



20 YEARS OF

**Business & Human Rights
Resource Centre**



Unpacking clean energy

**HUMAN RIGHTS IMPACTS OF CHINESE OVERSEAS
INVESTMENT IN TRANSITION MINERALS**

JULY 2023

Contents

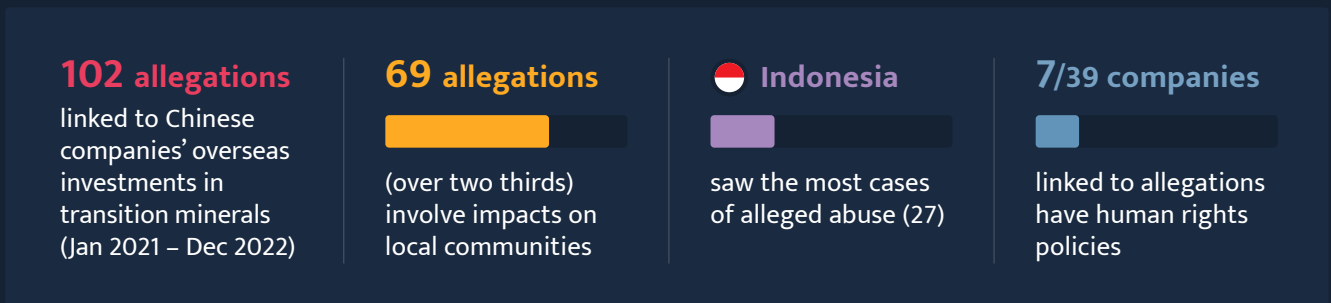
Executive summary	3
Context	5
Methodology	6
Key findings	8
Geographical spread	8
Phases of transition mineral supply chain	9
Allegations by mineral	10
Human rights & environmental impacts	12
Companies' responses to allegations of abuse	14
Corporate accountability & access to remedy	15
Recommendations	17
Endnotes	20



Executive summary

In the next decade, China is set to play a central role in the global transition to clean energy. This will require significant overseas investment in transition mineral mining, giving China an important responsibility to ensure the energy transition is not only fast, but also fair to workers and communities directly impacted by Chinese overseas investments. This briefing underlines the significant improvements Chinese mining companies will need to make if they are to successfully contribute to the rapid, just energy transition our world needs, and to the wider social goals of the Belt and Road Initiative.

The global shift towards clean energy technologies is driving a rapid increase in demand for so-called “transition minerals” such as copper, cobalt, lithium, nickel, manganese and zinc, as well as chromium, aluminium and rare earth elements (REEs). By 2040, global consumption of these transition minerals is projected to grow six-fold. China currently dominates the processing and refining of these key materials and the manufacturing of clean energy technologies, such as solar panels, wind turbines and electric vehicle (EV) batteries. Despite US and European plans to diversify transition mineral supply chains, China is set to maintain its dominance for years to come. Chinese companies have been acquiring overseas mines and investing in mineral-rich countries to secure the sourcing of transition minerals. This includes efforts in Indonesia, which has the world’s biggest nickel reserves and is seeking to develop an integrated EV supply chain and become an EV battery producer and exporter by virtue of foreign investment and technologies from China and other transnational corporations. Other resource-rich countries, such as Zimbabwe and Bolivia, are preparing to follow suit.



This analysis highlights the scale and scope of human rights and environmental abuses linked to Chinese companies’ operations overseas. From January 2021 to December 2022, a total of **102 allegations of abuse** were recorded by the Business & Human Rights Resource Centre (Resource Centre). These allegations of abuse sit alongside similar alleged abuses by North American and European companies recorded in the Resource Centre’s Transition Minerals Tracker (TMT), as well as other reports on the human rights and environmental impacts of renewable energy supply chains in the Andes, Southeast Asia, Kenya and South Africa, highlighting the risks of irresponsible business practices for vulnerable local communities, Indigenous Peoples and migrant workers around the world.

Despite important advances promoted by the Chinese Government and the mining business association CCCMC on overseas corporate responsibility, the overall findings of this briefing suggest human rights and environmental risks in transition mineral supply chains associated with Chinese companies, including exploration, extraction and processing, are significant.

Key findings include:

- Indonesia has recorded the highest number of allegations of abuse (27), followed by Peru (16), Democratic Republic of Congo (DRC) (12), Myanmar (11) and Zimbabwe (7).
- Over two thirds of the allegations (69) involve human rights abuses against **local communities**. The most salient risks concern impacts on livelihoods, Indigenous Peoples’ rights and insufficient or lack of consultation.
- Over half (54) of the allegations involve negative **environmental impacts**, where water pollution, effects on wildlife and species habitat, and issues with access to water are frequently recorded.
- More than a third of the allegations (35) concern **workers’ rights**. The majority link to health and safety risks in the workplace.
- Despite the significant number of recorded allegations, only seven of the 39 companies have published human rights policies, indicating significant room for improvement in both policies and practices.
- Despite commitments to openness and transparency, we received only four responses from the 22 Chinese companies in the sector who were approached regarding these human rights allegations (a response rate of 18%).

