

Claigan Webinar:

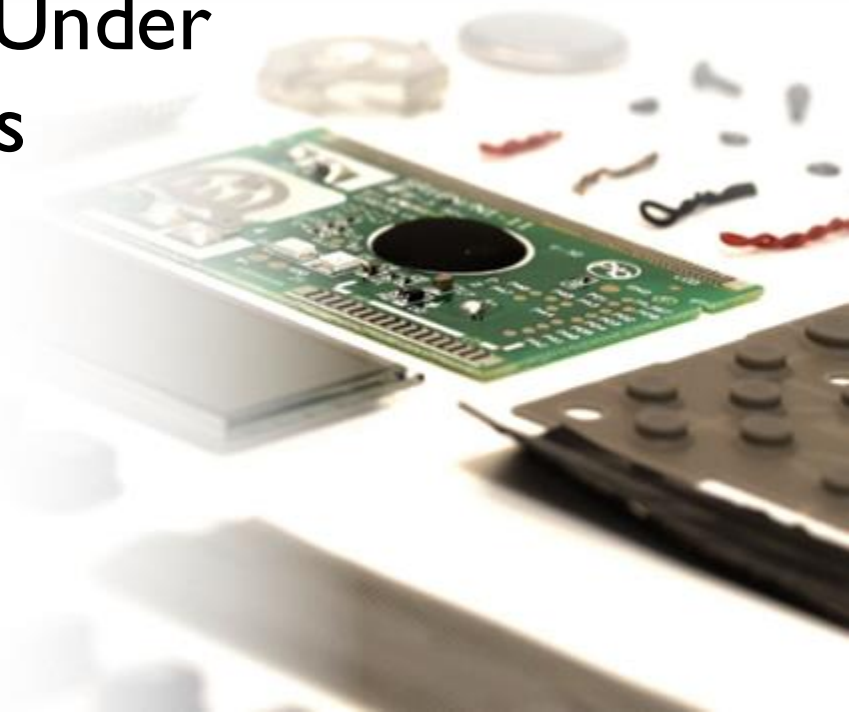
Downstream Due Diligence Under Dodd-Frank and EU Batteries

Presented by:

Lucy Warren

Due Diligence Specialist

April 9, 2025



- 3TG RCOI Overview and Risks
- Increased Conflict in the DRC
 - Staying compliant
 - Steps for downstream companies
 - OECD & disengagement
- Battery Minerals
 - Minerals in scope of EU Batteries Regulation
 - Process for EU Batteries Regulation
 - Overview of Claigan's research on battery minerals
- Critical Minerals
 - What are they?
 - Examples: Gallium/Germanium and Silicon

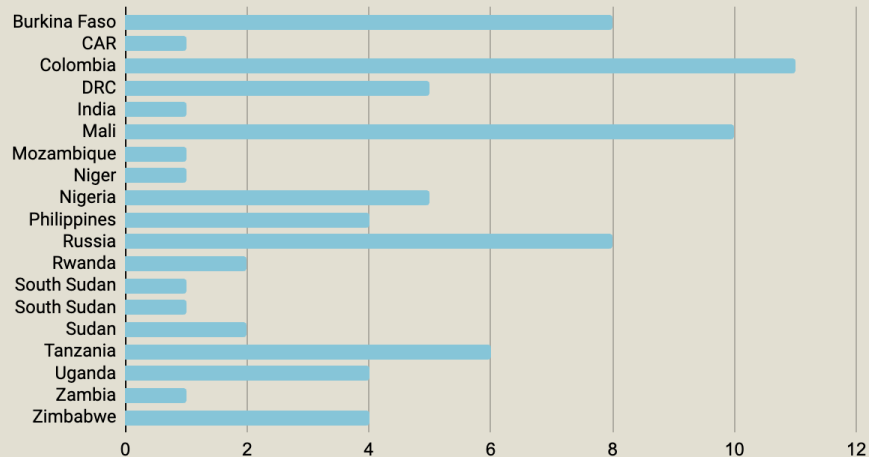
- We have been here since the start
 - Key player in developing the initial Conflict Minerals legislation
- We have managed hundreds of Conflict Minerals programs over the last decade
 - From supplier engagement to SEC Reporting
- We are experts across a range of minerals and risk categories
 - 3TGs, Cobalt, Nickel, Lithium, Graphite, Mica
 - Dodd-Frank, CAHRAs, Forced Labour, Sanctions, EU Batteries Regulation
- We are professionals at conducting OECD aligned due diligence
 - Helping companies identify and mitigate risks in their supply chains



