

MEMORANDUM

To: File

From: John Fieldsend
Special Counsel
Office of Rulemaking
Division of Corporation Finance
U.S. Securities and Exchange Commission

Date: June 20, 2011

Re: Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act Regarding Congolese Conflict Minerals

On June 20, 2011, Felicia Kung, Steven Hearne, and John Fieldsend of the Division of Corporation Finance met with Kay Nimmo of ITRI, Ltd. and John N. Kanyoni of Metachem. The participants discussed the Commission's required rulemaking in Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which relates to reporting requirements regarding conflict minerals originating in the Democratic Republic of the Congo and adjoining countries. At the meeting, two documents were provided to the staff by the outside participants and are attached to this memorandum.

Attachments

iTSCI OVERVIEW : STATUS & BUDGETS

June 2011 (v3)

EXECUTIVE SUMMARY

The iTSCI traceability and due diligence programme has been under development since 2009, beginning implementation on the ground in the Kivu provinces of the DRC in the summer of 2010. This pilot programme, partly funded by upstream and downstream companies, proved the possibility of traceability and the use of local stakeholder committees to influence and improve conditions on site, while also highlighting the need to further develop an efficient data handling system to automate the many checks that would be required on mineral weight, transport route etc, as well as certain other aspects of the system.

Following the introduction of the US conflict mineral law, many other production areas wished to become involved in the system. The Rwandan Government rapidly made extensive efforts to introduce the tagging and data recording system in their own mining areas, which involved recruiting and training more than 90 new field employees. This in itself is a significant contribution to improved governance in that country and is unlikely to have occurred if the DRC pilot had not operated. Tagging in Rwanda now covers around 95% of domestically produced 3T (tin, tantalum and tungsten) minerals although the full iTSCI project team is not yet in place, and further work is required on risk assessment and development of the audit methodology.

Unfortunately, the DRC mining suspension introduced by President Kabila, and lasting around 6 months, brought the DRC pilot to an immediate halt just at a time that it was beginning to operate efficiently and effectively, and when development of conflict risk assessment and audit systems was about to begin. The uncertainty over the length of the suspension meant that costs continued to be incurred in the expectation that mining, and the project could resume, however this was not finally the case.

The shared contributions from comptoirs and companies in the upstream and downstream industry companies allowed the pilot in the DRC to go ahead and (although it was halted by the mining suspension) to prove the concept of traceability to a sufficient extent to encourage Rwanda to take up the system, and to encourage Katanga exporters to find resources to self-finance a start-up in that province.

The iTSCI management team continued to seek further funding to begin operations in other areas affected by the US law, such as Burundi. This has been partially successful but significant funding roadblocks remain to programme implementation in other adjoining countries and, most significantly, in the Kivu and Maniema provinces of the DRC already badly impacted by the mining suspension, and now the lack of willing buyers for even legitimately produced minerals.

The iTSCI project expects to receive additional financing from GIZ and the RSDIP to the extent of around US\$2.8m over a 2 year period. This will allow implementation in Rwanda and Katanga to continue, hopefully to a successful outcome. However, a significant funding gap remains for the Kivu and Maniema provinces; in the order of US\$4-6m will be required to allow work there to go ahead and supplement potential upstream industry contributions which will only be available if trading resumes.

The iTSCI partners continue to work in close co-operation with the Governments in central Africa, the DRC, Rwanda, Burundi and also the intergovernmental organization the ICGLR who seek to introduce a Regional Certification Mechanism for natural resources. ITRI (on behalf of the iTSCI project) holds agreements with all those Governments regarding project activities. The iTSCI chain of custody tagging system is already recognized by the ICGLR, is enforced by a new Rwandan Ministerial regulation for tagging minerals, and is a key part of the DRC Ministry of Mines new certification manual developed with BGR.

A formal iTSCI membership programme is also being implemented to ensure that companies within the iTSCI system are aware of, and recognise, the requirements of the OECD and UN due diligence guidance. A number of companies are now signing up for the scheme, and in addition, agreeing to be part of the OECD implementation trial that will demonstrate compliance with that guidance. Further development of the iTSCI programme will be required for some time but activities so far, started from the smaller pilot project, have demonstrated the flexibility and effectiveness required.

ITSCI OVERVIEW : STATUS & BUDGETS

1. HARMONISATION WITH OTHER INITIATIVES

1.1 Central African Government activities

The iTSCI programme operates according to official Memoranda of Understanding (MOU's) that exist between the relevant Government and ITRI (on behalf of iTSCI).

The Ministry of Mines of DRC approves the activities of iTSCI by a MOU and through other means of integrating the system into the official requirements of the country. The Ministry provides all available support of its official services such as SAESSCAM to participate in the tagging and data recording aspects of the programme, and in addition, the iTSCI traceability system has been incorporated into the DRC mineral certification manual developed by the Government with the assistance of BGR. The iTSCI system also integrates with the Ministry's plans to develop secure trading centres as they become operational, will contribute information from staff on the ground to the DRC mapping exercise and co-ordinates with the North Kivu security commission.

The Rwandan Geology and Mines Authority (OGMR) agrees to implement the iTSCI system through a MOU and has made extensive efforts to contribute to this activity. The Rwandan Government had no previous field monitoring teams for their mining industry and have recruited and begun to train around 90 new agents to perform the tagging and data recording activity. Rwanda has also passed a Ministerial regulation preventing the transport of non-tagged mineral around Rwanda (except on known mine concessions). Katanga is also likely to pass a similar Regulation in that non-conflict province of the DRC.

The Ministry of Mines of Burundi is also expected to agree a co-operation MOU with ITRI shortly.

The International Conference of the Great Lakes (ICGLR) also recognises through a MOU that the iTSCI system is suitable for use within the proposed Regional Certification Mechanism of the ICGLR. The iTSCI programme, in combination with the BGR-CTC activities, may be considered a practical implementing contribution to the overarching aims of the ICGLR.

1.2 International due diligence requirements

ITRI, T.I.C. and many operators in the DRC are in contact with the Group of Experts appointed by the UN at the start of each year regarding the implementation of due diligence. The UN in 2011 has additional staff appointed to monitor the application of due diligence and their evaluation will include reporting progress of the iTSCI programme.

ITRI, T.I.C. and many companies in the DRC and other countries have been involved with the OECD Working Group which has, together with Governments and NGO's, developed and agreed the due diligence guidance for high risk areas such as central Africa. The iTSCI programme is now being formalised through a provisional membership agreement which expects companies to recognise and adopt the requirements of the OECD guidance either through participation in the iTSCI system or by other means. Members of the iTSCI programme are also expected to participate in the OECD implementation trial due to run from June 2011 for one year; this will assist in demonstrating the compliance of those companies with the expected international requirements.

The iTSCI programme is also developing a series of documentation which will outline the role and expected activity of all operators on the ground, and each iTSCI project partner. This will specify the exact operation of the system and ensure that all requirements of the OECD guidance are being applied through the programme.

2. STATUS OF IMPLEMENTATION OF THE iTSCI PROGRAMME

The iTSCI traceability and due diligence system includes 3 elements as suggested in the OECD guidance documents as well as by other stakeholders. The 3 elements are; 1) chain of custody tagging and monitoring of source, 2) independent risk assessment of mines, transport routes and companies for conflict related risks, and 3) independent audit of the data collected and the risk assessment and mitigation actions taken.

A summary of the status of each of the 3 elements in each relevant area of central Africa is provided in the tables below. This is just an overview and many details are not included.

2.1 Chain of Custody Tagging And Data Monitoring

<p>Rwanda</p> <p>A smaller production area than DRC, but important for transit, with various political issues</p>	<p>Achieved</p> <ul style="list-style-type: none"> • Trial tagging began late December 2010 by OGMR • Now covers 95% of Rwandan mine production • Applicable to 3T's, tin, tantalum and tungsten • Applicable to artisanal and semi-industrial mines • Adjustments to procedures and data sheets carried out • Data system revised to automate comparison of mineral batch anomalies <p>Required</p> <ul style="list-style-type: none"> • Establish full ITSC project team in country • Intensity training for OGMR agents • Speed data entry, management and follow up
<p>DRC: North and South Kivu</p> <p>The two provinces at the greatest risk of conflict issues. Together with Maniema, subject to the 6 month mining suspension</p>	<p>Achieved</p> <ul style="list-style-type: none"> • The first pilot trial of ITSC operated in Nyabwewe, South Kivu, and a scoping study carried out with the intention of also operating at Besie mine in North Kivu • Project set up and Government negotiations on site selection (March - May 2010) • First field operation began early June 2010, suspended under the Presidential mining ban in early Sept 2010 • Established tagging as flexible, fast and easy to implement • Identified deficiencies in data system that required re-design • Identified local issues and solutions • Produced the first reliable production statistics, 120% more official material from one mine site as a result of better recording • Facilitated visit of ECCC, GCS, ITRU and T.I.C. members to the region <p>Required</p> <ul style="list-style-type: none"> • Complete situation re-evaluation and re-start of project. No activity is underway
<p>DRC: Kasai region</p> <p>The third South Kivu province, DRC's largest, with a large area of mineral production. The Kasai region is a major source of minerals for the DRC and is a key area for the ITSC project. The region is a major source of minerals for the DRC and is a key area for the ITSC project. The region is a major source of minerals for the DRC and is a key area for the ITSC project.</p>	<p>Achieved</p> <ul style="list-style-type: none"> • The first pilot trial of ITSC operated in Nyabwewe, South Kivu, and a scoping study carried out with the intention of also operating at Besie mine in North Kivu • Project set up and Government negotiations on site selection (March - May 2010) • First field operation began early June 2010, suspended under the Presidential mining ban in early Sept 2010 • Established tagging as flexible, fast and easy to implement • Identified deficiencies in data system that required re-design • Identified local issues and solutions • Produced the first reliable production statistics, 120% more official material from one mine site as a result of better recording • Facilitated visit of ECCC, GCS, ITRU and T.I.C. members to the region <p>Required</p> <ul style="list-style-type: none"> • Complete situation re-evaluation and re-start of project. No activity is underway

In addition to the points noted in the table regarding future required actions, it will also be necessary to consider adapting and simplifying the system for small-scale operations that may be considered better controlled than typical artisanal sites.