As these findings illustrate, further and urgent action is required to mitigate the growing risk of human rights harm related to transition mineral extraction. Lack of company action risks lost public support, conflict, suspensions, delays and rising costs – something our planet can ill afford. A different approach, one which centres human rights and promises a swift and just transition, can be built around three key principles:

- Shared prosperity** to build public support;
- Robust human rights and environmental due diligence** to mitigate social and environmental harm;
- Fair negotiations** to build a stable investment environment.

As demand for transition minerals to fuel green technologies remains a global priority, the scope for human rights infringements by mining companies and their investors remains a major concern. Commitment to these principles has never been more important.

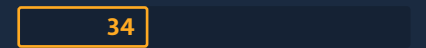
TOP CATEGORIES OF IMPACTS

Each allegation can be associated with more than one category of impact. Figures represent the number of times an impact was recorded across 102 allegations.

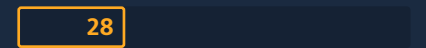
Impacts on local community & attacks against civil society organisations (CSOs)



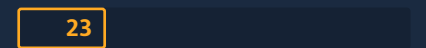
Impacts on livelihoods



Indigenous rights



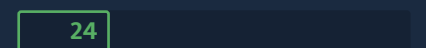
Insufficient/inadequate consultation



Environmental impacts



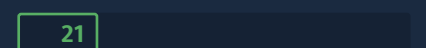
Water pollution



Impacts on wildlife/species habitat



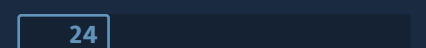
Access to water



Impacts on workers



Occupational health & safety



Context

The Chinese Government has made a welcome [pledge](#) to support green energy and stop building coal power projects overseas. Nationally, governmental and sectoral policies and guidelines have been adopted. In its latest [Human Rights Action Plan \(2021-2025\)](#), the government highlights “promoting responsible business conduct in global supply chains.” New guidelines urge [financial institutions](#) and [companies](#) to adopt higher environmental, social and governance (ESG) standards.

Despite progress in the development of guidelines and other initiatives by governmental bodies and leading business associations, these efforts have yet to transform companies’ practices overseas. There is an urgent need, in China and in the host countries of Chinese investments, for effective instruments to advance transparency, due diligence and corporate legal accountability.

In China, an overarching legal framework to regulate the impacts of Chinese overseas businesses and supply chains is lacking. Existing policies, which are mostly voluntary in nature, fall short of effective corporate accountability – something now being addressed in Europe with the Corporate Sustainability and [Due Diligence Directive](#). There is also momentum in [Japan](#) and [South Korea](#) for more substantial mandatory human rights and environmental due diligence (mHREDD) regulatory systems.

Many of the projects operated or invested in by Chinese companies are located in resource-rich host countries with weak governance and limited options for victims to seek remedy. There is an absence of legislation in China mandating extra-territorial human rights, environmental due diligence and access to remedy, leaving workers and communities with few, if any, options to insist on companies’ duty of care or effective recourse when corporate abuses take place.

Leading business associations, such as the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC), play an active role in [coordinating](#) corporate social responsibility initiatives and have recently [launched](#) a pilot sectoral mediation and consultation mechanism. Communities and workers, as well as other stakeholders, affected by mining can file complaints alleging companies have not adhered to “recognised codes for responsible business conduct,” including [CCCMC’s Guidelines](#) and the [United Nations Guiding Principles on Business and Human Rights](#) (UNGPs). The mechanism will offer a mediated dialogue process for communities and companies to negotiate redress for environmental and social concerns. As the mechanism enters its piloting phase, analysts have [suggested further improvements](#), including to strengthen the mechanism’s independence and its accessibility for stakeholders with limited means to engage.

Given their vital role in renewable energy sectors, Chinese actors have huge potential to lead a responsible transition to clean energy. However, this can only be achieved when Chinese businesses and regulators take proactive and principled measures to address the long-standing environmental and social challenges linked to transition minerals, with coordinated efforts and support from other buyers, investors and key stakeholders across the mineral supply chains.



Methodology

This report analyses 102 allegations of human rights and environmental abuses related to Chinese investments overseas, involved in the phases of exploration and licensing, mining or processing (smelting and refining) in nine minerals crucial for the green energy transition. In addition to the six major minerals tracked by the Resource Centre's [TMT](#) (cobalt, copper, lithium, manganese, nickel and zinc), aluminium, chromium and REEs were also included in this analysis, given the considerable volume of Chinese overseas investment in these minerals and the potential human rights and environmental risks associated with mining and processing them.

The term '**allegation**' refers to publicly reported allegations of specific incidents of:

- ➔ Abuse by a company;
- ➔ Civil society action against companies; or
- ➔ Publicly reported attacks against human rights defenders (HRDs).

