



Briefing: Anti-Corruption, Responsible Sourcing, and Environmental Concerns in the UK's Critical Minerals Strategy

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**UK Anti-
Corruption
Coalition**

In partnership with London Mining Network,
MiningWatch Canada, and Earthworks

Executive Summary

To ameliorate corruption risks, the UK Government should:

- Explicitly include anti-corruption as a priority within the Critical Minerals Strategy and describe how the UK intends to advance this agenda in its own practices, with UK industry players, and in its related multilateral engagements.
- Diminish the space for wrongdoing through robust transparency measures.
- Require any recipient of UK financing to adopt leading good practices in transparency, anti-bribery, avoiding conflicts of interest, and other anti-corruption priorities.
- Ensure consequences for bad actors through enforcement and accountability measures.
- Ensure that the corruption risk posed by critical minerals is recognised and addressed across government and law enforcement agencies, including in engagement with the private sector.

To address environmental concerns, the UK Government should:

- Within the UK there is an obligation to ensure compliance with environmental laws, and specifically ensure the resources to monitor air, water, soil and biodiversity, particularly in environmentally sensitive areas.
- Internationally, ensure that any supply chain due diligence and state funded programmes, projects, and initiatives respect the rights of local communities, particularly the right to free, prior and informed consent regarding customary and indigenous land rights.
- Within the UK, reduce the risk of community conflicts by ensuring that government and mining companies engage with communities from as early as possible, and using the experience of the process of free, prior and informed consent, continue to engage, ideally ensuring that a planning process gives the community a right to reject a project based on valid concerns.
- Within the UK, require mining companies to provide fully independent financial bonds for clean-up and reclamation before operations begin and enact measurable and enforceable reclamation criteria to at least international standards.
- Ensure the safe and responsible mine tailings management by following the Safety First: Guidelines for Responsible Mine Tailings Management.

To ensure responsible sourcing, the UK government should:

- Develop clear and consistent standards on due diligence and responsible supply chain, which set the UK government's expectations about companies' human rights and environmental performance.
- Demonstrate strong, evidence-based, commitment to implement international standards such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and human rights instruments to which the UK is party, among others.
- Enhance financing opportunities and government support to responsibly sourced goods.

Section 1: Anti-Corruption

Good governance and anti-corruption measures should be key concerns for the Critical Minerals Strategy. The stakes are high but by explicitly recognising the threat posed by corruption in the Strategy and including recommendations on how to address it, the UK Government can both demonstrate global leadership on this issue and strengthen the security of the critical minerals supply needed to power its energy transition.

What are the risks?

The extractive industries are already one of the highest risk sectors for corruption. The OECD has found that one in five cases of transnational bribery happening in this industry, and the oncoming critical mineral commodity boom risks further exacerbating these risks. As demand outstrips supply, more exploration will occur, and deals will be made at an increasingly fast pace. Companies may prove willing to take on more risk to reap rewards, such as operating in high-risk jurisdictions or seeking to exert undue influence on political decision-makers, all while regulators struggle to keep pace.

With a strong correlation between countries that score poorly on Transparency International's Corruption Perceptions Index and the locations of critical minerals, taking action now will help ameliorate future threats to supply, reputation, and taxpayer money.

Why does this matter?

There are five key reasons why it is important for the UK to address these concerns:

- 1) Corruption inflicts devastating economic, social, environmental and political harms in resource rich countries, harms which run directly counter to the UK's development priorities.
- 2) Corruption breeds resentment and instability, and could lead to contract revocations, local protests and investor or consumer divestments which impede the reliable supply of critical minerals needed to power the UK's energy transition.
- 3) Corruption concerns are impeding the scale-up of investment in critical mineral production. Experts estimate that meeting even a 2-degree target will require the mining industry to spend \$1.7 trillion in the next 15 years.
- 4) Major London listed companies including Shell, BP, Glencore, and others have been caught up in corruption-related scandals or investigations, creating both a particular responsibility for the UK to act and a heightened reputational risk in failing to do so. For instance, Glencore recently pled guilty to UK SFO charges of bribery in 5 African countries, and to US charges in the DRC, Venezuela and Brazil as well.
- 5) There are potential costs to the taxpayer involved in failing to take preventative action; the Serious Fraud Office has already undertaken complex, time-consuming, and costly cases against Glencore and ENRC for alleged bribery and corruption in the mining sector.