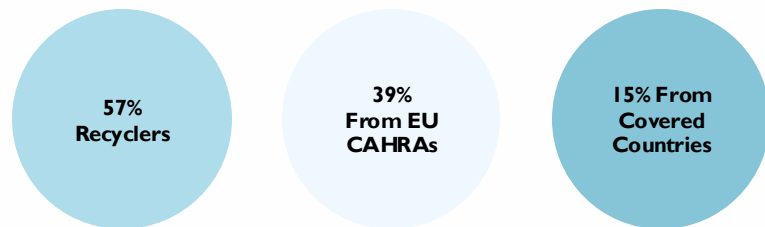
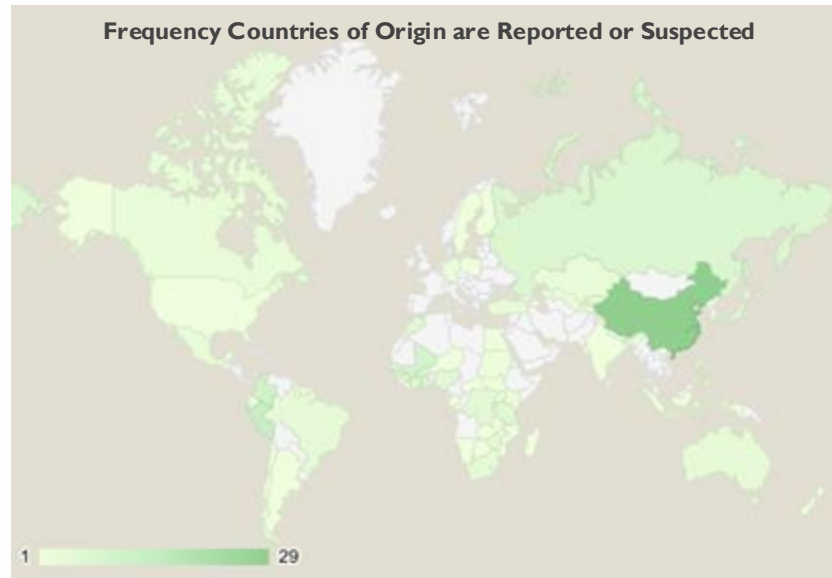
Gold

Gold Overview

Smelters Sourcing From CAHRAs



Frequency Countries of Origin are Reported or Suspected



Percentage of Smelters Sourcing (Partly or Wholly)

USGS Top
producers
2024



China



Russia



Australia

COVERED COUNTRIES

- Gold is easily transformed
- Ituri province “continued to be exploited outside State control . . . generating at least \$140 million per year to armed groups and criminal networks.” – UN Group of Experts, Dec. 2024
- Sanctioned refiners in the covered countries

FORCED LABOUR

- Risk of forced labour in the gold supply chain due to Uyghur Forced labour programs in the Western provinces of China
- Multiple refiners being flagged
- Mineral companies added to the UFLPA Entity List in August 2024 and January 2025

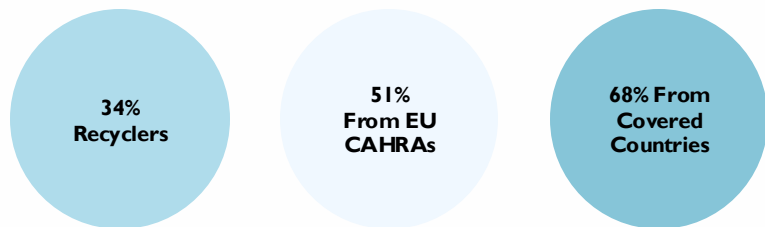
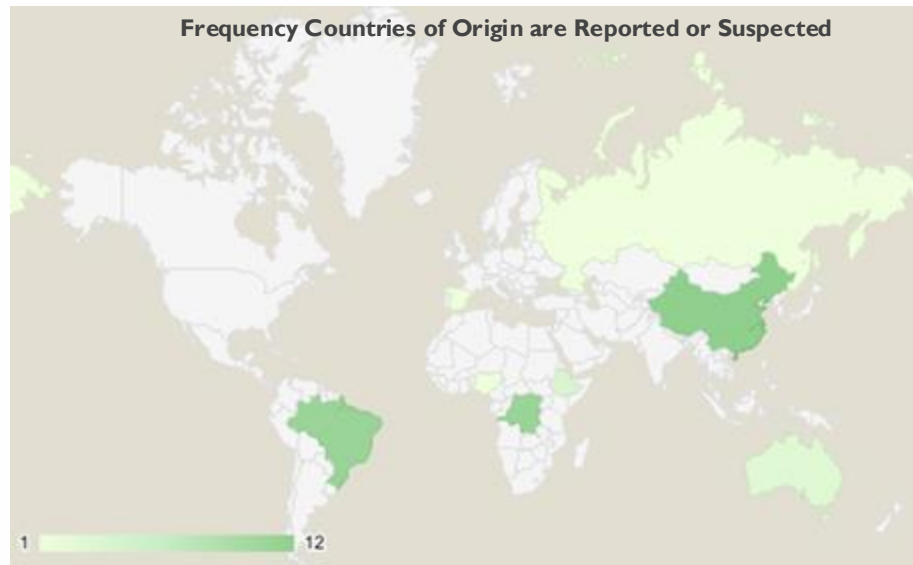
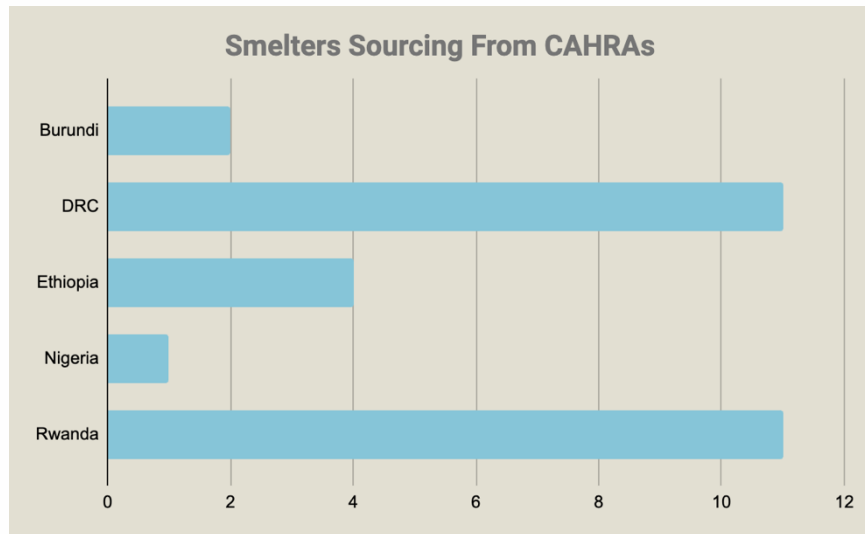
RUSSIA