A significant amount of work will also be required to facilitate faster inclusion of data into the data system, as well as the development of indicators on changing bag weights, email alerts to e.g. duplicate tag number use, and preparation of an increased number of standard monthly reporting options.

2.2 Risk Assessment of Mine Sites And Companies

Risk assessment generally begins in conjunction with the tagging process.

Rwanda	<p>Achieved</p> <ul style="list-style-type: none"> Two preliminary country visits have been made by Channel Research to assess political influences and possible conflict related risks Risk indicator assessment grids have been drafted Companies trading in, and from Rwanda are signing the ITSCI membership agreement and providing company documents for evaluation <p>Required</p> <ul style="list-style-type: none"> Confirmation on mine capacities and mineral grades by ITSCI team Establishing the local stakeholder committees for feedback Finalising draft risk indicators by piloting the assessment process Preparation of initial risk reports
DRC: North and South Kivu	<p>Achieved</p> <ul style="list-style-type: none"> Developed the stakeholder 'pilot committee' process in both provinces and at local mine level in Nyabibwe <p>Required</p> <ul style="list-style-type: none"> Security assessment map from MONUSCO/IPIS/BGR/Govt's DRC and US is awaited Operation of the 'centres de negoci' in particular at Isanga near Bisie is awaited. This will provide a MONUSCO security zone
DRC: Maniema Burundi, Uganda and Zambia	<p>Required</p> <ul style="list-style-type: none"> Security assessment map from MONUSCO/IPIS/BGR/Govt's DRC and US is awaited

2.3 Audit of System and Member Companies

Audit systems can only be finalised once trials of the chain of custody and risk assessment procedures have established the priority issues for audit and the programme methodology.

Rwanda	<p>Achieved</p> <ul style="list-style-type: none"> Channel Research shadowed the CTC-BGR auditor at a large Rwandan certification site to begin harmonising methods of audit with that system The Rwandan CTC standards now adopt ITSCI as the traceability element of their system Audit grids for ITSCI are being drafted Trial audit at one large site will be carried out jointly by ITSCI and CTC in June Comparison with ICGLR audit proposals is being made <p>Required</p> <ul style="list-style-type: none"> Finalisation of the audit system Defined co-operation between ITSCI and ICGLR audits Defined acceptance criteria for ITSCI material into the CFS audits Preparation of initial audit information and reports
DRC and Adjoining Countries	<p>Required</p> <ul style="list-style-type: none"> All of the above for Rwanda plus adaptation of Rwandan audit grids to the DRC and other countries Further trial audits and initial reports

3. INFLUENCING FACTORS ON PROJECT PROGRESS

Four key influencing factors have significantly impacted on the speed and extent of implementation of the iTSCI programme and these are described in brief below. In addition, many other practical factors arise as a result of implementing a new system in areas of poor infrastructure under extreme time pressures. For example, the launch in Katanga has been carried out in the rainy season when roads are difficult to pass and logistics are extremely difficult.

3.1 Changing scope of the project

At the start of the practical implementation stage of the iTSCI project in early 2010 the objective was to begin traceability and due diligence in individual pilot mine sites to establish the system and gradually extend from those sites once successful. Two sites were selected for the pilot; Kalimbi, Nyabibwe, in South Kivu as a representative stable area, on a site already part of the BGR project, and easily accessible, and Bisie in North Kivu, as a high production site with known security issues that required resolving. A budget for the pilot was fixed, together with an estimate for expanding to more sites in the Kivu's over a year.

Following release of the US conflict minerals legislation in July 2010, extensive non-conflict areas became subject to due diligence requirements, not only other provinces of the DRC, but many adjoining countries. The law created a situation where implementation across a huge area was required with no additional resourcing.

3.2 The mining suspension in the DRC

Partly in response to the US law, President Kabila announced a general mining and export suspension across North and South Kivu and Maniema from early September 2010. The suspension, which lasted for around 6 months, immediately halted the pilot project and removed the main source of expected on-going iTSCI funding; the comptoir/exporters levy.

The negative impact on those three provinces has been severe. Even the basic infrastructure that previously existed is no longer operational; for example the mobile phone mast near the pilot mine of Kalimbi has been de-serviced now that there is no funding from local calls.

The suspension was lifted with almost enough time for stock minerals to be released and exported by the 1st April 2011. However, several million dollars worth of stocks remain in country and appear unsaleable. Exports are almost at a standstill, for example cassiterite exports from North Kivu dropped from 1,148 tonnes in March 2011 to 21 tonnes in April¹.

3.3 Loss of buyers for legitimate trade

The lack of export and continued trade is a consequence of the 1st April 2011 deadline of the EICC-GeSI CFS programme. Only tagged and traceable material is still being traded from Rwanda and Katanga although this is also at risk of stopping within a short time. Many mines within the non-conflict province of Katanga have emptied making it difficult to extend the tagging programme in a well co-ordinated manner and creating tension in gold mines and towns where many 3T miners have moved. The general situation creates a greater incentive for non-compliance and smuggling in order to find some kind of buyer for the materials still being produced from non-tagged mines.

3.4 Limited availability of funding

The rate of implementation of the iTSCI programme is affected by external factors described above but is mostly controlled by the restricted availability of funding.

For example, the lack of long-term committed buyers made industry in Rwanda uncertain about the extent of funding they could provide, as a result iTSCI could not commit to long term employment contracts and PACT were unable to find a suitable local project manager. This has only been resolved as a result of expected new donor funds but full implementation will only begin in earnest when the project manager is in place.

Implementation in Katanga was not originally considered necessary until the US law was released. Budgeting and a scoping study had to be performed, and funding established. Start-up was only finally possible at the end of march through new industry funding arrangements.

¹ <http://www.businesslive.co.za/Feeds/reuters/2011/05/21/dr-congo-says-mineral-exports-hit-by-tracing-rules>

An urgent funding call issued by iTSCI in January 2011 had one significant response but a large shortfall remains for implementation in the main areas of concern in the Kivu's and Maniema. This is outlined in section 5 below.

4. PROJECT FINANCING IN 2010 AND ELECTRONICS INDUSTRY CONTRIBUTION

Expenditure in the project during 2010 was mainly focused on the pilot project in the Kivu areas of DRC, as that was the original area considered to be impacted by the conflict mineral issue.

Full staffing was maintained for 1 month after the suspension was announced since lifting was thought to be imminent. Similarly, field staff were maintained for around 2 months in the expectation of resumption. By December 2010 it was clearer that the suspension could be long term and staff were reduced to minimal levels. Data entry for Rwanda still occurs in Bukavu, DRC where internet connection and trained staff remain.

The table below provides an approximate breakdown of expenditure during 2010. This includes all activities contracted before the end of December 2010, some of which ran on into February 2011 and partly contributed to the project in Rwanda.

EXPENDITURE IN 2010 - RWANDA		
• Staff	0	102,494
• Transport, travel and motor fuel etc	245,743	245,743
• Office rent, electricity, computers, radio, internet and other	36,710	36,710
• Communication insurance etc, as far as possible	0	0
• Tapes, logbooks and small equipment such as GPS	16,354	16,354
• Special missions to Bisie	0	25,960
• Management fees (10%) and other costs	0	27,441
Sub-total	208,529	227,322
EXPENDITURE IN 2010 - KATANGA		
• Capacity building and local management support	0	32,304
• Risk assessment and audit	0	40,610
• Data system	0	30,948
• General management, translations, travel, local representative and other such as bank charges	0	109,290
Sub-total	0	213,152

The level of expenditure was defined by the anticipated income for the project i.e. the amount of progress was defined by income, not vice versa as in an ideal situation where income is obtained to meet the budgeted requirements.

The approximate split of income during 2010 is shown in the table below. Of the iTSCI levy, around 14% was raised on Rwandan production, while the remaining 86% came from DRC mineral exported directly, or via Rwanda. Electronics industry contributions generated around 35% of the cash income in 2010. No electronic industry funds remain for contribution to starting the Katanga operation in March 2011 which is entirely funded by local African industry.

INCOME IN 2010	
DRC levy contributions	
• Electronics industry	283,500
• Other industry members, downstream and trading	43,500
• T.L.C. and members	154,446
Go-ing contribution	
• iTSCI levy from DRC and Rwanda (exports feb to aug 2010)	327,131
Additional ITRI cash and in-kind contributions	208,423
Total income	1,017,000

It can be noted that income does not in fact match expenditure and that the project was overspent by US\$34,523. This amount was absorbed by ITRI in the form of in-kind and other contributions as was further additional work that amounts to a total of US\$208,423.

Note that the iTSCI levy figures shown arose solely from the cassiterite trade. The 'coltan' levy was introduced during the last months of 2010 and income did not start to be received until 2011. The wolfram levy is also now being introduced. All three minerals will be contributing levy in 2011 and will be included in future accounts for 2011.

5. FUTURE BUDGETS AND INCOME

The current estimated budgets for Rwanda and the different provinces of the DRC are shown in the tables below. This includes estimates of budget reductions to be expected over a five year period as the need for initial investment in training and equipment reduces and the region becomes more secure and stable.

