

COBALT INDUSTRY RESPONSIBLE ASSESSMENT FRAMEWORK (CIRAF)

PRIMER FOR STAKEHOLDERS

MARCH 2020

Introducing the Cobalt Industry Responsible Assessment Framework (CIRAF)

In January 2019 CIRAF was launched with several Cobalt Institute (CI) members beginning adoption of the framework.

CIRAF makes ethical and sustainable risk assessment and mitigation in cobalt production and sourcing easier and more consistent across the industry while also setting an expectation on companies for the due diligence process outlined in the leading global standard on responsible mineral supply chains; the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition (OECD DDG).

By providing a good practice-based framework for risk management and reporting, CIRAF is helping companies transition from self-assessment to eventual third-party assurance in their cobalt due diligence, for example, through the adoption of standards such as the Responsible Minerals Initiative (RMI) Pilot Cobalt Refiner Supply Chain Due Diligence Standard.

CIRAF has also set up an informal Stakeholder Dialogue Group to provide progress updates to key stakeholders and gather constructive input on the initiative. The Stakeholder Dialogue Group is composed of 16 stakeholders representing international organisations, regulators, civil society, standard setting bodies, industry groups and others.

Furthermore, bilateral engagements have taken place with the stakeholder community and key standards setting bodies including the RMI, OECD and LME in view of ensuring that CIRAF remains relevant and to explore opportunities for collaboration and alignment. In this context, the CI also organised two public events on CIRAF in 2019 in conjunction with the OECD Forum on Responsible Mineral Supply Chains and the RMI Conference.

Through the second year of CIRAF's implementation further engagement will be undertaken as the initiative goes into practice. We look forward to a productive and collaborative relationship with the stakeholder community.

What is CIRAF

CIRAF is the culmination of a multi-year collaborative project between the CI, the CI's Responsible Sourcing Task Group (RSTG), and leading responsible sourcing consultancy, RCS Global.

Responsible and sustainable production practices have been at the top of the agenda for many large-scale mining companies (LSM) since the late 1990s and responsible mining programs have been developed collectively to help improve public awareness, address concern for occupational health & safety, the environment and introduce the broader concept of sustainability.

CIRAF builds on this commitment, helps to consolidate actions being taken, and enables participants, and the cobalt industry more generally, to conduct enhanced risk management in line with industry good practice and internationally recognised standards focused on the responsible production and sourcing of minerals.

The CIRAF project seeks to:

1. Identify material risks within the cobalt value chain for CIRAF participants as well as their customers in the following risk categories: environment, occupational health and safety, human rights and community;
2. Provide a good practice based framework that will provide guidance to CIRAF participants on how to respond to core risks and report on existing responses with a degree of flexibility that is most appropriate for their operations;
3. Ensure the framework is credible, well-managed and accepted by stakeholders.

CIRAF is not a certification or audit program. CIRAF is a risk management tool and reporting framework. The Cobalt Institute will not hold an accreditation role and will not provide certification to the companies fulfilling CIRAF's requirements.

It remains the individual company's responsibility to demonstrate responsible production/sourcing. However, companies will be able to reference the CIRAF conformance level achieved in their public reporting on CIRAF. The Cobalt Institute will support its members' communication activities and publish links to members' public disclosures on CIRAF on its website.

Consolidating action, delivering sustainability

By providing a good practice framework on how to respond to nine priority risk areas encompassed within four risk categories (see below), CIRAF consolidates due diligence actions being taken by companies across the cobalt industry to demonstrate best practice and meet the expectations of civil society, the media and the cobalt market. As such, CIRAF provides a unified yet flexible approach towards responsible and sustainable cobalt production and sourcing.

The program will further underpin the CI's and its members' longstanding commitment to the responsible production and use of cobalt in all forms and our position as a leading industry voice on good practice in this regard.

Priority risk areas in scope of CIRAF

CIRAF supports greater alignment in approaches to risk identification, assessment and mitigation across the industry while referencing leading international standards on responsible mineral supply chains including the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas [OECD DDG] in regard to the risk category of Human Rights¹.

The Framework is designed to be applied at a global level as per the OECD DDG and its Annex II Risks. It provides a management framework for identifying risk to companies producing and/or sourcing from high-risk countries as well as companies not operating in/ sourcing from high-risk countries.

The CIRAF provides a management framework to participants on how to respond to and manage four risk categories and nine risk areas.

The CIRAF participants must identify which risk categories and risks apply to their operations based on a materiality assessment (see below). As a baseline requirement, participants must obtain third party assurance of their policy and due diligence management system for the Human Rights category.

The 4 risks categories encompass:

Risk Categories	Risk Areas
1. Environment	Air/ water / soil environmental impacts
	Biodiversity impacts
2. Occupational Health and Safety (OHS)	OHS and working conditions
3. Human Rights (as defined in Annex II of the OECD DDG)	Conflict and financial crime
	Serious human rights abuses
	Worst forms of child labour
4. Community	ASM
	Livelihoods
	Resettlement

¹ Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition.

Within these groupings, a complete spectrum of responsible production and sourcing issues is covered, ensuring the industry has the operational guidance and a management framework in place to manage its material risks.

The risk areas covered by the CIRAF meet and/or exceed market expectations through referencing the OECD DDG Annex II risks and other material risks in the upstream cobalt supply chain including environmental impacts and OHS. Further engagement is planned with a number of key standard-setting bodies, not least the Copper Mark, so that CIRAF can provide constructive input to the development of responsible mineral sourcing standards of relevance to cobalt.

Implementing CIRAF

For the identified material risks, CIRAF participants undertake an annual assessment of their operations and supply chain where applicable.