- The US placed an embargo on Russian gold after the 2022 invasion of Ukraine
- A few refineries are also subject to sanctions in the US and UK
- Russia has been found to be using a series of evasive tactics to avoid sanctions



Tantalum

Tantalum Overview



Percentage of Smelters Sourcing (Partly or Wholly)

USGS Top
producers
2024



DRC



Nigeria



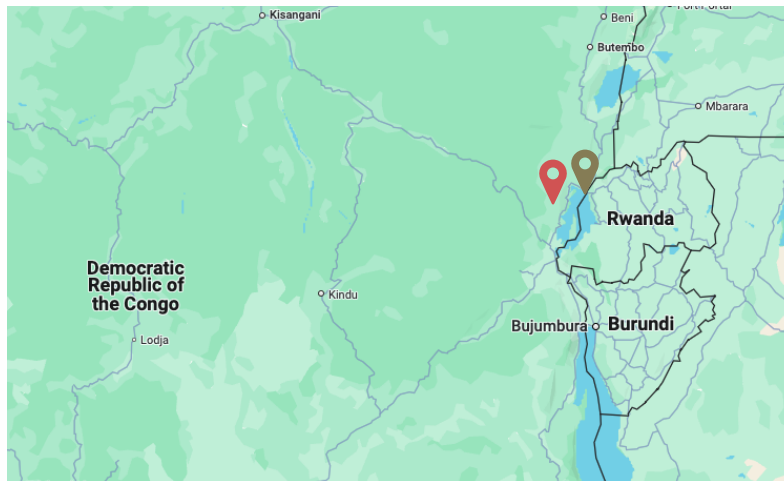
Rwanda

Tantalum Risks: Focus on DRC/Rwanda

September 2024: The UN announced that the M23, a Rwandan backed paramilitary group, had consolidated control of **Rubaya** coltan mining area. Using their control to impose taxes, the group has earned about \$300 000 in monthly revenue.

December 2024: The UN Group of Experts increased the estimate to \$800 000 in their mid-term report. The report also found that majority of illicit material was smuggled through Rwanda.

January 27th, 2025: M23 announces the group has taken **Goma**, a city critical to the transportation of 3TGs, particularly coltan, earning the group more control over the DRC's mineral exports.



**DRC produces >40% of
global mined tantalum**



[Photo Source](#)

- Conflict Minerals should not be approached as a boycott on sourcing from the covered countries
- However, recently with the increased presence of armed groups in and around mine sites, the ability to source responsibly from the region at all has been brought into question
- **Disengagement should always be the last resort, there are several steps companies should take before escalating to this step**

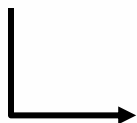
“Contrary to Goetz’s assertion, then, it was not arbitrary for OFAC to conclude that a person whose company at one point annually handled some half-billion dollars’ worth of gold extracted from areas controlled by armed groups indirectly supported those groups.”

Statement by judge who found OFAC’s denial of Goetz’s appeal “not arbitrary”

[March 4th, 2025](#)

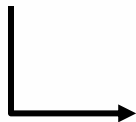
Conduct a Reasonable Country of Origin Inquiry

- Identify the 3TG smelters in your supply chain
- Determine which of these smelters are High-Risk, i.e. sourcing from the covered countries, more specifically the DRC and Rwanda



Identify where your company has leverage over the supply chain

- Conduct further investigations to determine whether the identified high-risks are really present in your supply chain (using part/product level data)



Conduct stakeholder engagement

- Take it further than your Tier I suppliers.
- This can range from direct engagement with smelters, industry initiatives, other downstream companies, NGOs, and internal stakeholders.
- Many companies are looking at the same facilities. Coordination between customers & suppliers is key.