If we anticipate increasing production of the affected minerals over the same 5 year period it is likely that the iTSCI programme can become self-funding within a 3 to 4 year period, if not sooner.

5.1 Potential Income

Levy payments from those operators still continuing trade in Rwanda and Katanga have been significantly increased to the maximum level considered possible while taking into consideration competitive pricing issues. Levies are now collected on tin, tantalum and tungsten production.

The German development agency GIZ agreed a contribution to funding at the start of 2011 in recognition of the problems that the mining suspension had created for making progress via industry levies. This allows some PACT and Channel Research activity to continue in Rwanda in relation to basic training of OGMR and development of the risk indicators; GIZ contribution is approximately US\$56,000.

Although yet to be finally confirmed, the iTSCI programme hopes to obtain significant support from the RSDIP (Regional Spatial Development Initiative Programme) organised by key stakeholders the DTI (Department of Trade and Industry of South Africa) and the DBSA (Development Bank of Southern Africa).

The funding situation for the project is now more stable, although still dependent on continuing trade, but a very significant funding gap exists for the key project areas in the Kivu's and Maniema. Of the budgeted US\$6.3m requirement for year 1, it may be possible to obtain around US\$2m from exporters once business resumes, but the initial upfront payment for equipment and a guarantee of operation for a year is urgently required from other donor sources; approximately US\$4m is immediately required to prevent the continuing embargo.

5.2 Estimated 5 Year Costs For The iTSCI Programme (US\$'S 000)

These estimates have been slightly revised from the budgets shown in the 'iTSCI 5-YEAR PLAN: DRC RWANDA' document distributed in February 2011. However, further details of implementation plans, assurance mechanisms and other details contained in that document are still relevant.

Local operations and management represent costs for project staff, management support and capacity building, while other costs such as audit may relate to in-country activity or consultant fees.

Local operations and management	762	579	507	372	281
Risk advisor and audit	150	130	131	127	127
Mitigation costs	50	45	32	22	15
Tags and materials	47	20	21	23	24
Data system	99	94	84	88	91
Management	145	146	135	119	102
SUB-TOTAL	1253	1074	910	751	640
10% contingency	125	107	91	75	64

Local operations and management	2,330	1,666	1,499	1,173	919
Risk advisor and audit	168	148	145	145	145
Mitigation costs	100	90	63	44	31
Tags and materials	24	35	42	50	60
Data system	161	142	127	132	138
Management/Kinshasa rep	219	249	251	245	242
10% contingency	300	233	213	179	154

Local operations and management	4,064	3,306	2,988	2,016	1,552
Risk advisor and audit	830	852	315	302	307
Mitigation costs	400	330	237	156	169
Tags and materials	41	55	63	73	84
Data system	220	158	166	175	183
Management/Kinshasa rep	219	249	251	245	242
10% contingency	579	453	342	277	234

Total project costs for these areas is therefore expected to fall from a total of US\$11,053k in the first year, to around half that in the fourth year. Self-funding is a realistic objective of the programme.

Funding for Rwanda and Katanga has recently achieved a reasonable level, but the US\$4-6m requirements for the Kivu's and Maniema remains immediate and urgent.

The conflict map for those conflict provinces is expected to be released shortly, raising local expectations that approved 'clean' areas will become part of the iTSCI system and bring some buyers, trade and economic relief. It is interesting to note that independent observers suggest that the large tin mine site at Bisie is demilitarised and that a unique and significant opportunity exists to promote legitimate trade from that previously controversial site which is now part of the MONUSCO 'secure area' around the Isanga trading centre. Unfortunately 90% of the mine pits at Bisie are flooded due to many months of inactivity; water pumping equipment will be required if any significant level of production is hoped to restart.

FOR ANY QUESTIONS OR SUGGESTIONS PLEASE CONTACT:

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**COMMENTS ON GLOBAL WITNESS REPORT
'THE HILL BELONGS TO THEM'**

December 2010



Summary

iTSCI is a voluntary measure, under development since 2008, implemented well in advance of the US conflict minerals legislation or development of the detailed recommendations from the OECD or UN on due diligence. The scheme was an immediate response to earlier UN calls for enhanced company due diligence and is the only such scheme in operation on the ground in the Great Lakes Region. The iTSCI scheme is under continual development according to prevailing circumstances and as such, reliance by GW on out-dated documents rather than active research on the subject appears to result in various misunderstandings of the scheme.

ITRI considers that the tin industry has made significant and rapid progress on this issue, has demonstrated continued commitment to solving issues within the DRC and adjoining countries and, has, unlike many organisations, concentrated on implementing actions rather than general reporting and discussion. In fact, we consider the iTSCI scheme to be an excellent example of the type of rapid company actions now called for in the conclusions of the GW report.

Various key issues within the report require clarification or comment.

- GW continue to misunderstand the risk assessment aspect of the iTSCI scheme, suggesting that illegal taxation, for example along transport routes, is not a consideration. Any such suggestion is not correct. Work to develop a methodology for on the ground risk assessment activity was already underway before the recent DRC mining suspension resulted in a halt to the iTSCI project.
- GW appear to wrongly believe that behaviour by legal armed groups is not important to the iTSCI scheme. This is not correct. The scheme will operate in accordance with the recently released OECD 'model supply chain policy for a responsible global supply chain of minerals from conflict-affected and high-risk areas' which recommends appropriate considerations and reactions to such circumstances.
- GW suggest that their own due diligence recommendations are essentially the same as those from the OECD and the UN Security Council, however a number of differences exist. In contrast to the GW document, the OECD guidance was generated through a multi-stakeholder discussion and is the key reference document as a result.
- GW commentary appears to apply contradictory standards to various initiatives, for example, questions regarding the illegal taxation issue are discussed at length in relation to the iTSCI scheme, but not considered at all in relation to other certification schemes in the region.
- GW suggest there is no commitment to addressing the conflict minerals trade in Rwanda, however, both the Rwandan Government (through ÖGMR) and Rwandan industry have demonstrated a number of actions designed to make a difference, including a target to implement iTSCI by the end of March 2011.

All points above are addressed in more detail in the section below.

ITRI concurs with the suggestion by GW that mining is continuing illegally in eastern DRC, and that the mining suspension is causing increased hardship for the local population. At the same time the suspension is preventing continuation of positive initiatives such as the iTSCI scheme and we hope that resumption of mining can be achieved within a short time.

Further information

Communication between ITRI and GW was placed on the GW website and is also appended here.

A letter from Malaysia Smelting Corporation (MSC) to GW was not appended to the GW report despite a request to do so from that company. That MSC letter is also appended here, together with another from FEC South Kivu in response to GW questions earlier in the year.

Please also see this ITRI webpage, and the link to 'documents' at the bottom of that page;
http://www.itri.co.uk/POOLED/ARTICLES/BF_PARTART/VIEW.ASP?Q=BF_PARTART_310250

All ITRI press releases are also available here;
http://www.itri.co.uk/bfora/systems/xmlviewer/default.asp?arg=DS_ITRI_NEWSART_23/list.xml/13

Detailed response on key issues

➤ *GW continue to misunderstand the risk assessment aspect of the iTSCi scheme ;*

- GW continue to focus on the tagging and chain of custody aspect of the iTSCi scheme while appearing to continually misunderstand or ignore the other aspects of the scheme. While they quote from an ITRI communication and note that the second phase *'is designed to introduce traceability to provide verifiable information on the exact source of minerals and the opportunity to assess and mitigate the security and other conditions of mine operation and mineral transport'*, GW continue to imply that the scheme will not address the issue of illegal taxation along transport routes but will rely only on tagging. Such an assumption is made only by GW, in contradiction to information with which they have been provided, and is a misrepresentation of the risk assessment aspect of the iTSCi scheme. GW did not quote the second part of that paragraph confirming that *'Phase 2 is specifically designed to address conflict finance issues and meet international expectations for full due diligence procedures in high risk areas'*.
- While it is true that ITRI have had, and continue to have serious concerns regarding the possibilities of establishing truly verifiable facts relating to taxation issues, that does not mean to say that the issue is being ignored as GW suppose. However, if due diligence schemes are to be effective, risk assessment cannot be built only on rumour from local stakeholders who may all have their own positions to put forward, but requires consideration of the most effective means by which such information can be verified.
- ITRI does not possess the required expertise, local knowledge, language or other skills required to develop the possible methods of collating information on risks relating to illegal taxation, nor to evaluate information once received. ITRI will not be participating directly in this activity, however, in accordance with the OECD Guidance on upstream risk assessment; Appendix A.3. *'Ensure the appropriate level of competence, by employing experts with knowledge and skill....'* ITRI has contracted this activity to a respected evaluation company with extensive experience in the DRC.
- GW were offered the opportunity to hold discussions with those experts responsible for developing the methods of assessment of illegal taxation on behalf of the iTSCi project, and to provide their own input and suggestions into the method as it is developed. However, GW staff did not respond to those opportunities for discussion and input and, solely as a result of their own lack of engagement, appear to continue to exhibit a lack of understanding on the issue.
- As GW should be fully aware, the mining suspension in the eastern provinces of the DRC has led to an immediate halt to all iTSCi pilot activities. As a result, both tagging, and the

development of methods of information gathering and assessment has been halted and will not be resumed until, and unless, that mining suspension is lifted. Until such a time that this pilot is completed the precise method of risk assessment will not be available. A summary of the aims of the evaluation and audit indicator aspect of the project is widely and publicly available. It has been distributed for example to the GeSI EICC In Region Sourcing (GEIRS) NGO engagement group in which GW declined to participate.