How can the UK Government ameliorate corruption risks through its Critical Minerals Strategy?

Through learning the lessons of previous commodity booms in the oil and gas sector, the UK government can take action now to prevent and address corruption. Having already championed

important anti-corruption measures, such as the Extractives Industry Transparency Initiative and beneficial ownership transparency, the UK is well placed to drive global good practice in the sector. Putting in place the following recommendations to address corruption in critical minerals would not only make sense from an energy security perspective, it would ensure that the UK is seen as a forward-thinking actor on the energy transition and help build on the legacy of COP26.

1. Explicitly include anti-corruption as a priority within the Critical Minerals Strategy and describe how the UK intends to advance this agenda in its own practices, with UK industry players and in its related multilateral engagements.
2. Diminish the space for wrongdoing through robust transparency measures:
 - Identify the transparency practices which the UK will help promote and which constitute the kind of good practices which can help prevent corruption, reflecting the measures required in the widely adopted EITI Standard, including the disclosures of project level payment data, contracts and beneficial ownership information.
 - Promote the importance of extending beneficial ownership transparency across critical minerals supply chains, not only among mining companies but also suppliers, traders, and other players who can be prone to corruption risks, and identify how it will advance this agenda including through the Beneficial Ownership Leadership Group.
 - Extend the existing payments-to-governments reporting regulations to commodity trading, requiring British oil, gas and mining companies to disclose payments to governments for the purchase of producer states' publicly owned oil, gas and minerals ("commodity trading"), and champion this reform internationally.
 - Identify how the UK will promote Open Contracting in the critical mineral sector, both in how the UK selects recipients of public funding and more widely as a good practice for governments and companies active in these supply chains.
 - Promote transparency over lobbying internationally and ensure the UK's own house is in order by, at a minimum, putting in place the lobbying reforms recommended in the Boardman Review.
3. Require any recipient of UK financing to adopt leading good practices in transparency (in the above areas), anti-bribery, avoiding conflicts of interest and other anti-corruption priorities.
4. Ensure consequences for bad actors through effective enforcement and accountability measures:
 - Better enforce bribery legislation in line with recommendations in Transparency International's Exporting Corruption report.
 - Ensure that British businesses source critical minerals responsibly by bringing forward legislation and/or regulations requiring companies and investors to take action to prevent human rights abuses, worker exploitation and environmental harm in their global operations, activities, products, services, investments and supply chains if needed.

- Expand technical assistance to low- and medium-income mineral-producing countries that a) prioritizes integrity and anti-corruption measures, and b) includes support to civil society, media and other oversight actors.
 - Use tools at the UK's disposal, including Unexplained Wealth Orders, Asset Freezing Orders, and the Global Anti-Corruption Sanctions Regulations, to tackle illicit financial flows that stem from the critical minerals sector.
5. Ensure that the corruption risk posed by critical minerals is recognised and addressed across government and law enforcement agencies, including in engagement with the private sector:
- Recognise the threat posed by corruption in critical minerals in the new Anti-Corruption Strategy, alongside the broader threat posed by corruption to the energy transition.
 - Issue a private sector Joint Money Laundering Intelligence Taskforce (JMLIT) alert highlighting emerging corruption and money laundering risks to UK businesses around critical minerals.

Section 2: Environment & Waste Management

The following is a summary of key points responding to questions over environmental concerns with a mine, whilst it is in use, and when it closes, as well as concerns with waste management, which the UK Government needs to consider.