Remember that your direct suppliers are likely not able to enact more leverage than you. When addressing these supply chain concerns, avoid placing burden on small and medium enterprises.

Increased conflict in the DRC: OECD & Disengagement

Enacting enhanced due diligence and understanding the OECD guidelines are key to continuing to source responsibly during this period.

OECD Due Diligence guidelines suggests suspension/disengagement when suppliers are tied to an armed groups who:

“illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain”

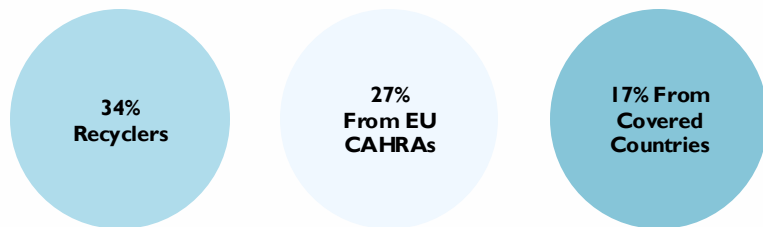
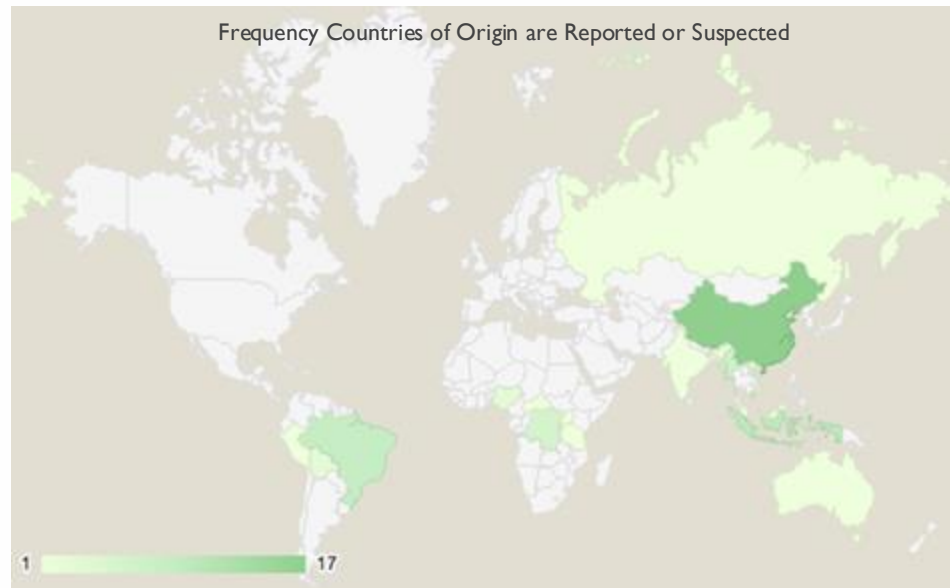
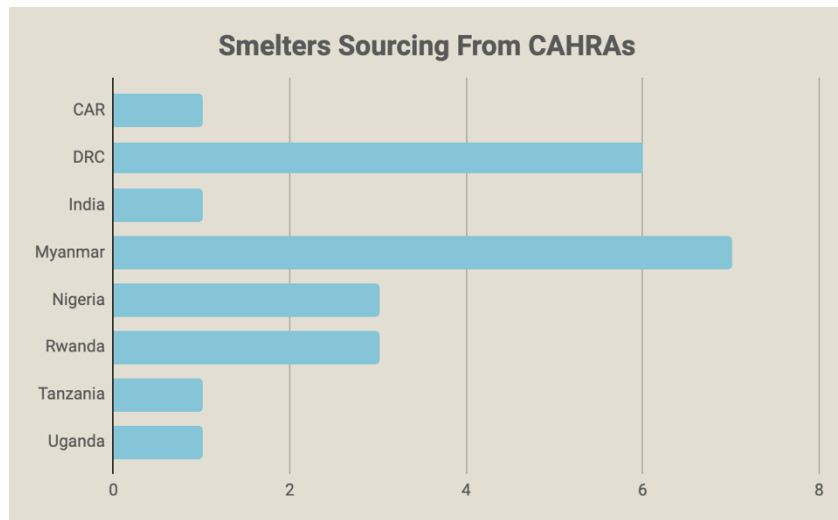
“illegally taxed or extorted money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded”

“illegally tax or extort intermediaries, export companies or international traders”



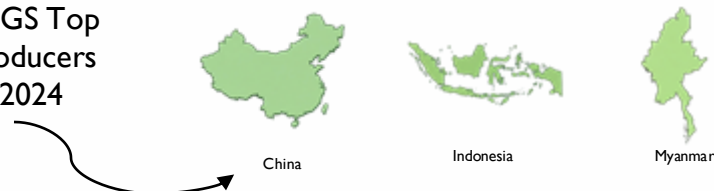
Tin

Tin Overview



Percentage of Smelters Sourcing (Partly or Wholly)