The sources of the allegations include local and international NGOs and media reports, which cited concerns raised by workers, trade union or communities, primarily in English, Chinese, Spanish and French. The trends identified below provide an indication of the human rights concerns related to Chinese overseas investment in transition minerals during this period, but also the level of activity by civil society in monitoring and reporting on those abuses (and their ability to do so).

One allegation can be associated with multiple impacts and/or minerals, i.e., an incidence of water pollution may have other impacts, such as health impacts or impacts on livelihoods. Our typology of impacts includes [51 indicators](#). **Impacts are categorised into six broader categories of human and environmental abuse:** environmental impacts (E), local communities and attacks against civil society organisations (LC), impacts on workers (W), governance and transparency (G), security issues and conflict zones (S) and the Covid-19 pandemic (C), which mostly aligns with our Transition Minerals Tracker (TMT) [methodology](#).

In order to illustrate the trends specific to Chinese business actors in the global mineral supply chain, this data analysis was based on a modified version of our TMT methodology. The following table illustrates the main differences between the two methodologies.

MAIN DIFFERENCES BETWEEN THE METHODOLOGIES OF THE CURRENT DATASET ON CHINESE INVESTMENTS OVERSEAS AND TRANSITION MINERALS TRACKER

↓ Current dataset on Chinese investments overseas

↓ Transition Minerals Tracker (TMT)

Scope of minerals

- ➔ Aluminium
- ➔ Chromium
- ➔ Cobalt
- ➔ Copper
- ➔ Lithium
- ➔ Manganese
- ➔ Nickel
- ➔ Rare earth elements
- ➔ Zinc

- ➔ Cobalt
- ➔ Copper
- ➔ Lithium
- ➔ Manganese
- ➔ Nickel
- ➔ Zinc

Phases in mineral supply chain

- ➔ Exploration and licensing
- ➔ Mining
- ➔ Processing (smelting & refining)

- ➔ Mining

Scope of companies/business actors

All relevant Chinese business actors including Chinese-headquartered companies and their subsidiaries, SMEs and illegal miners, which may be unidentified.

Larger, named mining companies regardless of location of headquarters.

Counting of allegations

Allegations counted per mineral in a particular country. Since most cobalt mines are associated with copper, in order to avoid double counting, we only count the allegations in cobalt mines towards cobalt, but not copper. On the other hand, allegations in the same industrial zone processing several minerals may be counted more than once, as they may occur in different plants.

Allegations counted per company, i.e. one allegation may be counted more than once if it involves more than one company.





Key findings

Geographical spread

The 102 allegations of human rights and environmental abuse recorded between January 2021 and December 2022 span 18 different countries. Among these, Indonesia recorded the highest number (27) of allegations, followed by Peru (16), DR Congo (12), Myanmar (11) and Zimbabwe (7). Together, these five countries make up over 70% of all reported allegations – with China a major economic partner for all five countries. Overall, the majority of reported human rights allegations are concentrated in Asia & Pacific (42%), with a significant number occurring in Latin America (27%) and Africa (24%).

NUMBER OF ALLEGATIONS BY REGION AND COUNTRY



Phases of transition mineral supply chain

Human rights risks associated with transition mineral supply chains emerge as early as exploration for mining projects begin – and continue down the mining supply chain, including during the extraction and processing phases.

Based on the data collected, most of the human rights allegations (49) occurred in the extracting phase of the supply chain. This was followed by processing, including smelter and refining (28 allegations) and exploration and licensing (25 allegations).

There is a need for companies, governments and other stakeholders to perform robust human rights and environmental due diligence. Taking steps to address the human rights and environmental risks throughout the supply chain could not be more urgent.

ALLEGATIONS RECORDED AT SUPPLY CHAIN STAGES

Exploration and licensing

25 allegations

Extracting

49 allegations

Processing

28 allegations

Top impacts recorded at each stage

Exploration and licensing:

- ➔ Indigenous rights
- ➔ Absence of or insufficient environmental impact assessment
- ➔ FPIC
- ➔ Impacts on wildlife and species habitat
- ➔ Insufficient/inadequate consultation

Extracting:

- ➔ Impacts on livelihoods
- ➔ Repressive state forces (complicity/cooperation)
- ➔ Right to peaceful protest (including road blockades)
- ➔ Indigenous rights
- ➔ Water pollution
- ➔ Occupational health & safety

Processing:

- ➔ Occupational health & safety
- ➔ Impacts on livelihoods
- ➔ Air pollution
- ➔ Labour hiring/firing practices
- ➔ Worker health (Covid-19 related)