Initial points:

- Environmental impacts are intrinsically human impacts – from health issues with water or air pollution to infringements on the right to a healthy environment. Mining tends to be associated with these human rights impacts because of its large-scale land-use and environmental footprint, and because there is no choice on where to locate a mine, and therefore which communities are living near it.
- There is often a focus on concerns with small-scale / artisanal mining. While support for the sector is welcome (not least because of the number of people it employs), it is still the larger-scale, formal companies – including mining majors - who are the main source of environmental concerns. The Business and Human Rights Resource Centre's updated [Transition Minerals Tracker](#) notes that over two-thirds of recorded environmental and rights allegations are against 12 companies which are among the largest and most well-established of the extractive sector. This includes UK headquartered or listed Anglo American, BHP and Glencore.
- In terms of the life of a mine, there are impacts often from early exploration, for which consent should be sought from those impacted as soon as possible. However, clearly the major environmental impacts are when the mine is in full operation, but there can be huge legacy issues, primarily from risks of water pollution (including acid mine drainage) and waste.

Specific concerns regarding potential solutions to critical mineral supply chains:

- Deep sea mining

Deep sea mining (DSM) comes with its own unique set of environmental impacts. Despite being promoted as a potentially low-environmental impact alternative to land-based mining there is a growing movement globally calling for a moratorium – or in some cases a ban - based on DSM's unique concerns. These include a lack of data to understand how much damage is being done, and therefore how to mitigate it, and the timescales involved where we don't yet know how long it will take for mined ecosystems to recover. Two recent, jointly authored articles, seek to understand where the gaps in the knowledge are and argue whether seabed mining is really required.

- Mining within the UK

Encouraging the creation or revival of a mining industry in the UK risks a rise in community-focussed concerns, as is increasingly happening in some other European countries (including Romania and Serbia where anti-mining sentiment led to a shift in national politics). In Cornwall there is a community group forming to oppose mining at Great Wheal Vor, while in Northern Ireland, there has been a long-running resistance to potential mining in the Sperrin Mountains. The local community won a victory over the Canadian company involved, Dalradian, in an Advertising Standards Agency complaint stating that Dalradian couldn't advertise themselves as a 'critical mineral' mine.

- 'Good enforcement' jurisdictions

There is an argument that critical mineral supply chain problems can be addressed by avoiding high risk jurisdictions and prioritising 'good enforcement countries'. Examples given of good enforcement include Canada and Australia. However, it is worth noting that in high-risk countries, such as the Democratic Republic of the Congo, mining communities are not requesting the avoidance of mined materials, which would leave them with no income, but for improvements to how mining is done.

Also, it is worth considering the problems in governance, and performance, in supposedly safe jurisdictions. Recent research concluded that globally 69% of projects for energy transition minerals are on or near indigenous lands and/or peasant land, including in supposedly safe jurisdictions. There are numerous cases of conflict and accusations of rights abuses involving local, primarily indigenous, communities within the likes of Canada, Australia and the USA. Many of these conflicts centre on whether communities can exercise their right to free, prior and informed consent. In Australia states have been criticised for a lack of legal rights for aboriginal people, following the disastrous destruction of the sacred site of Juukan Gorge by UK mining company Rio Tinto in 2020.

In terms of mine waste (tailings), a 2017 review of global mining waste dam failures by the UN Environment Programme (UNEP) found that of 40 tailings dam failures it considered world-wide, between 2007-2017, seven occurred in Canada, making it the second worst country in the world. After the 2014 Mount Polley dam failure in British Columbia (BC), three more mines have been approved in BC, none of which meet the recommendations set down by an independent panel which investigated the disaster.

It is Canadian taxpayers who end up having to cover the bulk of the costs for environmental remediation. The BC Auditor General concluded that B.C. regulators' "compliance and enforcement activities of the mining sector are inadequate to protect the Province from significant environmental risks". There are an estimated 10,000 abandoned and orphaned mine sites in Canada, with a calculated liability for contaminated mining sites across Canada (most of which are abandoned or

orphaned) well above CAN \$9.1 billion in 2017. Given the above there is clearly a need to critically examine claims for 'good enforcement' jurisdictions.

- Mine safety and waste management

Tailings facilities are failing with increasing frequency and severity. In 2019, a mine tailings dam collapse near Brumadinho, Brazil, killed 272 people and decimated houses and buildings before flowing into the Parapoeba River.

