

Feedback on Call for inputs: “Extractive Sector, Just Transition and Human Rights.”

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Pursuant to Human Rights Council resolution 44/15, the United Nations Working Group on the issue of human rights and transnational corporations and other business enterprises (“Working Group”) will present a report to the UN General Assembly’s 78th Session in October 2023 on “Extractive Sector, Just Transition and Human Rights.” In this report, the EurAsia Forum team is responding to selected questions, according to its specific knowledge, experience and focus of work.

About State duty to protect human rights

In 2015, the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCME) started a cooperation with the Organization for Economic Cooperation and Development (OECD) to compile the first edition of "Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains ". The guidelines aim to help Chinese mineral supply chain companies identifying, preventing and mitigating risks, and avoiding direct or indirect adverse effects such as serious human rights violations, conflicts, environmental damage, and damage to business ethics.

The guide proposes a "six-step approach" framework by referring to "United Nations Guiding Principles on Business and Human Rights" and "OECD Due Diligence Guidance for Responsible Business Conduct" to guide mining companies to carry out risk-based supply chain due diligence, including

- establishing a complete supply chain due diligence management system,
- carrying out risk identification and assessment, risk prevention and mitigation,
- conducting internal and external assessments, risk management processes,
- communicating and reporting on results and
- where appropriate, providing access to or cooperating with affected groups in remediation.

In addition, it also includes grievance and consultation mechanisms at enterprise and industry levels, aiming to make the due diligence process more complete.

About Corporate responsibility to respect human rights

Huayou Cobalt is a Chinese high-tech enterprise founded in 2002 and specializing in research and development, as well as manufacturing business of new energy Lithium ion battery materials and new cobalt materials.

The company is headquartered in Tongxian, Zhejiang Province, China, with overseas mineral resourcing and manufacturing base in China while doing world-wide marketing. It has

formed three business units – Resources Development, New Materials Manufacturing and New Energy Manufacturing – and has created a new, more ecological way of producing lithium batteries from refining cobalt and nickel minerals to further processing of Lithium ion battery cathode materials, with reusing and recycling.

In 2016, Amnesty International published a report stating that there are a large number of child workers in Congo cobalt mines. At the same time, it also noted that Huayou Cobalt's subsidiary "Congo Oriental International Mining Co., Ltd." (CDM) was one of the largest buyers of ores produced by the related cobalt mines. The ore was processed there, and semi-finished products were exported to Huayou Cobalt in China. After processing, they were sold to battery manufacturers in China and South Korea to be used by companies like Apple, Microsoft, Samsung, Sony, Daimler and Volkswagen.

After the incident, Huayou Cobalt realized its own problems and was determined to change. It finally became a benchmark in the industry on human rights issues in mineral development.

The details of this change are as follows:

- 1) Promote ESG management in enterprises: focus on energy consumption and climate change, pollutant emissions, biodiversity, tailings management, water resource management, protection of indigenous peoples, involuntary resettlement, human rights, responsible supply chains, cultural heritage, health and safety, fair labor and working conditions, business integrity and integrity system construction, leadership and management to make policy commitments
- 2) Strengthen the due diligence management of the mineral supply chain.

Huayou Cobalt continues to carry out the due diligence management of the mineral supply chain in accordance with the six-step framework and the corresponding due diligence management procedures. The establishment of the responsible cobalt supply chain is moving forward steadily, and the construction of the responsible nickel supply chain has already achieved initial results.

The six-step framework includes:

Step 1: Establish a sound due diligence management system

According to the "OECD Guidelines" and "China Guidelines", Huayou has established a cobalt and nickel supply chain due diligence system and related procedural documents, including "Responsible Global Mineral Supply Chain Policy from High-Risk Areas" and "Supplier Code of Conduct" and "Supplier Standards for Responsible Mineral Sourcing", etc.

Step 2: Supply Chain Risk Identification and Assessment

Risk identification and assessment are the basis of due diligence management. By sending and returning supplier questionnaires, establishing CAHRAs program

documents, network and other channel inquiries, on-site visits and third-party audits, the identification of the supply chain, the identification of the source of raw materials, and the transportation route to identify the risks in the supply chain and assess the level of risks, Huayou has established a complete work process and system related to risk identification.

Step 3: Develop a Supply Chain Risk Mitigation Plan

Relevant plans are mainly divided into three categories: large mining companies for mechanized mining, supply chain due diligence for suppliers in Africa, and supply chain due diligence for suppliers in Indonesia.

Step 4: Carry out independent third-party audit

Huayou actively operates the mineral supply chain due diligence management system, actively cooperates with the supply chain audit needs of downstream customers, communicates existing problems and improvement plans with downstream enterprises and customers, and promotes supply chain due diligence management. In full swing, eg in 2022, Huayou opened its doors for the industry RMI audit.

Step 5: Report on the supply chain due diligence process.

Public reporting is the basic responsibility of all stakeholders in the upstream and downstream of the mineral product supply chain. Huayou encourages peers and supply chain partners to conduct responsible supply chain due diligence to promote the green and healthy development of the industry.

Step 6: Carry out landing projects with stakeholders to solve fundamental problems

In 2022, the signing ceremony of the "Social Responsibility Letter" between the African subsidiary CDM and the surrounding communities of the mining area will be held in Lubumbashi City, promising to invest 4.25 million US dollars in the next five years for local community roads, power supply, water supply, education, medical care and environmental measures, The construction of 25 projects such as agriculture and vocational training has actively assumed social responsibilities for the development of surrounding communities, and strived to play a positive role in community construction and development, and seek the well-being of the community where the investment is located.

At the same time, Huayou established a complaint mechanism and posted it on the company's website. Dissatisfaction or suggestions related to the due diligence management of Huayou's mineral supply chain can be fed back to Huayou through three channels, depending on the geographical region: China, Congo (Kinshasa), or Indonesia related processing results.

We hope that the above concrete example is helpful to further develop the corresponding standards and their implementation.