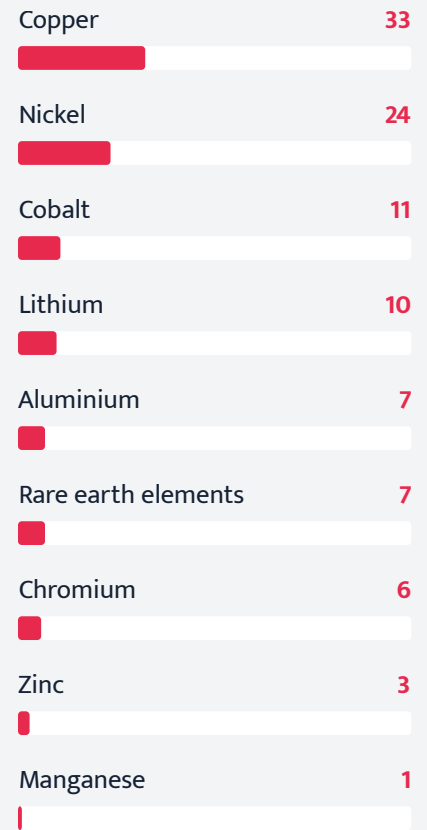


Allegations by mineral

As the demand for transition minerals grows, our [TMT](#) has found mining companies' human rights due diligence is not keeping pace with expanding exploration, thus increasing the risk of further abuse in this already troubled sector. Alongside the minerals tracked by the TMT, chromium, aluminium and REEs are also essential to renewable energy technology, particularly the manufacturing of solar panels, wind turbines and EVs – and Chinese investment in these minerals abroad is significant. These minerals have also been analysed alongside other major transition minerals due to the heightened human rights and environmental risks in their supply chains.

Copper was found to have the highest number of human rights allegations (33) associated with it. Nickel is the mineral with the second highest number of human rights allegations (24) in Chinese overseas projects, of which 20 took place at smelters/refiners producing ferronickel and stainless steel or EV battery materials in Indonesia. Cobalt and lithium follow, associated with 11 and 10 allegations respectively. Aluminium and REEs were each associated with seven allegations of abuse.

NUMBER OF ALLEGATIONS BY MINERAL



Indonesia: Environmental, labour, social challenges and regulatory gaps in Chinese investor-dominated nickel integrated industrial parks

With the support of foreign investment from China and other countries, Indonesia aims to set itself up as a hub for electric vehicles (EV) manufacturing by advancing the nickel-based battery materials industry and establishing a complete nickel supply chain. However, these ambitions may be frightfully compromised by the environmental, labour and social harms associated with the process.

The Resource Centre has recorded 20 allegations in two years regarding nickel smelter industrial parks and facilities in Indonesia. These allegations include links to major Chinese investor-dominated projects: the [Delong Nickel Industrial Area](#), [Indonesia Morowali Industrial Park](#), [Indonesia Weda Bay Industrial Park](#) and [Obi Island Battery-grade Nickel Smelter Project](#) backed by a few largest mining and processing companies, such as [Tsingshan Group](#), [Zhejiang Huayou Cobalt](#), [Jiangsu Delong Nickel Industry](#), and [Lygend Resources](#). More detailed analysis can be found in our report “[Powering electric vehicles](#)”. These projects have reportedly [caused](#) air pollution, water pollution, soil contamination, flood, deforestation and biodiversity loss. In addition, coal plants powering some of the facilities, which contradict China and Indonesia’s commitments to the green energy transition, allegedly pose severe [health risks](#) to residents, particularly children. Local groups have also [claimed](#) that nickel extraction and processing has led to the loss of livelihood and access to food and water for local communities, as well as the escalation of social conflicts due to land grabbing and repressive security approaches to people who defend their living space.

Media coverage and NGO reports reveal [intensified labour conflicts](#) triggered by poor working conditions, frequent worker-related [death and injuries](#), unequal and discriminatory treatment between migrant workers from China and local workers, as well as layoffs of trade union leaders. Moreover, the COVID-19 pandemic exacerbated the exploitative situation of [Chinese migrant workers](#). Hundreds remained stranded in project sites primarily located in remote and isolated parts of Indonesia and have experienced widespread labour abuses. Many were [subjected](#) to deceptive and exploitative recruitment practices, excessive working hours, risks to their occupational health and safety, underpayment of wages and restrictions on their freedom of speech and movement, among other grave human rights violations. Some even fell victim to [human trafficking](#) when trying to cast off unfavourable conditions. With companies and the Indonesian and Chinese governments failing to address labour concerns – despite mounting allegations – protests over labour conditions in Gunbuster Nickel Industry (GNI) smelter, owned by Jiangsu Delong Nickel, turned into a [violent clash](#), killing one Indonesian and one Chinese worker in January 2023.