- o As an example of potential misinformation gathered from local informants we can consider the price GW reported as being paid for mineral at Bisie in February 2010; between \$4.56 and \$9 per kg. Industry information suggests the price was in fact in the range \$4.3 to \$6.5 per kg and that prices reported to GW have been somewhat exaggerated for whatever reason. Mineral price for cassiterite is determined in direct relation to the international commodity price for tin, payment of \$9 per kg at mine site would equate to an approximate metal price of \$23,000 pt, while at the time, the metal price was in the region of \$16,000 pt. The figure of \$9 per kg used in GW calculations does not appear generally credible.
- GW appear to wrongly believe that behaviour by legal armed groups is not important to the iTSCi scheme;
 - o The GW report suggests in many sections that the iTSCi scheme *'focuses almost exclusively on rebels... (and)... illegally armed groups'*. Such an implication is incorrect. GW choose to ignore the clear statement which has already been provided to them and is also quoted in their report that *'While ITRI does consider that illegal armed group involvement should be treated in a different way to involvement of the national army this does not imply that either circumstance will not be addressed.'* The selection of the Bisie site for inclusion in the pilot project clearly demonstrates the intent of both ITRI and the Congolese Government to address issues relating to FARDC unit presence and should be recognised by GW as a positive, rather than negative action. In fact, implementation of the pilot tagging scheme, and the first visit of the risk assessment and independent audit team, was due in September but was cancelled as a result of the mining suspension. Any questions relating Bisie before that time are not relevant to the iTSCi project, nor are any questions relating to after that time - from when the project was suspended.
 - o GW also appear to misunderstand the second part of the paragraph provided to them by ITRI which states that *'Phase 2 introduces a method to control the supply chain, sourcing, and purchases in order to allow widespread issues of concern by any group to be addressed by immediate action or gradual mitigation; suitable reaction will be decided through discussion with the local and international community as the project develops.'* At the time of writing, the reaction and mitigation strategies expected by ITRI were being drafted by the OECD, on behalf of the international multi-stakeholder group, and became available shortly afterwards (on 15th September) i.e. suitable actions were being decided with the international community through on-going discussion. Such guidance is now finalised and can be found in *'Annex II, Model supply chain policy for a responsible global supply chain of minerals from conflict-affected and high-risk areas'*. Any mitigation action by ITRI, or as part of the iTSCi scheme will be in accordance with this Annex.
 - o The OECD guidance also requests risk assessment teams to *'Ensure.. (they).. regularly consult with local civil society organizations with local knowledge and expertise'*. Local community monitoring and feedback are included in the iTSCi scheme and those local actors will be provided with an opportunity to participate in discussion on mitigation mechanisms, once/if the project is resumed. ITRI remains confident that all actions undertaken within the iTSCi scheme will be in accordance with the OECD guidelines and does not agree with any GW assertions to the contrary.

- GW make various claims over the OECD and UN Security Council guidance on due diligence, for example;
 - The report states that *'The UN due diligence guidance consists of five elements that are essentially the same as those developed by OECD and Global Witness'*. However, there are in fact various differences between the OECD guidance and the actions demanded by GW. The OECD guidance is that which commands the greatest respect since it has been developed through an extensive multi-stakeholder consultation process over the period of more than a year. The GW report *'Do No Harm'* was not as a result of any consultation and was published at the beginning of August 2010, at a time when much of the OECD multi-stakeholder discussion had already been completed.
- GW commentary appears to apply contradictory standards to various initiatives, for example;
 - The report praises the ICGLR regional certification mechanism as an excellent investment in the future, but at the same time notes that Government driven certification schemes take a long time to set up and should not be considered to replace the rapid reaction measures required to tackle conflict mineral issues. It might therefore be hoped that GW would be encouraged by the recent announcement of a co-operation agreement between ITRI and ICGLR which confirms that *"Both ICGLR and ITRI recognise the importance and urgency of implementing a practical, cost effective and credible traceability or certification system for conflict minerals"*, and that *"The iTSCi system is now recognised as one important initiative towards implementing the ICGLR Regional Certification Mechanism."* This provides another example of rapid action by companies and governments which GW requests in their conclusions but is not recognised in the report.
 - GW also briefly discuss the BGR certification system being piloted in South Kivu, but do not appear to direct the same degree of critical analysis at that system as at the iTSCi scheme. It is not clear for example why GW have not analysed the capability of the BGR scheme to provide verifiable traceability, on the ground assessments, or information on illegal taxation away from production sites. In fact, the BGR scheme and the iTSCi scheme are complementary and will work together on certification and traceability in order to make as rapid progress as possible.
 - GW also appear to ignore various initiatives of the DRC Government, comptoirs and traders to implement traceability and only mention the centres de negoce scheme as part of a discussion on UN operations. The report also fails to recognise that the iTSCi tagging system can be carried out in co-operation with the centres de negoce once they are established.
- GW suggest there is no commitment to addressing the conflict minerals trade in Rwanda, however;
 - The Rwandan Geology and Mines Authority (OGMR) and industry have been working on the Certified Trading Chain project for some time. This sets standards for traceability and site conditions and includes an auditing process.
 - OGMR and ITRI announced on the 10th September 2010 signature of a co-operation agreement to implement the iTSCi system in Rwanda and target maximum possible coverage of conflict minerals produced in the country by end of March 2011. This is also reported as an important step in the November 2010 UN Group of Experts report;

"The Group considers that the extension of the tagging project to Rwandan mines, announced in September 2010, could also make an important contribution to the regional traceability of minerals."

GW could have recognised this as an example of the type of rapid action by companies and governments that they request in the fourth paragraph of the conclusions of their report but chose not to do so.

- o Until the iTSCI system is in place in Rwanda, for both large and artisanal production sites, ITRI remains of the opinion that no conclusions can be drawn from any currently publicly available statistics and attempts to analyse such data do not produce meaningful results.
- o The measures taken by Minerals Supply Africa (MSA) to request assurances on the source of its suppliers materials and introduce 'ethical contracts' have been criticised by GW. Conversely, the work done by that company is noted positively in the November 2010 UN Group of Experts report;

"284. Those whom the Group denounced for fraud in previous reports have in the main begun trading legally, apparently at the instigation and with the financing of Rwanda-based Minerals Supply Africa (MSA), which is one of the main buyers of minerals from the eastern area of the Democratic Republic of the Congo. MSA is the only buyer from nine comptoirs in North Kivu and the Bakulikira comptoir in South Kivu, spending on the order of \$5 million per month. MSA imported 1,945 tons of cassiterite from the Democratic Republic of the Congo between 1 January and 31 July, according to Rwandan statistics (see annex 57). Encouragingly, these figures are nearly identical to the statistics given to the Group by the Congolese mine services concerning MSA."

- o MSA participate in Phase 1 and Phase 2 of the iTSCI process and will therefore be audited by iTSCI scheme auditors once the DRC mining suspension is lifted and development of that essential part of the system can be continued. MSA will similarly benefit from information from the iTSCI joint on-the-ground assessment team once that part of the project can be resumed. These two points address other concerns of GW.

Other background

Several members of the tin and tantalum supply chain were contacted by Global Witness in September 2010 requesting comments on the iTSCI scheme. ITRI provided relevant remarks, via those companies, on 17th September 2010, however GW did not make any contact directly with ITRI regarding these questions. ITRI had received no response from GW by 17th October 2010 and initiated contact with GW to request their input. A letter from GW was then received on 31st October including various points and a demand for reply within 7 days. Providing a detailed reply was not feasible within such a timescale.

It remains unclear why GW did not request any information from ITRI until the end of October when the report had apparently been under research for almost all of 2010.

Please contact kay.nimmo@itri.co.uk for any further clarifications.

21st September 2010

Mr Patrick Alley
DRC Team
Global Witness
London EC1N 2HS
United Kingdom

Dear Mr Alley

Due diligence for mineral suppliers from eastern Democratic Republic of Congo

We refer to your letter dated 26 August 2010, sent via email.

We believe that, at this stage, organizations like GW should move forward on DRC and focus on positive developments and improvements rather than dwell on past events arising from an unregulated and complex trade which the world is currently seeking to regulate. The iTSCi scheme, US Bill on conflict minerals, OECD guidelines on due diligence, EICC/GeSi smelter audit scheme, BGR scheme and ICGLR resource certification all clearly and unequivocally address the more critical due diligence issues and hope to reach an international consensus with the ultimate objective of achieving long term sustainability of the DRC tin industry and protection of the eastern DRC economy and livelihood of the huge populace that depend on the mineral business for their daily survival.

MSC was and will continue to be mindful of events in DRC and, as early as 2004 after the publication of the UNSC report on DRC, we took the initiative to write to all our suppliers of DRC concentrates seeking written clarification and legitimacy of their trading operation.

Since 2008 MSC has also taken positive steps to engage with the supply chain, stakeholders, institutional and government bodies on due diligence issues as well as seeking to assist in the development of a sustainable mining industry in DRC/Rwanda:-

- As a founding member of ITRI MSC supported the setting up of a DRC working group to develop a viable due diligence process in DRC and this resulted in the advent of the iTSCi scheme which today is still the only active due diligence process in place in DRC.