USGS Top
producers
2024



Tin Risks: Indonesia's Environmental and Social Injustice

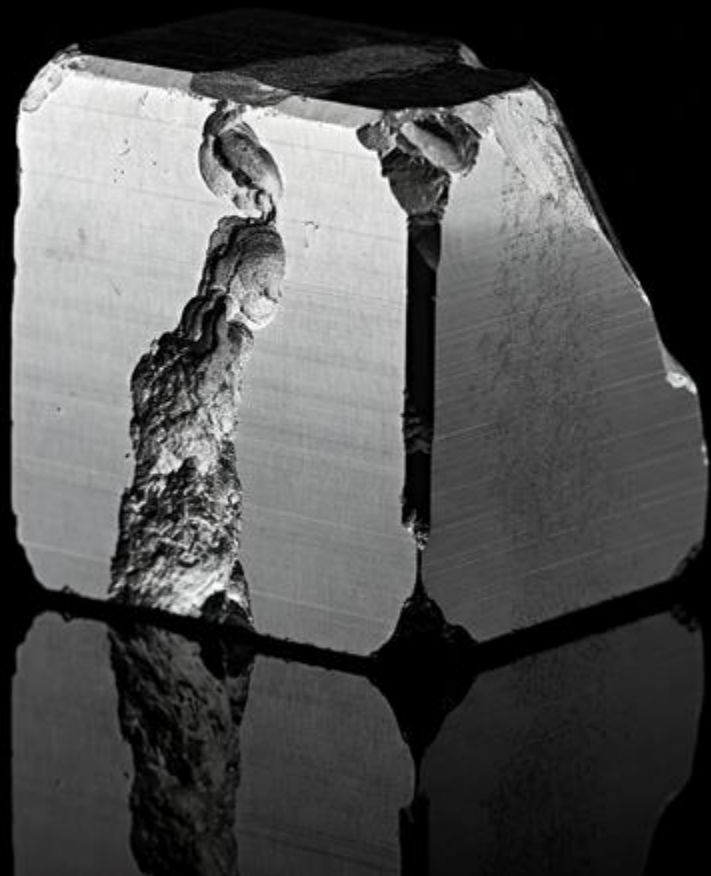
- In 2024, the Indonesian tin industry has faced scrutiny for illegal mining operations facilitated by a large state-owned tin mining company between 2015-2022
- Operations were found to be conducted in protected forests
- Illegal mining took place near riverbanks causing waste and pollution to flow down rivers, threatening farming and fishing income of local communities
- These illegal mining operations resulted in the state losing the equivalent of USD 17 billion dollars



[Photo Source](#)



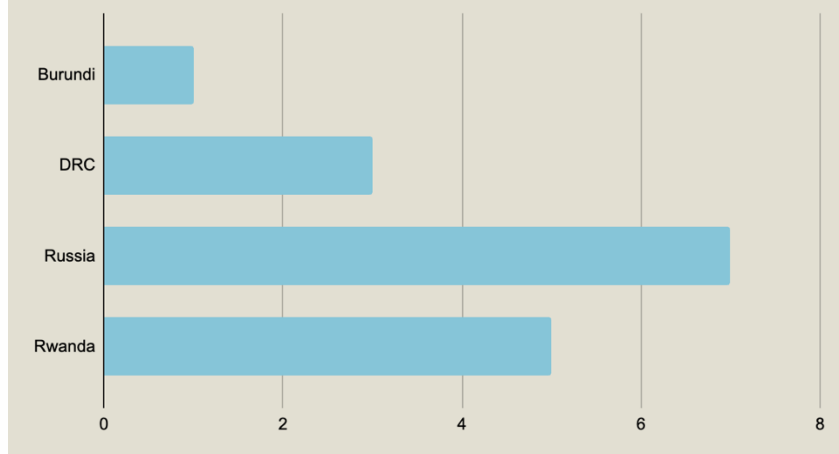
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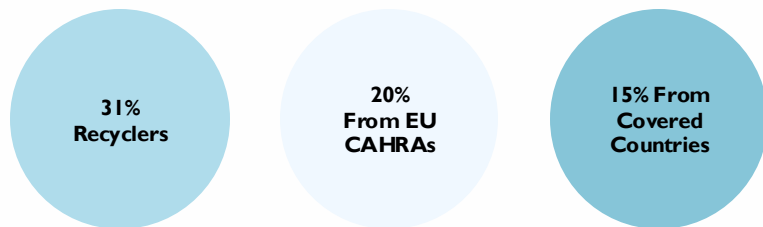
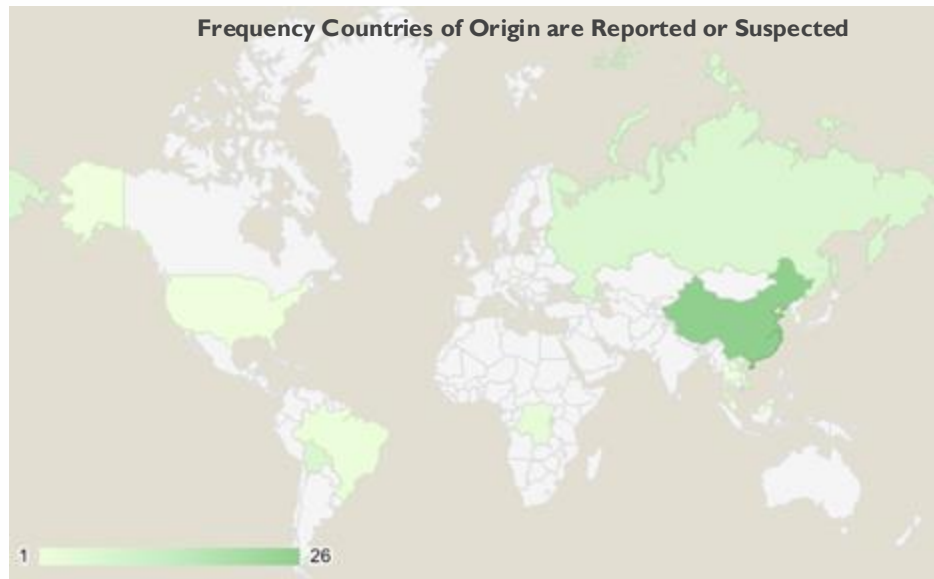
Tungsten