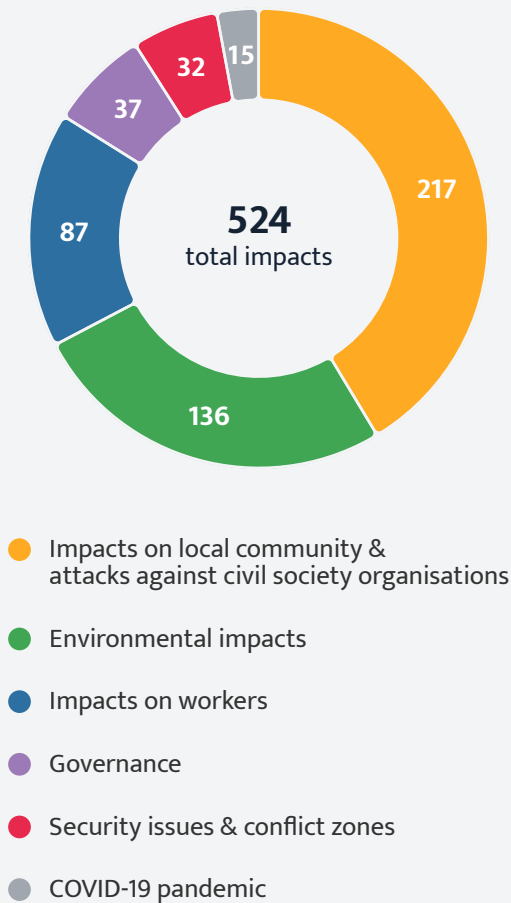
We reached out to a number of companies and buyers operating in or sourcing from the facilities mentioned above (see responses from [Vale Indonesia](#), [ERAMET](#), [Ford](#), [BASF](#)). Among the Chinese companies approached, only Huayou Cobalt responded by partly admitting [social and environmental challenges](#) and explaining its [labour due diligence measures](#). Unfortunately, most other companies – including Tsingshan Group, Jiangsu Delong Nickel and Tesla – remained silent over concerns raised by civil society.



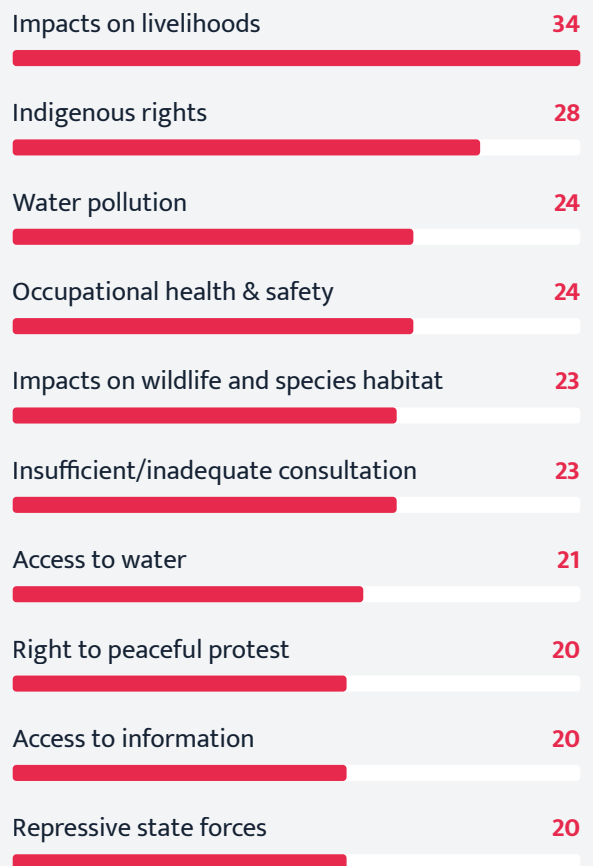
Human rights & environmental impacts

Chinese overseas investment in transition minerals is associated broadly with concerns regarding negative impacts on the environment and local communities, particularly Indigenous Peoples and workers.

NUMBER OF IMPACTS BY CATEGORY



TOP 10 HUMAN RIGHTS AND ENVIRONMENTAL IMPACTS





Myanmar: Illicit and unregulated heavy rare earth extraction in conflict-affected areas taints global supply chains

[Rare earth elements](#) (REEs) are critical for many high-tech devices, including consumer electronics and renewable energy, such as wind turbines and EVs. As [demand](#) for REEs rises, illegal rare earth extraction has reportedly surged in the northern Kachin State, bordering China, following Myanmar's military coup in early 2021. Rights groups and NGOs have [recorded](#) environmental damages and human rights abuses linked to businesses backed by Chinese owners or investors complicit with local arms groups. These harms include dreadful pollution and ecological devastation, impacts on endangered species and local livelihood, lack of workplace protection, widespread use of child labour, intimidation and harassment of residents opposing mining and rampant corruption.

A [Global Witness report](#) tracks how heavy REEs are exported to China and refined by Chinese state-owned enterprises. Chinese companies [account for 85%](#) of global REEs processing capacity. After the refinement stage, the processed materials go down to permanent magnet manufacturers and, in the end, to the world's best-known manufacturers of EVs, wind turbines and electronics.

According to the report, only three manufacturing companies commented on their REEs supply record. In contrast, dozens of other companies, including the Chinese refiners and manufacturers named, did not respond to Global Witness's inquiries about corporate supply chain due diligence practices. While China continues to play a vital role in the REEs market, urgent and heightened environmental and human due diligence is needed across the entire supply chain to protect vulnerable communities and the environment in Myanmar.