Malaysia Smelting Corporation Berhad

- MSC sits as a member of the ITRI's DRC Working Group that handles policy matters relating to the iTSCi scheme.
- The company had fully implemented the iTSCi Phase 1 process and an independent audit for the period July 2009 to June 2010 has been recently completed.
- Under iTSCi Phase 2 the company has cooperated in the funding requirements through the collection of the comptoir levy from the suppliers as well as making direct regular funding contribution and assisting in meeting shortfalls. The first consignment of iTSCi Phase 2 tagged material is now on transit to us
- The company is actively engaged with EICC/GeSi in developing a viable smelter audit scheme.
- There will be MSC representation at the forthcoming OECD/ICGLR Nairobi Conference as well as the EICC/GeSi-tin tantalum workshop in Washington.
- In 2009 and 2010 MSC made several working trips to DRC/Rwanda to engage with its suppliers on due diligence issues.
- Prior to 2009 MSC had also embarked on technical expeditions to carry out preliminary assessments of mining potential in DRC/Rwanda. The Company is currently at various stages of co-operating with project partners in developing industrial scale mining operation in DRC and Rwanda. These activities, together with our involvement on due diligence as noted above, show our significant commitment to the long term and sustainable future of the DRC.

Therefore your statement as contained in your letter of 26 August stating that *"...including MSC, is that they are failing to rigorously oversee their supply chains and that this makes it possible that they are purchasing minerals that have come from conflict areas..."* is inappropriate considering the many positive steps and inroads, as detailed above, that the company has embarked in engaging with due diligence issues as well as focusing on the longer term sustainability objectives.

While we acknowledged that your organization has attempted to address the due diligence issue by publishing its own recommendations and guidelines (Do No Harm – July 2010) these may not be considered credible if they are not developed through interaction and constructive dialogue with the other parties promulgating due diligence issues including ITRI and many other stakeholders in a manner similar to the OECD working group activity. We believe you have not made sufficient effort to understand and engage with the iTSCi process and are as a result badly informed on many of the key issues such as auditing. ITRI stands ready to discuss any due diligence issues including industry statistics that you may wish to bring forward. The stakeholders in the supply chain have a genuine interest in making the process work and ITRI's supply chain initiative was, as you yourself note, welcomed by all.

Malaysia Smelting Corporation Berhad

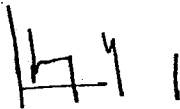
Given the complexities of putting in an acceptable due diligence process in a post-conflict developing country like DRC the objectives and regulatory framework must be realistic and attainable otherwise it will not serve the longer term objective of creating a sustainable industry but would instead create a de facto embargo and potentially fueling the very conflict and human rights abuse that the entire world is trying to eradicate besides exacerbating the already impoverished population. Withdrawing entirely from purchase of DRC material would drive the trade underground which will lead to deprivation of the Congolese economy and its population.

MSC is committed to meet the requirements of the OECD and US Bill when finalized and assisting the DRC government in the sustainable development of the DRC tin industry.

We regret that, for various reasons including commercial confidentiality and the need to co-ordinate our actions and views through the industry forum (ITRI), we are not able to respond directly to the questions and issues raised in your letter. We believe that once the iTSCi and EICC/GeSi smelter audit processes are fully implemented a suitable level of the industry information and data relating to the trade should be available for public consumption in order to provide confidence in the system. However, this requires further agreement between the tin and tantalum as well as other sectors.

Thank you for your understanding and co-operation and if you find it necessary to include our views and comments in your forthcoming report it should be included in full as contained in this letter.

Yours sincerely,



Chua Cheong Yong
Group Chief Operating Officer, Smelting

FEC



Fédération des
Entreprises du Congo
Province du Sud-Kivu

N/Réf : MMB/MMB/F. 163 /2010

Bukavu, 16th of July 2010

Dear Mr. Patrick Alley,

On your website it is stated that GW believe that natural resources can be the key to end Africa's poverty. We fully agree with that statement and both local and international Governments and industry are providing the leadership and vision which will make minerals a true benefit to the DRC. We are participating in all initiatives which we believe can make positive progress and lead to a final solution to the conflict mineral issue which we all care so much about.

Unfortunately, we do not consider that previous GW recommendations, for example your suggested requirement for exact written evidence on the source of mineral supplies, are possible to implement in the current post-conflict environment in eastern DRC and are therefore having a negative rather than a positive impact. In addition, the failure of GW to constructively engage with stakeholders, and the publication of dated information in previous reports, has sadly led to a loss of respect for your organization in the region and as a result we no longer consider it appropriate to provide detailed responses to your enquiries.

You will also be aware that many projects and activities which are already underway or planned for eastern DRC will be contributing to improve due diligence, traceability and transparency. This will lead to the availability of independently verifiable data through the proper and respected Government and industry channels. While making all reasonable individual efforts to carry out due diligence under the prevailing circumstances (We/whoever?) are also strongly supporting, co-operating with, and contributing to projects such as BGR certified trading chains, center of negoce development, the iTSCi scheme and downstream user audits, ICGLR natural resource certification development etc as well as the revision of the OECD due diligence guidelines and other locally organized formalization and reporting activities such as EITI. Of course we fully respect our accountability to the DRC Government and the UN Group of Experts and will continue to fully co-operate with any requirements of, or enquiries from, those organizations.

If you wish to include information on our in your next report please also include our comments in full regarding why I no longer feel it is appropriate to respond to GW enquiries or requests for meetings.

Best regards,

For the FEC South Kivu,

MILABIO MUGHIMA BASILA

DIRECTOR

For corporation of South Kivu counters
sales affiliate to FEC

KITAMBALA AZWATA

PRESIDENT

"Rassemblez pour construire"

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STATEMENT OF FACTS RELATING TO GLOBAL WITNESS
COMMENTS ON THE ITRI TIN SUPPLY CHAIN INITIATIVE
September 2010



Background

Several members of the tin and tantalum supply chain have been recently contacted by Global Witness with general business questions together with a request for comments on the ITRI traceability plans, taking into account the points below.

"Global Witness has been following plans by the International Tin Research Institute (ITRI) to introduce a traceability system for tin coming from eastern Congo, which has a great deal of industry backing. We have some concerns about the project, notably:

1. *It only addresses the issue of conflict-financing in its Phase 3 and it could be a long time before this phase is implemented. Although Phase 3 is scheduled to start in 2010 or 2011, delays in the first two phases of the scheme suggest Phase 3 could take far longer to start up.*
2. *The ITRI scheme refers only to rebel groups and fails to acknowledge the role of government army units with a history of human rights abuses in controlling mines, and profiting from them. Many of these army units are made up entirely of former rebels who could well rebel again, using their cash from the mines to buy arms.*
3. *ITRI proposes to allocate responsibility for key aspects of the plan's implementation to state agencies but these organisations are already unable to fulfil their day-to-day functions properly. We believe it is unrealistic that these state agencies will be able to fulfil the role ITRI is assigning to them.*
4. *There is no provision for independent monitoring, which is crucial to the integrity of the scheme."*

Factual Clarifications

There are a number of factual errors articulated through these questions from GW which require clarification.

- A. GW Point 1 suggests that conflict financing is only to be addressed through Phase 3 activities. This is not correct, Phase 1 and 2 address conflict financing while Phase 3 relates to entirely different issues;
 - a. Phase 1 of the iTSCi scheme ensures legal export on every shipment from DRC and requires an exporters written declaration on the best available information on source of mineral and armed group involvement. Collection of such written declarations was recommended by the UN Group of Experts as a first step towards addressing conflict finance.
 - b. Phase 2 of the iTSCi scheme is designed to introduce traceability to provide verifiable information on the exact source of mineral and the opportunity to assess and mitigate the security and other conditions of mine operation and mineral transport. Phase 2 is specifically designed to address conflict finance issues and meet international expectations for full due diligence procedures in high risk areas.
 - c. Phase 3 of the iTSCi scheme is envisaged to follow Phase 2 in order to develop certification of additional factors such as health and safety and environmental issues. Phase 3 does not focus on conflict financing.
- B. GW Point 1 suggests extensive delays have been experienced with implementation of the scheme. This is not correct, progress with all Phases is generally in line with original expectations;
 - a. Phase 1 was implemented within a short time of conception and has been operating continually since 1st July 2009 without interruption or delay.



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- b. The Phase 2 pilot project was put in place in early 2010 as expected. While some implementation issues have been encountered, including logistical issues in North Kivu, this is not unexpected with a project operating in one of the more difficult regions of the world. The Phase 2 pilot is now to be expanded to additional sites over the next few months as anticipated.
 - c. Although not yet fully described, the Phase 3 concept is already under consideration via co-operation with BGR activities in South Kivu and additional feasibility studies in Katanga.
 - d. Despite relatively minor delays, Phase 2 of the project remains the only practical scheme implementing due diligence requirements within eastern DRC and as such will be in place many months or years ahead of any other option which GW may consider to exist.
- C. GW Point 2 suggests that the iTSCI scheme is not concerned with behaviour of Government units. This assumption is not correct. While ITRI does consider that illegal armed group involvement should be treated in a different way to involvement of the national army this does not imply that either circumstance will not be addressed. Phase 2 introduces a method to control the supply chain, sourcing, and purchases in order to allow widespread issues of concern by any group to be addressed by immediate action or gradual mitigation; suitable reaction will be decided through discussion with the local and international community as the project develops.
- D. GW Point 3 suggests that no responsibility for any part of the scheme should be handed to Government Agencies. However, ITRI believes that it is key to the success of the project to involve and not supplant those local agencies, and, by demonstrating their importance, contribute to development of these important governance services. Co-operation with other projects, such as Promines, will contribute to that capacity building and allow for greater responsibility to be taken by national agencies in the longer term.
- E. GW Point 4 suggests that there is no independent monitoring of the scheme. This is incorrect. The need for independent checks and assurance has been recognised in every iTSCI project document released and it is well accepted that such checks are indeed a crucial part of scheme;
- a. The independent documentary check on the first year of operation of Phase 1 has been completed and details will be released shortly.
 - b. Activity is already underway by an independent company to develop a suitable audit method for verification checking on the Phase 2 chain of custody data. The draft audit method will be defined by the end of the year.
 - c. Activity is already underway by an independent company to develop appropriate on the ground monitoring and the design of suitable indicators for issue mitigation and improvement.