Tungsten Overview

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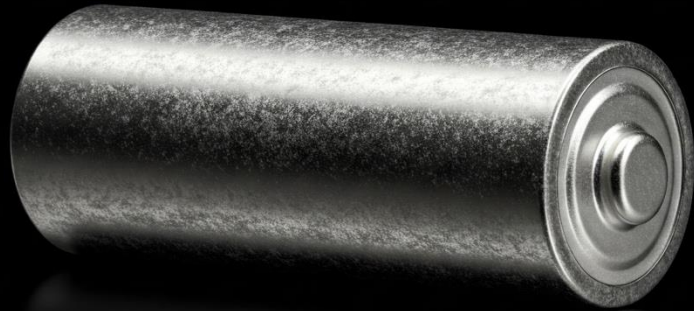


Vietnam

Tungsten Risks: Indigenous Rights in Bolivia

- Oruro, Bolivia is home to a range of mining operations, including Tungsten
- Oruro is also home to a diverse group of Indigenous communities who practice a traditional lifestyle
- Since 2022, Indigenous women have been protesting the adverse effects of mining in the region
- This protesting has been met with violent responses from miners, creating a fear for the women's safety





Battery Minerals

- Cobalt
 - Lithium
 - Nickel
 - Natural Graphite
-
- and “chemical compounds based on the above raw materials which are necessary for the manufacturing of the active materials of batteries”

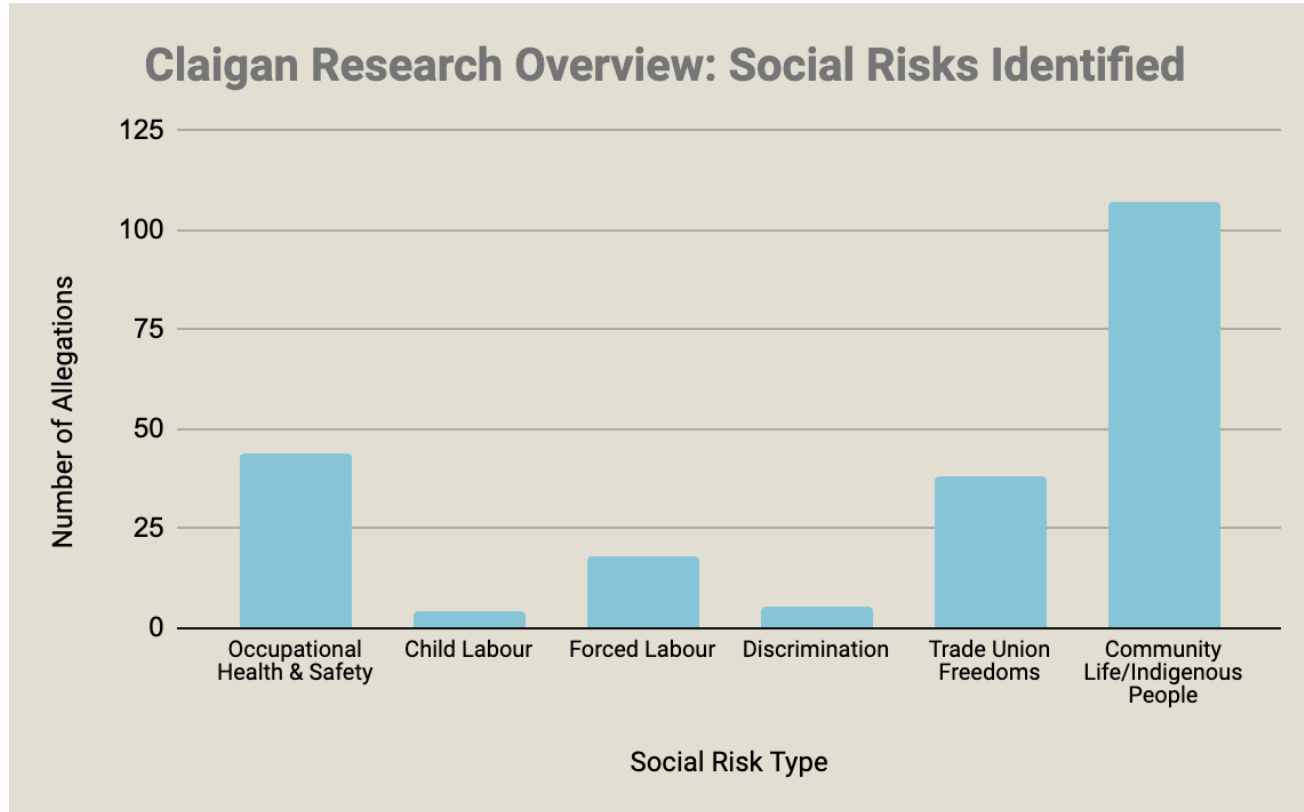
1. Supplier Engagement
 - Using EMRT 2.0 (From April 2025)
2. Smelter RCOI & Due Diligence
 - According to the risks outlined in Annex X of the EU Batteries Regulation (see table)
 - Including our regular risk categories (XUAR, Russia, CAHRAs, Sanctions)