Corporate accountability & access to remedy

As shown in our 2021 “[Going out responsibly](#)” briefing, local communities and workers adversely affected by transnational corporations, including those from China, have faced persistent barriers to remediation and justice. This struggle has continued and was even exacerbated by the COVID-19 pandemic. Affected groups have filed cases on grievances linked to projects backed by Chinese companies or investors in the past few years, but limited progress has been seen. These include cases filed with the International Finance Corporation’s (IFC) [Office of the Compliance Advisor Ombudsman](#) (CAO) regarding the proposed Dairi Prima Mineral zinc mine in Indonesia,⁴ the Organisation for Economic Cooperation and Development (OECD) [National Contact Point](#) regarding the proposed Freida River copper and gold mine in Papua New Guinea,⁵ and even [National Human Rights Commission](#) in the host country regarding workers’ rights in Indonesian nickel industrial complex. A growing number of civil society groups are raising environmental and human rights concerns related to Chinese overseas business projects with UN human rights institutions, including the [Universal Periodic Review](#) (UPR) process, [special procedures](#) and [treaty bodies](#).

However, these efforts are not enough to ensure the accountability of company and state actors for business-related human rights abuses, nor enough to secure remediation of harmful business practices due to prolonged legal, practical and procedural obstacles. Apart from the fragmented, or lack of, corporate human rights and environmental due diligence in the transition mineral supply chains globally, the lack of strong legislation and robust enforcement mechanisms to curb corporate impunity, both in China and in host countries, is a critical barrier that will continue to hinder access to justice for the most marginalised groups affected by businesses, including Indigenous communities and migrant workers.



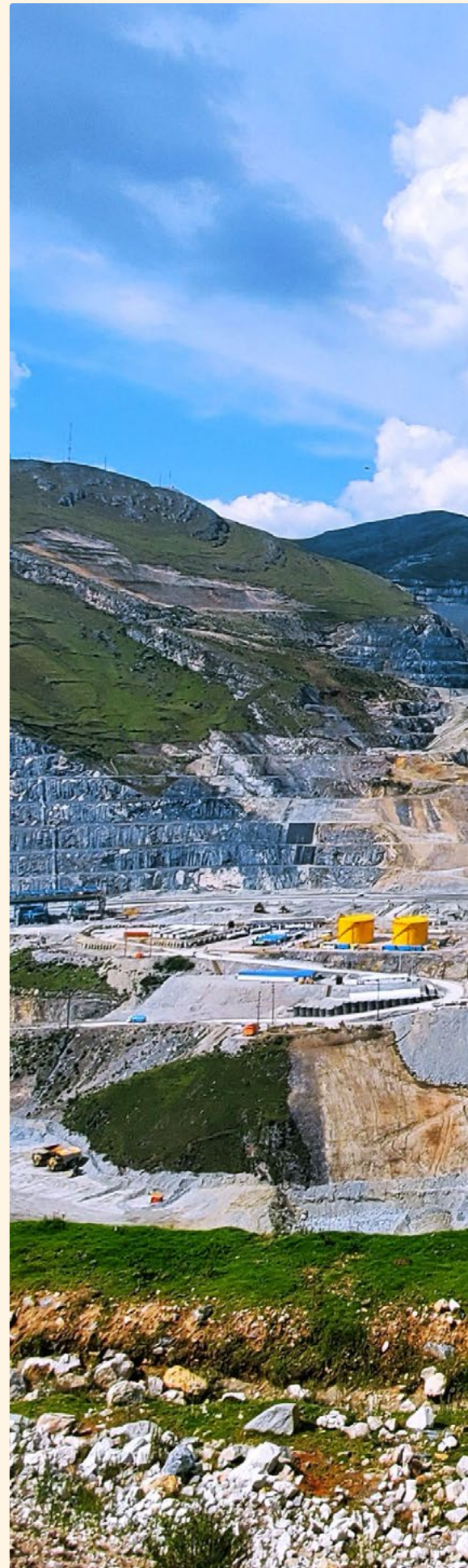
Peru: Unresolved grievance and exacerbated social divisions in Las Bambas copper mine

[Las Bambas copper mine](#) is one of the world's largest, contributing 2% of global copper production. It is also the largest acquisition of mining assets by a Chinese entity abroad. Yet, the constant [social conflicts and complaints](#) linked to allegedly problematic environmental impacts assessments (specifically regarding road building for mineral transport), contamination and environmental impacts, leading to problems obtaining drinkable water, dust and air pollution generated by mining activities, in addition to allegations of unfair compensation, have crippled its operation and caused enormous losses for the company.

Affected communities have filed complaints through different channels. A recent NGO [report](#) submitted to UN Committee on Economic, Social and Cultural Rights (CESCR) documents some communications concerning the negative impacts of Las Bambas with the UN Human Rights Special Procedures. Apart from the chronic environmental and social issues mentioned above, affected groups also accused the police of violent repression of protests in 2015 and 2016, criminalisation of members of Indigenous communities and lack of evidence that free, prior and informed consent (FPIC) was granted by Indigenous communities. Moreover, civil society actors complain about the lack of responses from the company and the Chinese Government, despite frequent attempts to build dialogue by local and regional CSOs.