Note on GW Engagement

A variety of GW staff have been present at meetings held over the course of the previous year or more where the above issues have been discussed and reassurance provided by ITRI regarding, for example, planned activities to ensure independent evaluation of the scheme. GW have failed on every occasion to take account of information provided by ITRI and as a result continue to misrepresent the iTSCI scheme in various important fora.

ITRI have continually requested substantive and detailed input from GW on any specific suggestions for improvement of the Phase 2 mine-to-export traceability scheme however no suggestions have yet been received. An open invitation was made in April 2010 to GW to contact ITRI for any information required by them for their report but again no contact has been received.



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ITRI remains open to direct positive engagement from GW at any time and hope that they reassess the value of participating in the stakeholder group being coordinated by the GeSI and EICC regarding all in region sourcing activities. Such participation would ensure GW are better informed in future discussions and show that the organisation takes seriously its own responsibility for due diligence in researching reports designed for public release.

Please contact me for any further clarifications required.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kay Nimmo'.

Kay Nimmo
Manager of Sustainability and Regulatory Affairs, ITRI Ltd



global witness

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mdavis@globalwitness.org

Kay Nimmo
Manager of Sustainability & Regulatory Affairs
ITRI Ltd

31 October 2010

Dear Kay

Many thanks for your e-mail and memo of Sunday 17 October. I received a copy of the memo from Mike Loch of Motorola before the OECD meeting in Nairobi, although I am not aware of you or anyone else at ITRI having sent us this document or having requested comment until your recent message.

Mike Loch requested your thoughts on the ITRI responses in his email to you on 17th September 2010 to which the document was attached.

Maybe something went missing in transit?

Clearly not, since you have already confirmed receipt of that document from Mike.

Either way, I am sorry it has taken me a while to respond.

I am a little surprised at your assertion that we have not engaged with ITRI. We have had discussions with you in private meetings, on the phone and in the course of roundtable discussions hosted by, amongst others, the EU-led International Taskforce in Illicit Mineral Trade in the Great Lakes Region, the OECD and the EICC.

We have had one private meeting some time ago, in June 2009.

We have had 2 telephone discussions with GW staff. Once following submission of your comments on the July 2009 iTSCi document and once prior to the OECD meeting of April 2010.

Following the April discussion I called you to set up a private meeting in Paris around the OECD discussions but you appeared uncontactable at the allocated time and I received no further responses from you to re-arrange the meeting, either then or at a later date.

The meeting of the EU task force was 24th July 2009; also some time ago.

GW chose not to participate in the GeSI EICC In Region Sourcing (GEIRS) stakeholder group and therefore not to participate in the discussion of the iTSCi scheme from the international NGO perspective. You were provided this opportunity in July 2010.

We have also taken part in a telephone survey of perspectives on the iTSCi scheme organised on ITRI's behalf by Pricewaterhouse Coopers.

There is no such study organised by ITRI. I suggest you perform some additional checks on who you were talking to and confirm their qualifications.

With regards to written inputs on the iTSCi, as you will recall, we put together for you a nine page document setting out detailed suggestions on your original Discussion Paper in June last year, which you do not appear to have made use of.

We assess all comments and constructive suggestions received at any time. As noted above, we had a phone call following your submission to discuss certain points that GW had raised.

In an exchange of e-mails in October 2009 we twice requested that you send us a copy of the updated version (Version II) of this Discussion Paper so that we would be in a position to give you some feedback. You sent us two separate e-mails in which you declined to do this.

No. I explained that the document had not been fully updated and was therefore not available. Please see my email of 11 Nov 2009;

From: Kay Nimmo
Sent: 11 November 2009 09:00
To: 'Carina Tertsakian'; Mike Davis
Cc: Robbins, Giles
Subject: RE: ITRI initiative

Dear Carina

Since the details of the scheme are fluid we do not prepare new documentation after every discussion or comment. You already have the outline of Phase 3 in the original document which we circulated sometime ago and if there is anything specific you need to clarify then you can call me to discuss.

However, I'm sure you understand that development of future phases of the scheme depend on implementation and completion of phase 2; something which is by no means certain. We are not allocating any time or resource to discussion of phase 3 at this time.

regards
Kay

I did not receive any requests to discuss further by phone. Once finalised the document was made freely available to any interested party on the ITRI website. It has been available to GW via that source for at least the last 11 months.

Since then, we have not received any further documents from you about the iTSCi scheme beyond the occasional press release.

As above, documents and press releases are available on the internet, together with a general note requesting comments to be made directly at any time;

"If you have any constructive comments to make about the iTSCi process or would like to learn more about the project please send an email to: kay.nimmo@itri.co.uk

Note: Please be aware that there will not be a formal consultation process for iTSCi due to the urgent timescale for implementation."

We did, however, send you a copy of our own proposals for a due diligence system to be used by companies sourcing minerals from eastern DRC and the surrounding region in July this year but received no response from you.

ITRI is part of the OECD working group on due diligence guidelines. Since GW is also part of that discussion, there would be no reason to respond to your input directly.

In principle we would be happy to have a greater level of engagement with ITRI, although I cannot promise that we will always be in agreement regarding how to tackle the conflict minerals trade in eastern DRC. Please let us know what you have in mind.

We would expect engagement to be via the GEIRS group which has been organised to receive and discuss international NGO suggestions. That is the appropriate forum.

We are currently engaged in correspondence with a range of individuals and companies – including ITRI members – to give them an opportunity to comment on issues we may wish to make reference to in our next report regarding the trade in minerals from eastern DRC. Your memo addresses a short section included in some of the letters we have already sent out to companies. We have not finished work on the section of the report that deals with the iTSCi scheme and we are keen to obtain additional information from you as part of this process.

What follows are some responses to your comments, organised in the same order as the points raised in your memo, together with some questions that we would be grateful if you could answer.

A) Conflict financing

i) iTSCi objectives

We note that Both Version 1 and Version 2 of the iTSCi Discussion Paper set out the following objective:

'ITRI members will undertake to identify and work exclusively with suppliers of

cassiterite ore and concentrate who do not directly or indirectly finance armed groups in the DRC. Where the due diligence process identifies deficiencies in the performance of a supplier, appropriate actions will be identified to rectify non-compliance with the ITRI principles and standards within a reasonable timeframe. Where this is not possible purchasing and business arrangements with that supplier will be terminated.'

This is a worthy goal that we support. As we have explained before, however, our concern is that this only becomes an objective in Phase 3 of the iTSCi scheme. This phase, originally scheduled in your Discussion Paper for 2010 or 2011, has yet to begin and in your words, has yet even to be 'described'.

We note that ITRI's description of phase 2 of the project does talk about addressing the issue of financing illegal armed groups. However, the implication of the discussion paper is that meeting this objective and thus tackling the conflict financing problem wholesale only becomes a priority and a commitment for ITRI / iTSCi members in a phase of the scheme which is still at the drawing board stage and has no published timetable for implementation.

I have stated quite clearly in my previous letter, as well as in many other fora, the objectives of each phase;

- a. Phase 1 of the iTSCi scheme ensures legal export on every shipment from DRC and requires an exporters written declaration on the best available information on source of mineral and armed group involvement. Collection of such written declarations was recommended by the UN Group of Experts as a first step towards addressing conflict finance.
- b. Phase 2 of the iTSCi scheme is designed to introduce traceability to provide verifiable information on the exact source of mineral and the opportunity to assess and mitigate the security and other conditions of mine operation and mineral transport. Phase 2 is specifically designed to address conflict finance issues and meet international expectations for full due diligence procedures in high risk areas.
- c. Phase 3 of the iTSCi scheme is envisaged to follow Phase 2 in order to develop certification of additional factors such as health and safety and environmental issues. Phase 3 does not focus on conflict financing.

I see no purpose in continuing to debate this point. Should you fail to recognise these clear objectives in your upcoming report it will be a serious misrepresentation of the scheme.

We believe that this kind of objective should be the cornerstone, from the outset, of any credible industry initiative on conflict minerals and should refer to the financing of both state and non-state armed groups. In our view companies that are well established in the trade in minerals from eastern DRC – as many ITRI members / iTSCi participants are – should have been abiding by this principle ever since the conflict minerals problem was first identified in a series of UN and NGO reports many years ago.

- If, however, our information on this point is out of date and this objective already represents a binding commitment by ITRI / iTSCi members that governs their

current mineral sourcing practices, we would be pleased to reflect this in our publications.

Please see point b of my previous letter copied above.

- If, however, ITRI / iTSCi members are not already committed to abiding by this objective, please could you explain why?
- If you have examples of this objective being applied and enforced in practice, we would welcome further information on this point.

Phase 2 of the project is suspended under the general mining suspension. Work to develop the risk assessment methodology is suspended.

- We would also like to request further details on how you define 'deficiencies', 'appropriate actions' and 'reasonable timeframe' with respect to this objective.

Any actions will be defined according to OECD guidelines (once finalised).

iTSCi Phases 1 and 2

We acknowledge that written descriptions of phases 1 and 2 that we have seen do contain references to conflict financing. However, we do not believe that these add up to the focused effort to address the problem in the comprehensive manner which is urgently required. As far as we can see, the basis for your claim that conflict financing is addressed in Phase I – the only aspect of the iTSCi that is being implemented

Phase 2 was implemented in DRC for 3 months to the point of suspension, and will shortly be operating in Rwanda.