Current industry standards, the Global Industry Standard on Tailings Management released in 2020, do not go far enough to adequately protect communities and ecosystems from failures. The design, construction, operation and closure of tailings facilities require significant changes to protect people and the environment. While safer technologies and practices exist for tailings management, the mining industry is not broadly implementing them. The industry consistently prioritises reducing the cost of their operations over safety. Mining companies must commit to safety and regulators must hold them accountable.

Ultimately, the safest tailings facility is the one that is not built. To avoid the long-term liability of mine waste sites and their social and environmental impacts, we must reduce the volume of tailings produced, as well as the overall demand for primary raw minerals.

Recommendations:

- Within the UK there is an obligation to ensure compliance with environmental laws, and specifically ensure the resources to monitor air, water, soil and biodiversity, particularly in environmentally sensitive areas.
- Internationally, ensure that any supply chain due diligence and state funded programmes, projects, and initiatives respect the rights of local communities, particularly the right to free, prior and informed consent regarding customary and indigenous land rights.
- Within the UK, reduce the risk of community conflicts by ensuring that government and mining companies engage with communities from as early as possible, and using the experience of the process of free, prior and informed consent, continue to engage, ideally ensuring that a planning process gives the community a right to reject a project based on valid concerns.
- Within the UK, require mining companies to provide fully independent financial bonds for clean-up and reclamation before operations begin and enact measurable and enforceable reclamation criteria to at least international standards.

The following are a set of recommendations regarding tailings dams from Safety First: Guidelines for Responsible Mine Tailings Management, which was endorsed by over 150 scientists, community groups and NGOs from 32 countries. These include:

- Make safety the guiding principle in design, construction, operation and closure of tailings facilities.
- Ban new tailings facilities in locations that would not allow for timely assisted evacuation of inhabited areas in the event of dam failure.
- Ban upstream dams at new mines and close existing upstream dams.
- Design dams to avoid any potential loss of life, which must be considered an extreme event.

- Mandate the use of best available technology for tailings facilities, including the use of filtered tailings, and implement rigorous controls for safety, including after mine closure.
- Demonstrate understanding of local conditions and tailings characteristics with robust monitoring systems.
- Develop appropriate emergency preparedness/response plans.
- Ensure the independence of reviewers to promote safety and transparency.
- Address financial risks, including proper financial assurance and insurance.
- Attempt to eliminate all credible failure modes to have safer facility closures.
- Establish grievance procedures, whistleblower protection, and community-based safety oversight for potentially affected communities.
- Obtain consent from potentially affected communities and guarantee the right to say ‘no’ to proposed or expanded tailings facilities.
- Make information regarding mine safety publicly available in relevant languages.
- Offer affected communities access to independent technical experts.
- Require corporate boards of directors assume full responsibility for the risks (including financial risks) and the consequences of tailings facility failures.

Section 3: Responsible Sourcing

Background Information:

- The rapid shift to green energy relies heavily on rechargeable batteries and electric powered vehicles (EVs), including the raw materials needed to manufacture them, such as lithium, cobalt, nickel, manganese, and graphite.¹ Industry analysts and the World Bank predict a massive increase in the demand for these minerals in the coming decades, mostly from states in the Global South. The extraction and processing of these critical materials can create opportunities for states who have important reserves, but it also comes with grave risks.
- As noted above, the extractive industry has long been associated with deeply harmful impacts on human rights, the environment, biodiversity and governance. Local communities who live near mines often bear the brunt of these impacts. For example, researchers have highlighted how lithium mining depletes local water supplies and leads to more poverty in South America’s “Lithium Triangle”, or risks of child labor and workers’ exploitation in the Democratic Republic of Congo’s (DR Congo) cobalt mines.
- As is the case for environmental concerns, strong focus has been placed on human rights risks in artisanal and small-scale mining (ASM) of critical minerals. While the adverse impacts of ASM cannot be overlooked, industrial mining companies produce most of the minerals necessary for the energy transition and have been linked to serious human rights violations. See for example, RAID’s report [The Road to Ruin?](#) which exposes a system of widespread exploitation of Congolese workers at five major industrial cobalt mines.

