI provides alerts on higher risk mines, suppliers or locations to participants
	Improved ITSCI procedures	ITSCI enhances method of working or documentation including adapting processes to local requirements
	Continued monitoring	ITSCI continues focused monitoring beyond incident period of issues considered high risk or likely to reoccur
Governance & Security Improvements	Improved private security	Company formalises contracts with private security provider, vets or trains the security firm on human rights
	Completed legal process inc. arrests	Authorities take corrective action which may include arrest, fine or other enforcement measures through the legal process
	Change in legislation or procedure	Authorities or customary leaders introduce national or local law or revised procedures to protect traceability and reduce risk
	Change in customary behaviour	Tribal or other traditional leaders adopt new behaviour to support supports due diligence
	Improved state security	Authorities provide added security, train or improve protection around mineral areas
	Action from command	Authorities take corrective action which may include a hearing and enforcement measures against rogue individuals in official position
	Improved government performance	Authorities replace poor performing or missing agents, increase number of agents, or participate in training
	Protection of national park	Authorities prevent minerals originating from national parks entering the supply chain
	Increased local accountability and monitoring	Stakeholders take action to protect responsible supply chains including through whistleblowing
Mine/Company/Mineral Suspension or Seizure	Reduced corruption	Stakeholders identify, report or prevent corruption
	Membership or mineral trade suspension	ITSCI suspends companies or mines from participation or freezes mineral movement
	Mineral quarantined	ITSCI requests participants to set aside mineral from trading during incident investigation
	Suspension of operators	Authorities suspend mining licenses or operators
Awareness-Raising & Mediation	Minerals seized	Authorities seize questionable minerals
	Awareness raising	Stakeholders participate in informal training or receive general advice on processes or activity
	Formal training	Stakeholders participate in formally organised training or coaching sessions with specified ITSCI objectives
Human Rights/Health and Safety Risk Mitigation	Stakeholder dialogue	Stakeholders participate in negotiation between commercial parties or others to resolve disputes
	Improved safety	Stakeholders close mines or act to prevent repeated accidents through measures such as training
	Company contribution	Company pays compensation to injured miners or community
	Reduced child labour	Stakeholders train, raise awareness or take measures to reduce child labour
Incident Unsubstantiated	Reduced forced labour	Stakeholders take action to prevent forced labour
	Unresolved inconclusive	Unresolved due to lack of sufficient information or any evidence to enable a conclusion to be reached
Incident Unresolved	Unresolved lack engagement	Unresolved due to lack of requested information or action from company or authorities
	Unresolved incomplete legal process	Unresolved due to failure to complete legal process following arrests or similar
	Unresolved lack international agreement	Unresolved due to no agreed solution, including for disposal of seized minerals