– is a requirement that exporters fill in a form asking them whether or not armed groups have been involved in the supply chain up until that point. There does not appear to be any attempt to carry out on the ground checks on the supply chain to ascertain whether or not the data submitted in these forms is accurate; something that is necessary given that exporters have often been the conduit for minerals that have benefited armed groups. The fact that the forms may later be consolidated and reviewed by a third party does not compensate for this lack of verification.

I am afraid that your comments again misrepresent activities within the scheme. Your three colleagues who attended the OECD-ICGLR meeting in Nairobi will have heard about the field assessment team during the session dedicated to explanation on how the iTSCi scheme matches with the various sections of the OECD guidance. Channel Research, who have been requested to define the methods for such activity, spoke for 5-10 minutes on this specific activity.

Cecile Collin of Channel Research also contacted Emilie Serralta by email on the 27th September/several times before the recent Nairobi meeting, in order to request a discussion on the specific aspects of the project on which they are working; the field information gathering and audit.

Following this exchange of emails, and a brief meeting in the evening of Tuesday 28th September, a meeting was arranged for Thursday 30th – however it seems that GW staff did not appear at the appointed time but later, in fact not until the time they were actually departing Nairobi.

Following the Nairobi meeting Cecile sent a further email on 4th Oct to Emilie and Annie to ask for other possible meeting places in Belgium or elsewhere but up to a month afterwards had not received any reply.

Descriptions of Phase 2, which you explain is still being piloted, talk about using traceability data that will be generated during the subsequent implementation phase as a means of excluding illegal armed groups from the supply chain. This is clearly a step up from Phase I, although as noted in ITRI's Phase 2 Project Outline, 'The implementation of the traceability systems does not in itself answer the questions on involvement of illegal armed groups in the mineral industry'.

Moreover, as we have explained to you on a number of occasions in the past, we believe that what is described for Phase 2 falls a long way short of addressing the conflict financing problem. We have two concerns in particular, which relate not only to Phase 2 but to the iTSCi scheme as a whole in fact. The first of these is that the iTSCi, as we have seen it described, does not adequately address the problem of extortion, which our research in eastern DRC suggests may be the primary source of conflict financing associated with the minerals trade. The second (expanded further under point C, below) is that it does not address the role of national army units in illegally controlling substantial parts of the mineral trade while committing very serious human rights abuses against the local population.

As I have also confirmed to you previously, you are incorrect on both those points. Should you have found time to discuss with Channel Research during the past 2 months full details would be available to you.

Once again, I see no purpose in continuing to debate this point. Should you fail to recognise the iTSCi activities on these issues in your upcoming report it will be a serious misrepresentation of the scheme.

iii) Extortion

Extortion is a problem which investigations by Global Witness and others suggest is at least as significant a source of conflict financing as control of mines by the warring parties. It involves illegal levies at mines, along transportation routes and at other points in the supply chain within eastern DRC. Based on our observations in eastern DRC and in other countries affected by natural resource-fuelled conflicts, a bagging and tagging scheme of the kind being developed by ITRI will not address this issue. Extortion does not generally leave a paper trail; neither does it necessitate visible interference with a tagging system of the kind ITRI is planning. As a result it will be perfectly possible for consignments of minerals bagged and tagged in compliance with iTSCi standards as described to continue to generate funding for armed groups – state and non-state – as before, with the same very harmful consequences. We note a reference in the Phase 2 Project Outline to the planned creation of a system for

ranking mines that would take account of 'spot taxation', although it is not clear to us what ITRI understands spot taxation to be or how it intends to detect it.

Please see section on Channel Research above.

As we have argued in our own publications – including the *Do No Harm* guide for companies which we sent you in July – only on the ground assessments by teams of investigators can detect instances of the mineral trade financing conflict through extortion. We note, moreover, that the draft due diligence guidance produced by the OECD calls on companies trading and processing mineral ores to undertake rigorous on the ground assessments covering not only mine sites, but also transportation routes and other locations.

We are quite aware of that. In fact the OECD guidance was partly based on the proposed iTSCi project activity of Channel Research.

On the basis of the details that we have seen, the iTSCi does not appear to provide for such on the ground assessments. The closest the documents we have seen come to referencing this kind of measure is in a diagram in an annex to the Phase 2 Project Outline. In a column titled 'potential for later audit' there is a box labelled 'plus random spot checks by mine observers'. This box is not elaborated anywhere else in the document as far as we can see. It is not immediately evident where the spot checks might take place, what they would consist of, how extensive and regular they would be and who the mine observers are. Whatever the intended meaning, it is also unclear from this particular document whether this measure will definitely be included in the iTSCi scheme or is merely being listed as a potential future option.

It was always envisaged as part of Phase 2 – hence, the reason it is shown on the Phase 2 diagrams. The precise details of methodology will not be finalised until after site visits by project staff which cannot be performed during the current mining suspension.

The lack of attention to the issue of on the ground assessments under the provisions of the iTSCi raises the broader question of compliance with the draft OECD guidance. Based on our readings of both sets of plans, it appears that upstream and downstream companies relying on the iTSCi as the basis for their supply chain due diligence – even when the scheme is finally up and running – will not be in compliance with the OECD standards.

I refer you once again to your 3 colleagues who attended the recent meeting in Nairobi and the 1.5 hour session where ITRI and industry members explained in detail how each section of the OECD guidance is satisfied by the iTSCi scheme, including, data collection, use of the model policy, examples of supplier contracts, risk assessment activities and auditing.

Should you fail to recognise these points in your upcoming report it will again be a serious misrepresentation of the scheme.

- Please could you let us know how you will address the problem of extortion in the minerals supply chain as a source of conflict financing?

- Are members of ITRI / iTSCi currently trading in minerals that have benefited armed groups – whether state or non-state – via extortion?
- Could you also tell us how members of ITRI / iTSCi will ensure they are in compliance with the OECD due diligence guidance?
- Do you have any plans to amend the iTSCi scheme to make it compatible with OECD standards? If not, please could you explain why?

B) Delays

As we have discussed previously, Global Witness believes that companies purchasing minerals sourced from eastern DRC should already be carrying out rigorous due diligence on their supply chains to make sure that they are not fuelling armed conflict and serious human rights abuses. Our view is that companies that are not prepared to do this should not be purchasing these materials. Some of the companies currently trading in or using minerals from eastern DRC have known for many years that there is a risk of their activities causing harm to the local population but, until very recently, have not even acknowledged that they have a responsibility to address this risk.

We therefore do not believe it is credible for companies now to say that they need to be given additional years – not to mention sums of donor aid – to enable them to meet their most basic responsibilities. It is possible for companies to start exercising due diligence on their supply chains with immediate effect and we have, as you know, published our own guidance on how this can be done. For these reasons we have serious misgivings about an iTSCi scheme that – as discussed above – postpones commitments to tackle the underlying problem of conflict financing and associated human rights abuses.

Please refer to previous remarks. The main delay is caused by the mining suspension.

With regards to ITRI's progress in meeting the timeframe it previously announced last year, you state that we have cited 'extensive delays'. This is an exaggeration of what we actually said in our letters to Motorola and other companies. It is true, however that we have expressed concern about the impact of delays and we note that you, in your memo, acknowledge that delays have occurred.

- Please could you explain the extent of the delays to the project's implementation, and the nature of the 'implementation issues' and 'logistical issues' you refer to?
- Could you provide us with details of the sites at which phase 2 is being piloted or implemented, as well as the additional sites you say it will be expanded to in the next few months?
- Please could you provide us with a detailed timeframe for the piloting and actual implementation of phases 2 and 3 of the scheme.

This information is publicly available and has been discussed within the GEIRS group in which GW were invited to participate.

C) Behaviour of government armed units

We have yet to hear from ITRI an unambiguous commitment that participants in the scheme will exclude from the supply chain minerals from which members of government army units have illegally derived financing or other benefits.

This commitment is necessary for the following reasons:

- The army units that occupy mines and levy payments from the trade, contrary to DRC law, are often just as abusive as non-state armed groups. Global Witness has recorded numerous cases of violent attacks, theft and extortion by members of the national army, targeting miners already on the verge of destitution.
- The army's involvement in the minerals trade is robbing the government – and Congolese citizens – of revenues which are sorely needed for development.
- The military presence in and around mining areas deters investment by responsible companies.
- Arguably most serious of all is the imminent threat the military involvement in the minerals trade poses to the stability of the region. The capacity of defected members of the CNDP armed group to make large amounts of money from the minerals sector is providing them with the financial means to go back to war if it suits them. Many of the commanders involved have a history of flipping from insurgency to alignment with the government and back again. The risk of payments by the minerals trade to army units funding another round of rebellion is very real.

In your memo you write that 'Phase 2 introduces a method to control the supply chain, sourcing and purchases in order to allow widespread issues of concern by any group to be addressed by immediate action or gradual mitigation; suitable reaction will be decided upon discussion with the local and international community as the project develops.'

The paragraph that you quote above is fully in line with expected OECD guidance.

This statement is ambiguous and does not amount to a commitment on the part of your members to tackle the problem of government armed units illegally engaging in and extorting from the mineral trade that we believe ITRI / iTSCi members need to make.

- Please could you state clearly what is the policy of ITRI / iTSCi members regarding minerals that have financially benefited members of government army units illegally?
- Are ITRI / iTSCi members currently trading in minerals that have financially benefited members of government army units illegally? If so, please describe the extent of this problem and the measures that ITRI / the iTSCi is taking to address it.