¹ As the technology evolves, other minerals are likely to be added to this list.

Specific risks and concerns associated with critical minerals sourcing:

- Lack of transparency in human rights due diligence processes

Since the adoption of the UN Guiding Principles on Business and Human Rights (UNGPs), recurring concerns have been raised about companies implementing their due diligence responsibilities as a “tick-box” exercise rather than a rigorous assessment and strategy to respond to human rights and environmental risks in their supply chains. Very few companies in critical minerals supply chains have mapped their supply chains or published the names of their suppliers, and most provide superficial accounts of their due diligence practices in public reports. This lack of transparency, which is partly due to the voluntary nature of international business and human rights standards that create little incentive for compliance, constitutes a real impediment to evaluating corporate practice and responsible sourcing.

- Weak industry standards

With the growing trend in environmental, social and governance (ESG) investing and increasing expectations from investors and customers that companies act more “sustainably”, several companies producing and sourcing critical minerals have committed to more ethical policies and practices. While these commitments are useful, and a step in the right direction, their implementation is often weak or lacking. Increasingly, concerns are expressed that companies are insincere or misleading in touting their ESG accomplishments. Research by civil society groups repeatedly shows the discrepancy between companies’ discourse and practices, including in relation to UK-based, leading multinational companies.

The focus on ESG has also been accompanied by the proliferation of industry standards (e.g., ICMM, IRMA, EITI, RMI, etc.) about responsible sourcing of minerals, including critical minerals. While some of these standards are more comprehensive than others, their main weakness comes from their voluntary nature. Companies often choose narrow standards – which only cover partial risks – and limited levels of assurance of sustainability reporting. Many of these standards rely on inadequate audit processes, often conducted by the companies themselves or through third parties that lack independence. This has repeatedly been identified as weak point in confirming responsible sourcing.

- Reliance on critical minerals associated with severe human rights violations

Significant reserves of the minerals needed for the energy transition are in conflict or high-risk areas. For example, it is estimated that more than 70% of the world global cobalt supply is mined in the DR Congo, a country often associated with brutal conflict, severe human rights violations and corruption.

Some companies, as a strategy to limit their exposure to high-risk areas and mitigate future risks in their supply chains, are actively seeking to avoid sourcing from these countries and to reduce their

dependence on certain minerals. Some EV and battery manufacturers are already working to reduce the amount of cobalt in their batteries. Yet, there is consensus in communities and civil society that removing high-risk countries' minerals from global supply chains is likely to have serious adverse impacts on mining communities' livelihoods. Instead, investment and access to international markets is essential to improve these states' economy and stability, with mining and mineral-sourcing companies holding a critical responsibility in ensuring that human rights and the environment are respected.

Why responsible sourcing is important for the UK:

- The UK should maintain its leadership in human rights promotion and protection

The UK has long been a leader in advancing labour rights, human rights and environmental protection. In addition to being the first country to develop a National Action Plan to implement the UNGPs, the UK was also one of the first to pass domestic supply chain legislation including the 2010 Bribery Act and the 2015 Modern Slavery Act. Before any other country, the UK enacted its obligation to achieve net zero emissions by 2050 in domestic law.

The UK demonstrated its willingness to drive global energy and climate action by hosting the 26th UN Climate Change Conference (COP26). The country can now use its position as a global hub for metal trading (through the London Metal Exchange), high-tech research and manufacturing, and renewable energy production to lead a just transition to green economies and societies. It can do so by adopting strong, binding, standards for human rights and environmental due diligence, and by ensuring that the critical minerals required to supply its EV, renewable energy technology, telecommunications, and infrastructure industries, among others, are sourced responsibly.

