

Terms of Reference (TOR): IRMA Chain of Custody Standard for Responsibly Mined Materials

1. Introduction

The IRMA *Standard for Responsible Mining* specifies a set of objectives and leading performance requirements for environmentally and socially responsible practice at the mine site level. It serves as the basis of a voluntary system offering independent third-party audits of environmental and social performance measures at industrial scale mine sites around the world.

In response to demands from end users for independently verified socially and environmentally responsible mined materials, IRMA has developed a standard and system to track material from verified IRMA-achieving mines across supply chains. The IRMA *Chain of Custody Standard for Responsibly Mined Materials* (IRMA Chain of Custody Standard) sets out requirements, enabling Entities operating within the supply chain and end users to make credible claims about IRMA-achieving material.

IRMA released an initial draft CoC standard in 2020 for public review and comment. This revised draft responds to comments on the 2020 version, including the addition of controlled blending and book-and-claim accounting models to align with practical realities of complex supply chains. The revised draft also includes expanded normative guidance, including examples of supply chains for multiple materials that have or are currently undergoing independent third-party IRMA audits.

This Terms of Reference document outlines the objectives, scope, and desired outcomes of the IRMA Chain of Custody Standard.

2. Scope and Geographic Application

The updated draft IRMA Chain of Custody Standard will undergo a period of public consultation that will begin in October 2023.

The IRMA Chain of Custody Standard was developed to provide the base-level requirements for tracking of verified IRMA-achieving material, from the mine through the supply chain to the end consumer. The IRMA Chain of Custody Standard is for use by Entities processing or trading IRMA-achieving minerals and/or metals along the supply chain. Such Entities shall be assessed by an IRMA-approved

Certification Body which will enable them to pass on an IRMA claim for qualifying material.

The IRMA CoC Standard will, as needed, be supplemented by Appendices specifying normative requirements and/or guidance for specific mineral supply chains. It also provides normative guidance for recycled materials accounting when mixed with IRMA achieving materials, recognizing the importance of recycled material.

The IRMA CoC Standard aims to:

1. Provide Entities in the supply chain with a common set of requirements for sourcing, tracking, accounting, handling, and selling IRMA-achieving mined materials.
2. Establish requirements that can be independently audited to provide objective evidence for the flow of IRMA-achieving mined materials through the supply chain and allow for IRMA CoC-certified Entities to make claims regarding the sale of IRMA-achieving materials.

The IRMA Chain of Custody Standard's requirements are applicable to any Entity operating at any step in the supply chain. Chain of custody models describe the approach taken to control inputs and outputs and associated information in a particular chain of custody system. For a particular commodity it is possible that more than one chain of custody model may be used to describe different processes or procedures in the supply chain. As each chain of custody model represents a different level of physical presence of the specified characteristic in the output, this document provides general guidance on the application of the defined chain of custody models, including initial guidance on the circumstances under which each chain of custody model might be appropriate.

The **geographical scope** of the IRMA Chain of Custody Standard is global, with no specific geographic limitations or restrictions.

3. Justification and Need for the IRMA Chain of Custody Standard

IRMA was founded in 2006 by a coalition of non-governmental organizations, businesses purchasing minerals and metals for resale in other products, affected communities, mining companies, and labor unions. IRMA spent over 10 years developing the *IRMA Standard for Responsible Mining*, which offers one of the most comprehensive and stringent social and environmental standards available today, setting the benchmark for what a truly sustainable and responsible mining operation looks like. IRMA is equally governed by six sectors: organized labor,

affected communities, NGOs, mining companies, investors, and purchasing companies. IRMA is unique in that each of these six sectors has equal voting power in IRMA governance, thus no single sector can make decisions that do not work for other sectors. This is what makes IRMA accountable to all.

The IRMA *Standard for Responsible Mining* serves as the basis of a voluntary system offering independent third-party audits of environmental and social performance measures at industrial scale mine sites around the world. The IRMA Chain of Custody Standard was developed in response to demands from end users to establish a common set of baseline requirements to track material from verified IRMA-achieving mines across supply chains. The Chain of Custody Standard enables entities within the supply chain and end users to make credible claims about IRMA-achieving material.

Systems for tracking material across supply chains are powerful tools that when applied provide a measurable demonstration of due diligence in responsible sourcing, described by the Organisation for Economic Co-operation and Development (OECD) as “an on-going, proactive, and reactive process through which companies can ensure that they respect human rights and do not contribute to conflict.”¹

International Standard *ISO 22095 Chain of Custody – General terminology and models*² together with *AMIRA P754: Metal Accounting, Code of Practice and Guidelines*³ are commonly identified as current industry best practice. The IRMA Chain of Custody Standard is consistent with those sources, subject to additional IRMA requirements. The IRMA Chain of Custody Standard is also designed to be consistent with initiatives such as the London Platinum and Palladium (LPPM) Responsible Platinum/Palladium Guidance, ResponsibleSteel, and Responsible Jewellery Council. However, the IRMA CoC Standard has specific requirements and models that may be different in some cases.

4. Economic, Social, and Environmental Outcomes

The IRMA Chain of Custody Standard protects the value of material from IRMA-achieving mines, including the following outcomes promoted in the *IRMA Standard for Responsible Mining*:

¹ OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition, OECD © 2016.

² First Edition 2020-10 Reference number ISO 22095:2020E.

³ AMIRA International, Release 3, February 2007.