- One of the sites where iTSCi is piloting its Phase 2 is Bisie in Walikale District, where much of the mining area is controlled by government soldiers. Global Witness research has found that government soldiers are also levying illegal payments from mineral traders along the transportation routes out of Bisie. Recent reports from the UN and other sources suggest that there is collaboration between government soldiers in Walikale and the FDLR armed group. Which ITRI members are currently purchasing minerals that originate from Bisie? Does ITRI consider that purchasing minerals originating from Bisie is acceptable? If so, please explain why.

Questions regarding ITRI members should be referred directly to those companies.

D) Responsibility for implementation of the scheme

We have a strong difference of opinion with ITRI on its assignment of roles in the iTSCi to government agencies for two main reasons. The first is that we believe that, in a high risk situation like eastern DRC, where negligent sourcing practices by companies can cause very considerable harm to local people, undertaking due diligence is entirely the responsibility of the companies concerned. This reflects the thinking of UN Special Representative on Business and Human Rights John Ruggie on due diligence, as well as the standards laid out in the draft OECD Guidance. This principle does not prevent the companies pooling resources or contracting additional expertise to help them meet their individual due diligence responsibilities. However it does mean that companies cannot offload onto state agencies or other parties the responsibility for making sure the due diligence is carried out to the necessary high standard.

Project staff support and assist the Government agencies.

It is naïve to assume that companies will be allowed to operate and carry out the activities required for due diligence in any country without involvement of, and support from, the relevant Government.

The second very practical reason is that in conflict-affected regions, the state agencies involved in overseeing the natural resources sectors face huge challenges in exercising their basic functions. In the case of eastern DRC, these are well-documented. In our view it is not at all realistic to think that these same agencies will be able to move rapidly from a situation in which they are struggling to fulfil their responsibilities to the government and the Congolese citizenry to one in which they are not only exercising these functions successfully, but also performing a range of management and oversight functions on behalf of ITRI member companies.

All Government agencies performed successfully during the pilot project of Phase 2.

We have suggested in our own guidance paper a means of companies carrying out due diligence in eastern Congo that does not require the allocation of responsibilities to state agencies. It seems very likely that OECD will make a similar set of recommendations in its Guidance.

We shall await and evaluate the final OECD guidance when available.

- Do ITRI / iTSCi members accept that they are solely responsible for carrying out proper due diligence on their supply chains to prevent their purchasing practices fuelling conflict and human rights abuses? If not, please explain why.
- How will ITRI / iTSCi deal with any breakdown in the functions of its scheme that relate to lack of capacity on the part of state agencies such as SAESSCAM?

E) Independent monitoring

We have serious doubts about both the scope of the monitoring the iTSCi scheme appears to provide for, as well as its quality.

Please refer to comments relating to the Channel Research risk and auditing aspect of the project above. Should you have further questions please contact them directly.

From the iTSCi materials that we have reviewed, as well the points made in your recent memo, it appears that the only kind of monitoring that ITRI currently has in place concerns review of Phase I documentation, which consists of the completion and submission of forms by exporters. This appears to be very narrow in scope and does not encompass any cross-checking of the data with actual conditions on the ground. In our view this cannot be considered to be a robust system of independent monitoring.

Please refer to previous comments.

This has also been discussed during GEIRS meetings in which GW chose not to participate.

Our concern about the quality of the review of the Phase I documentation relates to statements that you made at the EICC meeting in Boston in April at which you presented the iTSCi scheme. At this meeting you said that you had asked an international auditing firm to examine the Phase I documentation but that this firm had refused to allow ITRI to use their name or describe their review as an audit. This raises questions as to the rigour with which this review exercise had been carried out.

- Please could you tell us why the company reviewing the ITRI documentation refused to allow ITRI to use its name or to describe the review as an audit?
- Could you describe what this independent documentary check consists of and the identity and credentials of the party carrying it out?

The first year Phase I documentary check has been completed by SGS, a well known and respected international inspection body.

The auditing issue has been discussed during GEIRS meetings in which GW chose not to participate.

- Could you also describe the activity relating to auditing of Phase 2 which you say is already underway?
- We are encouraged to hear that you have commissioned the development of an on the ground monitoring system. We would welcome details of the nature and scope of this monitoring system and the identity and credentials of the company devising it. We would be particularly interested to know how it will identify instances of state or non-state armed group extortion in the supply chain and what action ITRI will take when such problems are detected. Please let us know if you would like us to provide you or the company concerned with suggestions on how this system could be developed.

As noted above, Channel Research requested, but have not received GW input, as early as September 2010.

- Will the results of the auditing and monitoring you refer to in your memo be published? If so, will they be published in their entirety or in edited form?
- Do you have any further monitoring or auditing processes planned or in place? If so, please could you tell us what they consist of and the identity and credentials of the parties carrying them out?

F) Further questions

We have some additional questions about the progress of the iTSCi and would be grateful for your responses.

- How many people are based in Bisie working on the iTSCi pilot project? Are they all employees of ITRI? If not, who employs them? What precisely do they do? Where precisely are they based within the Bisie area?
- Given that there is a heavy presence of soldiers in Bisie – many of them mining or taxing illegally – how do the iTSCi staff carry out their work without their security being threatened? Have they encountered any threats to their security so far?
- In August this year Africa Confidential published an article concerning cassiterite from Nyabibwe and the work of the iTSCi scheme (the relevant passage is quoted below). Please could you comment on this article and let us know whether you consider it an accurate account of what occurred? In particular, is it true that only a dozen out of 170 bags leaving Nyabibwe reached Bukavu? If so, please could you tell us why this happened?

Input of data into the database is not yet complete due to the suspension. However, this report does not appear to be based on any recognisable facts available to us.

The tin industry's lobby, the International Tin Research Institute, runs a Tin Supply Chain Initiative pilot project, which puts tags on sacks at a mine in South Kivu and plans to start doing the same at Bisie this month. The ITRI, funded by

smelters and buyers (mistrusted by lobbyists), offers the only scheme that would put people inside the actual mines. Yet the industry would be certifying its own products for export, without independent auditors. One effort showed that of 170 bags that left the South Kivu Nyabibwe tagging site, only a dozen reached Bukavu.)'

- Has cassiterite tagged as part of the iTSCi Phase 2 already been exported to ITRI members? If so, please could you let us know how much has been tagged and how much has been exported, on what dates and to which companies? How much of this material has already reached the companies?
-
- When will ITRI be publishing the results of the iTSCi Phase 2 pilot project? What form will this publication take? Do you plan regular published updates on the iTSCi scheme's progress?
- With regards to Rwanda, do you have plans to introduce the iTSCi to sites other than the Rutongo mines?
- Please could you outline ITRI's plans for expanding the iTSCi scheme to Katanga?

Publicly available information on these points has been provided in press releases, during general meetings and the GEIRS meetings.

There is currently no project activity in the DRC.

I would be grateful for your response to the issues raised in this letter as soon as possible and within 7 days so that we can make any changes to the relevant section of our report in order to reflect your position.

I am not sure why you were unable to locate the answers to a number of these questions in the report from Estelle Levin that I recommended that you revisited. Please refer again to that report and the section on iTSCi starting on page 21.

For your convenience I copy below (on the following page) the summary table. Please note especially items 16 and 17 on Phase 2 risk monitoring and audit.

Best regards

Mike Davis

Element	Main Event	Assurance outcome	Line of Defence	Level of Assurance	Timing of Assurance
11) Harmonised document requirements for export shipments	Complainants present documentation to assure their licence, legitimacy, authorisation to export, and the minerals' origin.	Smelter verifies consistency of documentation.	First	1 st and 2 nd party	Immediate
12) Third party audit of document.	Independent auditor verifies complainants' compliance with phase 1	Auditor verifies documentation.	Second	3 rd party	Unclear.

	based system.	requirements.				
13) Restricted issuing of tags by ITSCI only to eligible mines and traders.	ITSCI issues tags to mines and traders not considered to be contributing to conflict financing and human rights abuses.	ITSCI decides which mines to issue tags to, and how many tags to issue.	First	n/r	n/r	
14) Mineral is tagged and tracked from mine site to compitor.	Buyers purchase only tagged bags. Government agents weigh and tag bags of minerals, entering data in the relevant logbook. Documents issued in triplicate to operator, ITSCI and government.	Buyers self-monitor purchases to tagged bags only. Government agents verify consignment's characteristics against the information on the operator's document, and issues new documentation.	Second Third	2 nd party	Immediate	
15) Centralised database storing all data from along all supply chains.	Data is input by ITSCI, who verifies consistency with documentation provided.	ITSCI monitors data for anomalies. Observers (UN, ITRI, government) monitor data for anomalies.	Fourth	Monitoring	a few days to a few weeks after elements 3 and 4.	
16) Third party monitoring of ITSCI system	Auditors check ITSCI monitoring system and identify key risks.	Risks and violations identified and highlighted to downstream users.	Fifth	Monitoring	Monthly	
17) Third party audit of CoC system.	Auditors verify operators' declarations and documentation against information in database and based on field visits.	Traders and trading chains certified or de-certified. Audit findings published.	Sixth Seventh	3 rd party	Every 6-12 months.	
18) Third party audit of all upstream data.	GeSMEICC smelter verification scheme audits smelters' upstream data	Smelters' systems audited	Eighth	3 rd party	Unclear	
19) Social / environmental performance standards for the mine site level.	Standards and system remain to be developed, but may be based on CTC system.	n/r	First	n/r	Undecided	
20) Third party audit of S&E performance standards	Audit system remains to be developed.	Mine sites certified or de-certified	Second	3 rd party	Undecided	