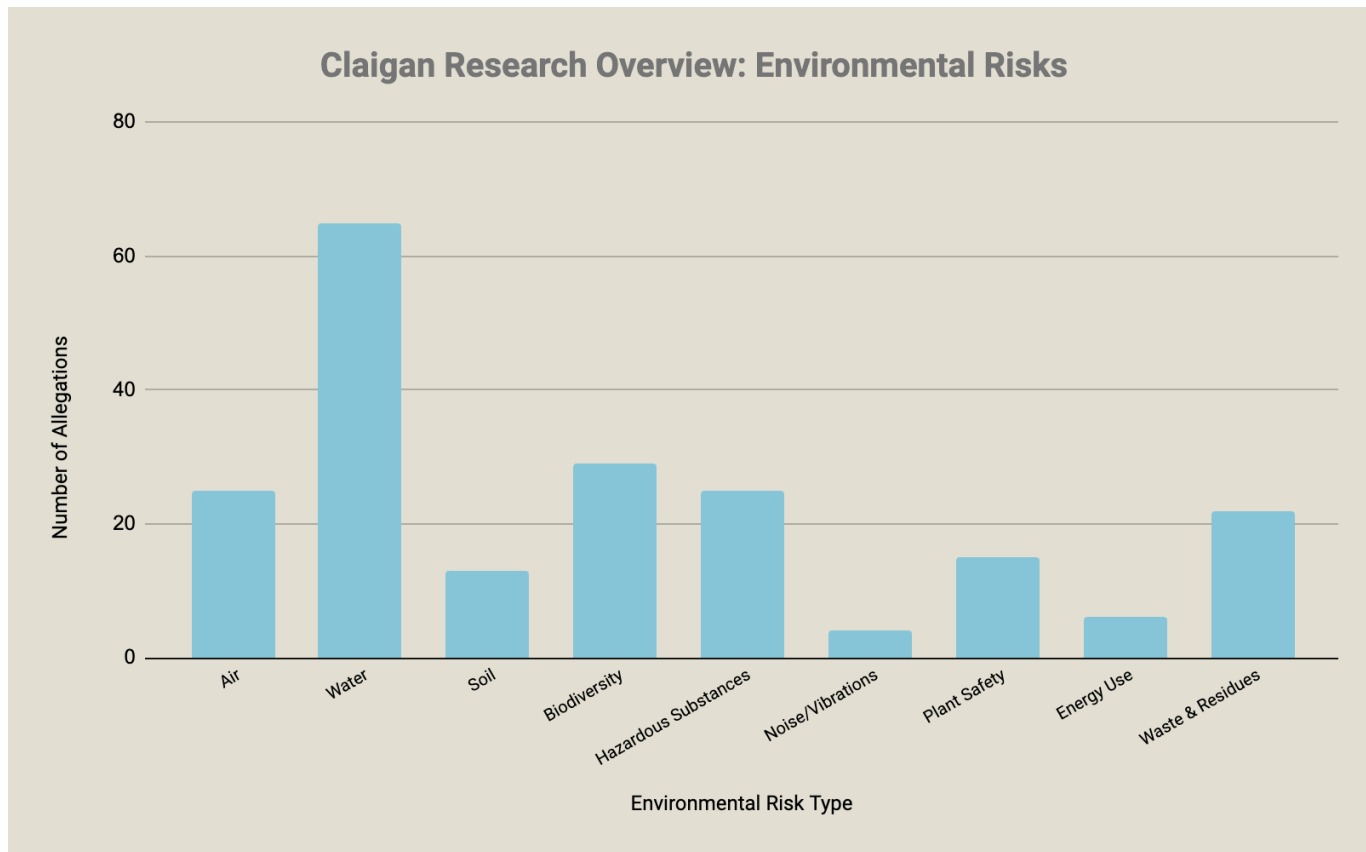
Environmental	Social
Air	Occupational Health & Safety
Water	Child Labour
Soil	Forced Labour
Biodiversity	Discrimination
Hazardous Substances	Trade Union Freedoms
Noise & Vibration	Community life (incl. that of Indigenous peoples)
Plant Safety	
Energy Use	
Waste & Residues	