It is worth noting [Minerals and Metals Group](#) (MMG), the operator of Las Bambas, is the only Chinese-owned mining company which has committed to several well-recognised voluntary responsible business initiatives, in addition to its corporate human rights policy. It is a member of the [International Council on Mining and Metals](#) (ICMM), [Voluntary Principles Initiative](#) (VPI) and a supporter of the [Extractive Industries Transparency Initiative](#) (EITI). Nonetheless, the Las Bambas copper mine has recorded the highest number of human rights-related allegations (five in 2021 and eight in 2022), both among the controversial Chinese mining projects and in our [global TMT](#).

The significant gaps between corporate policy commitment and performance demonstrate how the existence of policies alone is insufficient to address risks if meaningful HREDD measures, with adequate and meaningful consultation with affected communities, are not in place.



Recommendations

Principles for a just energy transition

Through [global consultation](#) with diverse stakeholders, we have developed three key principles which can contribute powerfully to rapid and successful energy transitions to reduce harm to workers and communities and build public support for the transition:

- ➔ **Shared prosperity:** Effective business models driving fast transitions will build trust and stability and reduce systemic risk through shared prosperity models that build worker and community rights in companies' operations and supply chains.
- ➔ **Human rights and social protection:** Governments and companies have a duty of care to shield workers and communities from harm; to demonstrate due diligence to minimise human rights and environmental risks; and to ensure social protection, retraining and creating new decent work.
- ➔ **Fair negotiations:** Communities and workers need guarantees that negotiations will be fair throughout operational life-cycles and when accessing remediation for harm. There will be inclusive community consultation and robust implementation of the principles of Free, Prior, and Informed Consent (FPIC) for Indigenous Peoples; and guarantees that workers, Indigenous and community leaders will not be silenced through intimidation or violence.

Recommendations to the Chinese Government

- ➔ **Mandatory human rights and environmental due diligence (mHREDD)⁶ legislation within National Action Plan (NAP):** Develop a roadmap towards mHREDD legislation, in line with the UNGPs and OECD Guidelines for Multinational Enterprises, and based on public consultations, including with affected groups, taking into account the impacts by Chinese companies operating within and beyond its territories. This should be central to a comprehensive National Action Plan.⁷
- ➔ **Access to remedy:** Ensure access to judicial and non-judicial mechanisms to provide effective remediation for groups affected by Chinese companies' operations overseas. These mechanisms should be accessible to different affected groups, including Indigenous Peoples and Chinese migrant workers overseas, without discrimination and barriers.
- ➔ **Oversight and communications:** Utilise or establish inter-departmental oversight mechanisms for Chinese businesses overseas among relevant government agencies, such as the Ministry of Commerce, the State-owned Assets Supervision Agency (SASAC), the Ministry of Environment and Ecology, the Ministry of Foreign Affairs, embassies and consulates. These mechanisms should monitor, investigate, and sanction non-compliance and human rights abuses linked to Chinese businesses according to existing laws and regulations and in line with international standards, such as the UNGPs. They should also serve as a channel of communication with concerned civil society groups and be equipped to properly respond to complaints of affected individuals and communities.
- ➔ **Embassies and consulates,** specifically their Economic and Commercial Offices, should strengthen monitoring and guidance on Chinese companies operating in the host countries, based on information gathered from a wide range of sources. Provide assistance on communications and remediation with Chinese companies for affected communities, civil society, other stakeholders and host country governments when necessary.

Recommendations to governments of host countries

- ➔ **Enforce and strengthen laws** protecting local communities and Indigenous Peoples' rights and ensure that standards protecting human rights and the environment are being complied with, give specific consideration to livelihood, land rights, labour rights, FPIC and human rights defenders. Impose sanctions on abusive business misconduct when necessary.
- ➔ **Mandatory human rights and environmental due diligence (mHREDD) legislation:** Pass national laws to implement the UNGPs and OECD Guidelines, including legislation on mHREDD throughout the transition mineral lifecycle and based on effective consultation with communities and other affected groups.
- ➔ **Access to remedy:** strengthen judicial and non-judicial mechanisms to provide effective remediations against business-linked abuses. These mechanisms should be accessible to different affected groups, including Indigenous Peoples and Chinese migrant workers overseas, without discrimination and barriers.