- The UK's changing car and battery industries

The UK economy relies heavily on its automotive industry, which generated more than £60.2 billion turnover in 2021 and added £11.9 billion value to the UK economy. The industry is rapidly transitioning to producing more EVs and, in parallel, the country has started investing in domestic renewable battery and battery component production. Yet, concerns are already being raised about the practices of UK manufacturers. Battery manufacturer Britishvolt, for example, has received £100 million from the Automotive Transfer Fund to build Britain's first large-scale giga factory. While Britishvolt has not yet shared information about its supply chain, they have made public their cobalt sourcing agreement with Glencore, a mining company which has received reports of serious workers' rights violations at its DRC cobalt mine, and has pleaded guilty to charges of corruption in its overseas operations brought by US courts and the UK Serious Fraud Office.

For UK EV and battery industries to be competitive, in a context where consumers and investors are increasingly seeking transparent and ethical corporate practices, and where other countries are moving towards stronger due diligence regulation, the UK government needs to ensure that UK companies' supply chains incorporate responsibly sourced critical minerals.

Recommendations:

Governments and companies have recurrently failed to address the human rights and environmental abuses associated with extracting critical minerals. To prevent the energy transition from being facilitated by environmental harm and human rights abuses, and to support the UK's zero-carbon ambitions, it is imperative for UK public and corporate stakeholders to focus their supply chain efforts on sourcing critical minerals in a responsible and sustainable way. This strategy should be integral part of the country's move towards reinforcing its already profitable automotive industry and investing in domestic battery production.

1. Develop clear and consistent standards on due diligence and responsible supply chain, which set the UK government's expectations about companies' human rights and environmental performance.
 - Our view is that these standards should take the form of legislation and/or regulation requiring companies and investors to conduct thorough and transparent due diligence to prevent human rights abuses, worker exploitation and environmental harm in their global operations, activities, products, services, investments, and supply chains.
 - Responsible sourcing legislation and/or regulation should be accompanied by effective enforcement systems to ensure compliance by companies and investors, and sanction non-compliant actors. This may include legal liability for human rights and environmental harms to ensure victims' access to remedy.
 - Such measures are supported by an increasing number of stakeholders including the UK Joint Committee on Human Rights, industry bodies (see e.g. the Global Resource Initiative Task Force and the Critical Minerals Association), unions, and civil society organisations. In 2021, 36 leading companies also joined the call for the government to introduce legislation.
 - Several other countries and regional organisations, including the European Union (EU), are increasingly reinforcing their regulatory frameworks, and placing human rights and environmental due diligence obligations on companies under their jurisdiction. The UK should continue to demonstrate global leadership and, following a year where it chaired the G7 and the COP26, actively promote and legislate on mandatory human rights due diligence and responsible minerals supply chains for companies homed or operating in the UK.
 - The new laws and regulations adopted by European states and the EU will have significant consequences for UK companies producing critical minerals, including legal consequences for human rights and environmental harm. For instance, under the EU Directive on Sustainable Corporate Governance, mining is considered a "high impact sector", meaning that UK companies selling in the EU market that have a net turnover of 40 million euros will be in the scope of this future regulation. Without preemptive action from the UK government, and clear, mandatory, guidance to companies about their due diligence and supply chain responsibilities, UK companies will face a substantial regulatory and competitive disadvantage.

2. Demonstrate strong, evidenced-based, commitment to implement international standards such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and human rights instruments to which the UK is party, among others.
 - Existing UK government commitments on these instruments and other standards on transparency, corruption, etc. should be an essential part of any discussions on critical minerals, including in engagement with the private sector.
3. Enhance financing opportunities and government support to responsible sourced goods
 - The UK, in an effort to achieve its zero-carbon ambitions, has started mobilising public and private investment to support its automotive sector towards electric vehicles and to finance manufacturers working in this space, such as Britishvolt, the first large-scale giga factory in the country, among others. As part of this process, the UK should require any recipient of state funding to demonstrate transparent supply chains and best practices in responsible sourcing.

Contributors:

This briefing was compiled by the UK Anti-Corruption Coalition, including its members Natural Resource Governance Institute and RAID-UK, and the London Mining Network, MiningWatch Canada, and Earthworks.



The UK Anti-Corruption Coalition brings together the UK's leading anti-corruption organisations who, through their work, witness the devastating impact of corruption on society

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