Relevant documentation to demonstrate the presence of a policy and due diligence management system to manage those risks and the demonstration of how existing responsible production and sourcing standards are being applied should then be made publicly available. CIRAF participants must also publish a summary of the risk assessment and related activities on an annual basis. The CI will produce summaries of its members' activities. For example, companies can disclose information about their material risks, responsible sourcing policies, standards applied, and activities to conform with the CIRAF framework in their sustainability reports or websites. The expectation is for companies to disclose on their CIRAF implementation annually, which can be aligned with their sustainability reporting cycle.

Adopting CIRAF

Since the CI launched CIRAF, it has been supporting its members with implementation and in this context has organised member webinars and workshops in order to explain the CIRAF requirements and available tools. Furthermore, the CI is directly engaging with its members to help them along the CIRAF adoption journey.

In year two of the CIRAF, the CI continues to monitor adoption and has conducted a number of member surveys to understand how it can further support its members during implementation.

Key Contact for all CIRAF Enquiries:

Adam McCarthy
Government and Public Affairs Adviser
Email: AMcCarthy@cobaltinstitute.org

ANNEX

CIRAF Q&A

1. If a company does not operate or source from the DRC, should it still participate in CIRAF?

Yes, the CIRAF is designed to apply at a global level as per the OECD DDG. It provides a management framework for identifying and addressing risks linked to both production and/or sourcing from high-risk countries as well as not operating in / sourcing from high-risk countries.

2. Not all cobalt is found in high-risk and conflict-affected areas. Is the expectation for the OECD DDG to be applied in low risk areas?

The expectation is that companies will have a due diligence management system in place that allows them to identify and assess risks in their cobalt supply chain including whether or not they actually source from conflict-affected and high-risk areas.

The OECD DDG, which has global applicability, provides a good practice standard (Five-Step Framework for Risk-Based Due Diligence) for such a management system. The management system (policies, processes and tools) should include a methodology to define conflict-affected and high-risk areas and allow companies to map and assess their cobalt supply chain against all Annex II risks - including the worst forms of child labour - to be fully aligned with the OECD DDG.

3. Is participation in the CIRAF limited to Large-Scale Mining (LSM)?

No, any company (including [legitimate ASM](#)) would be able to participate in CIRAF if they can show the same documentation (e.g. Statement of Commitment, annual reporting etc.) required for all participants.

4. What is CIRAF doing to address the risk of human rights abuses linked to cobalt from artisanal and small-scale (ASM) sources?

ASM is one of the risk areas covered by CIRAF and companies are expected to implement policies and management systems based on international good practice standards including the OECD Due Diligence Guidance, Risk Readiness Assessment, IRMA, and others.

5. Why is there no third-party assurance for other risks while one is required for Human Rights under e CIRAF?

Third party assurance of company due diligence management systems for Human Rights has been included in the CIRAF because it is a market expectation.

Other risk areas may or may not be subject to third party assurance based on the kind of responsible sourcing / production standards CIRAF members already apply.

6. Why are conflict and financial crime included as a risk when cobalt has not been designated as a conflict mineral?

It is correct that under the established Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the EU Regulation 2017/821, cobalt is not categorised as a conflict mineral.

However, risks related to conflict and financial crime as defined under conflict minerals laws do affect significant parts of the ASM cobalt sector, specifically in high-risk states such as the Democratic Republic of the Congo [DRC].

Moreover, some large downstream cobalt buyers have begun to categorise cobalt as a conflict mineral within their own due diligence systems.

As one of the primary functions of CIRAF is to align the cobalt industry's reporting standards with downstream legal and commercial expectations, it is prudent to include these risk areas as reputational risks for brand companies increase.

7. Who has the responsibility to ensure conformance with the CIRAF?

It is the individual responsibility of CIRAF participating companies to implement the CIRAF and make publicly available information on how they are addressing material CIRAF risk areas in their cobalt operations and/or supply chain.

The CI has been supporting its members to implement CIRAF through a series of member webinars, workshops and one-on-one advice on the implementation requirements. The CI is also conducting a roadshow of its members to ensure that CIRAF requirements are clearly understood.

8. Is CIRAF expected to be applied at the company level, site level or both? And will the CIRAF also need to be applied to suppliers?

CIRAF is only applicable to a company's specific cobalt operations, not its headquarters nor operations in other materials.

Although CIRAF should be implemented at site level to the extent possible, some policies and management systems originate from the corporate level. CIRAF recognises the application of corporate level policies and management systems at site level in the absence of a site-specific policy or management system.

With regard to suppliers, some CIRAF participants operate in or source from potential 'high-risk countries' while others do not. This means that certain priority risk areas will apply only to CIRAF participants' own operations, while others will also apply to their suppliers across multiple tiers down to the mine site.

9. Does the Cobalt Institute plan to publish or make available the results to the self-assessments conducted by members?

The CI will not be publishing the participating companies' self-assessment reports. It is the individual responsibility of CIRAF participants to demonstrate that they have done their due diligence. Transparent reporting will be key and the report must be published or made publicly available on the company's website by the company itself. Furthermore, the CI will reference links to its members' public disclosures on its website.

CIRAF provides reporting tools for participants to use that have been designed to help meet the necessary standards of reporting. There is a tool for Producers (miners) and for Buyers (e.g. traders, smelters, refiners, processors) recognising that Buyers will have broader reporting needs due their position in the supply chain (reporting on both operations and supply chain).

10. Does the CIRAF offer an external stakeholder feedback or consultation facility?

Yes the CIRAF regularly engages with and provides constructive input to a range of minerals due diligence standards including RMI and LME.

CIRAF also has an informal Stakeholder Dialogue Group, composed of 16 stakeholders, to review and discuss developments and progress.

Key Contact for all CIRAF Enquiries:

Adam McCarthy

Government and Public Affairs Adviser

Email: AMcCarthy@cobaltinstitute.org