Social Outcomes:

1. Human rights: the human rights of workers, communities, and other stakeholders are respected. This includes, but is not limited to, preventing forced labor, child labor, discrimination, and other forms of human rights abuses.

2. Gender equality and gender protections: the social and political dynamics of communities are understood, workplace and community data is disaggregated by gender, gender-related risks are assessed and addressed, and gender equity and empowerment is advanced within the workplace and community.

3. Community engagement: there is engagement with communities and other stakeholders to understand their concerns and needs. This includes providing information about exploration, mining and mineral processing projects, consulting with communities on project design and implementation, and addressing community grievances.

4. Health and safety: the health and safety of workers and communities is protected by requiring users of the standard to implement measures to prevent accidents, injuries, and illnesses. This includes providing safety equipment and training, monitoring health and safety risks, and implementing emergency response plans.

5. Labor rights: there is respect for labor rights, including the right to organize and bargain collectively, the right to a living wage, and the right to a safe and healthy working environment.

6. Indigenous Peoples' rights: the rights of Indigenous Peoples who may be affected by exploration, mining and mineral processing activities are protected. This includes respecting Indigenous Peoples' rights to their lands, territories, and resources, and ensuring that exploration, mining, and mineral processing operations do not impact their cultural heritage.

Environmental Outcomes

1. Biodiversity conservation: negative impacts to biodiversity are minimized through the identification and protection of important habitats and species, and through the implementation of measures to prevent pollution and degradation of ecosystems.

2. Water management: water resources are managed responsibly by requiring exploration, mining and mineral processing operations to minimize their use of water, prevent contamination of water sources, and manage wastewater and mine drainage.

3. Air quality: impacts to air quality are minimized through the control of dust and other emissions to the air.

4. Land use: land use is managed responsibly by requiring exploration, mining and mineral processing operations to minimize their impact on land and soil, reclaim disturbed land, and prevent land degradation.

5. Climate change: the negative impacts of climate change are minimized through the reduction of greenhouse gas emissions, promotion of energy efficiency, and use of renewable energy sources by exploration, mining and mineral processing operations, where feasible.

6. Circularity: opportunities to incorporate circular economy approaches are identified in environmental and social impact assessments and are incorporated into management plans and public reporting.

Economic Outcomes

1. Transparency and accountability: exploration, mining and mineral processing operations are transparent and accountable in their financial and operational practices. This includes disclosing information about their financial performance, paying taxes and royalties, and engaging in responsible business practices.

2. Economic development: economic development in mining-affected and mineral processing communities is promoted through the creation of jobs, support for local businesses, and the payment of fair wages and benefits.

3. Resource efficiency: resources are used efficiently and waste is minimized via the implementation of best practices for resource management and recycling.

4. Infrastructure development: there is infrastructure development in mining-affected and mineral processing communities, such as from the construction of roads, schools, and healthcare facilities.

5. Risk management: exploration, mining and mineral processing operations have risk management systems in place to identify and manage risks associated with their operations, including financial, environmental, and social risks. This includes implementing measures to prevent accidents, respond to emergencies, and mitigate the impact of mining and mineral processing operations on local communities and the environment.

5. Risk Assessment

Factors that could have a negative impact on the ability of the IRMA Chain of Custody Standard to achieve its outcomes; unintended consequences that could arise from its implementation; and possible corrective actions that could be taken to address these potential risks include:

Entity resistance: entities across supply chains may resist implementation of the Chain of Custody standard due to perceived concerns about increased costs, resource needs, or potential impacts on profitability. This resistance could hinder the adoption and effectiveness of the standard. To address this, IRMA is actively field testing the standard and engaging in proactive outreach and collaborations across entities, engaging key stakeholders to address their concerns, and continues to seek input on the need for and benefits of the Chain of Custody Standard.

Inadequate stakeholder engagement: failure to engage a diverse range of stakeholders during the standard development and public consultation process could lead to a lack of legitimacy and acceptance. It is important to ensure that all relevant stakeholders are involved and have the opportunity to provide input and feedback. Regular communication, public consultations, and transparency in the standard development process will help to mitigate this risk, as will ensuring broad stakeholder participation. The technical language in the Chain of Custody Standard may deter stakeholders from engaging in review of and input on the draft standard. It is therefore especially important to include visuals and examples in the draft Chain of Custody Standard and to conduct virtual and in-person discussions of the draft and how it can be improved.

Unintended environmental or social consequences: implementation of the standard could have unintended consequences that negatively impact the environment and/or social conditions for workers and communities. For example, recognizing recycled material in Chain of Custody claims may overlook the range of environmental and social impacts involved in collecting this material. To minimize such risks, IRMA will continue to engaged with experts and other stakeholders to improve standard requirements and implementation.

Lack of harmonization and compatibility: if the standard is not harmonized or compatible with existing voluntary and regulatory frameworks it could create confusion and duplicative efforts. It is essential to align the new standard with other relevant initiatives where appropriate, such as existing sustainability frameworks or international guidelines, while at the same time ensuring that the standard is sufficiently robust and comprehensive. Likewise, the standard must be compatible with legal frameworks. IRMA will seek to remain aware of existing frameworks and

regulations and seek a collaborate approach that promotes harmonization and compatibility.

Technological and scientific advancements: a wide range of technologies exist and are emerging to track and trace mineral supply chains. The standard needs to be compatible with these technologies, such as blockchain and others. Regular review cycles, continuous improvement mechanisms, and flexibility in the standard can help address emerging technologies, scientific discoveries, and best practices.