EU Mandatory Due Diligence legislation EPMF Position Paper

22 February 2021

The European Precious Metals Federation (EPMF) welcomes the European Commission's upcoming initiative on due diligence and sustainable corporate governance. The EPMF supports the Commission's objective to respect both human and labour rights, and corporate social responsibility throughout the value chains of European companies. Sustainability and responsibility have always been key priorities for the precious metals sector and in particular, EPMF members. The EPMF believes that social and environmental impact is fundamental to all business decisions.

Should the Commission develop mandatory EU legislation on due diligence, the EPMF suggests the following key recommendations:

I) **The complementarity of EU initiatives**: the upcoming due diligence legislation should be aligned and built upon already existing EU initiatives, e.g. EU Conflict Minerals Regulation. This would assist in the avoidance of any duplication and/or fragmentation of legal requirements;

II) **Rely on voluntary due diligence schemes**: voluntary supply chain due diligence schemes (e.g. LBMA Responsible Gold Guidance and RJC Chain-of-Custody Certification Program) are based on anti-money laundering principles and the 5-step framework for risk-based due diligence from the OECD Due Diligence Guidance. Voluntary schemes are credible and efficient enough to help carry out due diligence and fight against serious abuses of human rights, money laundering and any contribution to conflicts;

III) **Cooperation with third countries**: in order to improve human rights and labour rights, it is vital for the EU to recognize situations on the ground in non-EU countries. The EU should engage in diplomatic efforts (coordinated with EU industry) to establish international due diligence standards and ensure those initiatives are both measurable and efficient. Better support and real changes are needed in those regions, and this can be achieved by collaborating with local governments to enhance good governance, investments in associated infrastructure, and trace/tackling of illicit trade;

IV) **EU industry cannot be the only actor involved**: due diligence is only successful if deployed hand in conjunction with projects led by local governments (both in the EU and non-EU countries). Placing the responsibilities on the private sector (companies and their directors)

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as the primary leverage to improve human rights, environmental protection and climate change is inherently problematic and unlikely to function successfully. The private sector alone cannot fully achieve non-risk due diligence without the active and long-term involvement (and true will) of the local population and public authorities;

V) **A level global playing field and fair competition** between EU and non-EU countries: if the EU wants to become a standard-setter in due diligence and sustainable corporate governance, it should promote and impose the same rules for its global partners. International companies operating in EU countries and importing into the EU should follow the same standards and the law of the countries within which they operate;

VI) **Banking systems and banks are the big players in due diligence**: our experience shows that banks would make a big difference by acting with care in recognizing the origin of precious metals. By doing so, violations such as money laundering, black market and illegal financial schemes could be prevented and as a result, it would help in protecting human rights, labor and health standards and the environment;

VII) **Due diligence should be applicable throughout the entire value chain**: all companies and business sectors can contribute to environmental, social, human and economic impacts. As an example, the EU Conflict Minerals Regulation which only covers smelters and refiners. Due diligence should not end at the smelting and refining stages, but cover all production stages and be applied throughout the value chain. Additionally, producers of parts and finished products originating from third-countries have no due diligence obligations. Importers of the final device are also not obliged to conduct full due diligence. These omissions create loopholes and, hence, due diligence cannot be fully implemented.

EPMF is looking forward to continuing its dialogue with EU decision-makers and other stakeholders. Due diligence and sustainability in corporate governance are only achievable if the private sector, business and stakeholders all contribute completely to the process.

ABOUT THE EPMF

Since 2007, the European Precious Metals Federation has supported European companies working with gold, silver, rhenium, and the six metals referred to as the Platinum Group including platinum, palladium, osmium, rhodium, ruthenium, and iridium.

Our 35 Member Companies and 3 national associations include world leaders in extraction, refining, and recycling of precious metals. They also include a highly diverse range of companies involved in consumer and industrial applications that touch the lives of European citizens from jewelry to financial investments to the mobile phones in their pockets to the catalytic converters in their vehicles to the solar panels and rapid chargers at their homes.

As the European body for advocacy, the EPMF facilitates the interface between policy makers, regulatory authorities, and the precious metals industry on a wide range of issues.

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