300+ operations identified for cobalt, lithium, natural graphite, and nickel

200+ human rights and environmental allegations catalogued

8 high-risk geographies prioritized





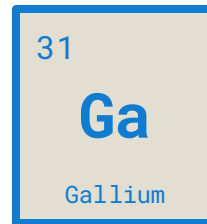


Critical Minerals

- Minerals that are essential for our technology
- Governments around the world have identified lists of critical minerals
- Countries need to ensure they have a stable and consistent supply chain for these materials
- Minerals that have mining and/or refining industries concentrated in one or two countries, posing a risk to international supply chains

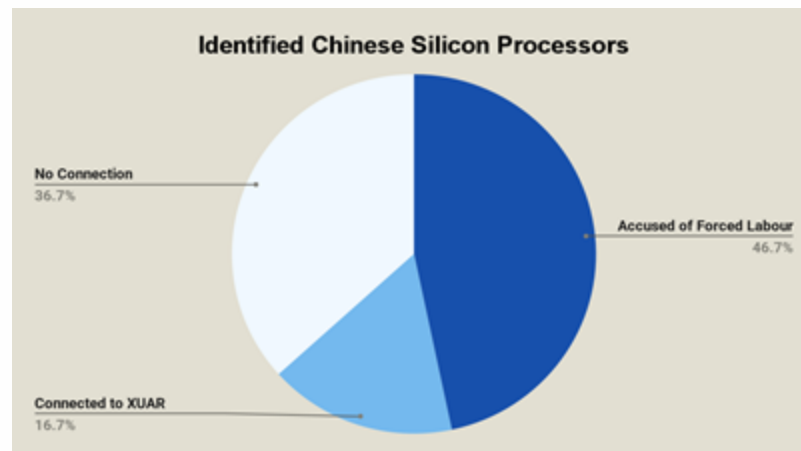
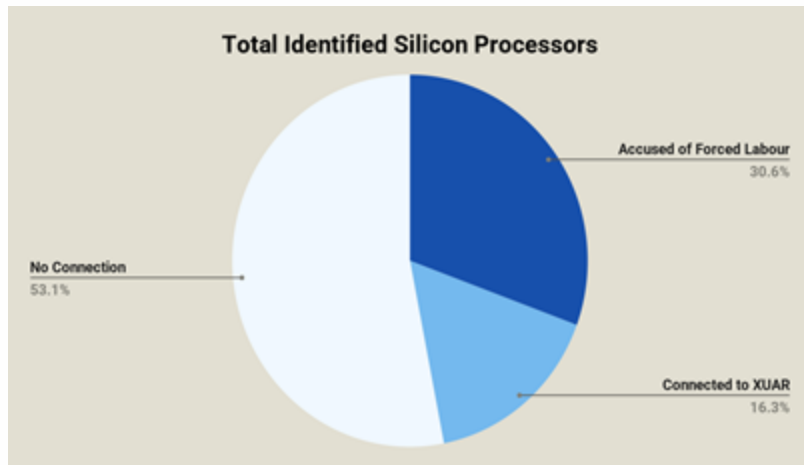
Case Study: Gallium & Germanium

- China is the primary producer of both minerals. In 2024, China was responsible for **60% of germanium** and **98% of gallium** global production.
- In August 2023, China placed restrictions on all exports of gallium and germanium, and by November 2023 exports of the minerals had dropped 80%
- In December 2024, China banned all exports of these two minerals, alongside antimony, to the United States



Supply chain resiliency is the new argument for supply chain mapping

Case Study: Silicon & Forced Labour



- Additional Minerals Reporting Template
- Adhoc reporting template where companies can request data on up to 10 minerals
- Has an optional mine-level facility tab
- Useful for surveying suppliers for these other critical minerals

- Strong country of origin data helps focus your due diligence efforts
- Companies should attempt meaningful stakeholder engagement during times of increased risk
- Preparing for EU Batteries regulation should be a sooner rather than later priority
- Supply chain resilience will drive supply chain mapping in the near future

Any questions?

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