Recommendations to companies across mineral supply chains

- ➔ **Human rights and environmental due diligence (HREDD):**⁸ Implement and report on HREDD throughout operations and value chains, with particular attention to issues related to Indigenous Peoples' rights, workers' rights and land rights.
- ➔ Undertake **meaningful and inclusive consultations** with potentially affected rightsholders and other relevant groups, commit to obtaining consent and to co-ownership through equal dialogue on shared asset models. Publicly report on inclusive consultations with communities and implementation of FPIC principles for Indigenous Peoples prior to taking investment and operational decisions, followed by joint interrogation of shared asset models. Ensure that they can exercise their right to define the process by which FPIC is achieved and to withhold consent. Provide communities and workers with adequate support and information to facilitate equal negotiation of these terms. These processes should be accessible, culturally appropriate, safe and effective.
- ➔ **Assign clear Board responsibility for and oversight of respect for human and environmental rights:** Board approves policies and regularly reviews salient human and environmental risks and impacts, due diligence plans, and remedy outcomes.
- ➔ **Conflict-affected environment & security:** Conduct [heightened human rights due diligence](#) when companies operate in or source from a conflict-affected and high-risk environments (such as Myanmar and DRC) to mitigate risks of being complicit in gross human rights abuses committed by other actors (for example violent groups or security forces), including identifying and assessing supply chain risks, designing and implementing a strategy to respond to identified risks, and publicly disclosing due diligence action and findings. Further, take appropriate measures to cease, prevent, and remedy negative impacts on human rights and conflict that business is causing, contributing to, or linked to. (Refer to [CCCMC's Due Diligence Guidelines](#) for further details)
- ➔ **Remedy:** Establish communication and grievance mechanisms for potential or actual social, environmental or human rights impacts. Ensure such mechanisms are legitimate, accessible, predictable, equitable, transparent and rights-compatible for rightsholders adversely affected by business operations. Enable project-level non-judicial grievance mechanisms that could provide stakeholder-centred remediation for human rights harms.
- ➔ **Incorporate clauses regarding remediation of human rights harms** in contracts with suppliers; provide for or participate in remediation at the very least if they (via supply chains) caused or contributed to the adverse impact.

Recommendations to industry associations

- ➔ **Guide and assist enterprises to comply** with international standards such as the UNGPs and OECD Guidelines, including sectoral guidance, provide awareness raising and capacity building trainings to support companies to implement effective due diligence.
- ➔ **Establish long-term, collaborative relationships** with civil society organizations, especially in host countries, to exchange information on specific challenges and concerns, as well as success stories related to social and environmental impacts of Chinese outbound mining investment.
- ➔ **Make good use of industry-level grievance mechanisms** to facilitate dialogues and conduct investigations when individuals, communities, or other stakeholders express concerns about negative impacts of Chinese companies' overseas operations and investments.

Recommendations to investors and financial institutions:

- ➔ **Commit to rights-respecting investments:** with board oversight, undertake analysis consistent with the UNGPs and OECD Guidelines for human rights and environmental risks related to all transition minerals mining and renewable energy investments. Evaluate risks and impacts of investee companies on people and the planet, alongside financial materiality.
- ➔ **Actively engage with investee companies:** adopt stewardship policies, and develop and implement plans to proactively prevent and mitigate human rights and environmental risks, alongside reputational, legal and regulatory risks. Use leverage with investee companies which cause, contribute to, or are directly linked to human rights and environmental harms, so that companies mitigate negative impacts and provide access to remedy to those affected. Incorporate clauses regarding remediation of human rights impacts in agreements with investees; provide for or participate in remediation at the very least if they (via supply chains) caused or contributed to the adverse impact.
- ➔ **Undertake inclusive human rights and environmental due diligence:** throughout the business and investment cycle, engage with affected groups including worker organisations and communities. Review potential investees' up-to-date record of environmental and human rights impacts.

Endnotes

- 1 The Business & Human Rights Resource Centre invites companies to respond to allegations raised by civil society groups and media outlets before posting those allegations on our website, where companies have not previously publicly responded to the allegations. Read more about our [Company Response Mechanism](#).
- 2 From 2013 to 2020, the Resource Centre made 21 approaches to Chinese metals and mining companies, inviting them to respond to human rights allegations. Five responses were received.
- 3 From 2021 to 2022, the Resource Centre made 177 approaches to metals and mining companies worldwide and received a total of 100 responses. During the same period, the Resource Centre made 21 approaches to metals and mining companies based in Asia (excluding China) and received 9 responses.
- 4 The Compliance Adviser Ombudsman (CAO) scrutinises the community impacts of IFC-backed projects. The Postal Savings Bank of China (PSBC) was an IFC client that received a US\$300 million equity investment in 2015. Subsequently, PSBC loaned funds to the state-owned China Nonferrous Metal Mining Group and its Foreign Engineering and Construction Company (NFC) subsidiary. NFC went on to buy a controlling interest in Dairi Prima Mineral. Complainants claimed that IFC was exposed to the Dairi Prima Mineral mine through its investment in PSBC. Although the complaint met the investigation criteria, the CAO decided not to initiate a compliance investigation because PSBC no longer had active loans with the mine's majority owner or its parent company. For more information, please see "[Compliance Appraisal of a Complaint Regarding IFC's Exposure to the Dairi Prima Mineral Mine in Indonesia Through an Investment in Postal Savings Bank of China](#)".
- 5 The OECD Guidelines for Multinational Enterprises require all OECD members to establish a National Contact Point (NCP) – a government-supported office with the power to handle grievances. PanAust, 80% shareholder in the Frieda River mine, is an Australian-registered miner ultimately owned by the Chinese government and part of state-owned Guangdong Rising Assets Management. The Papua New Guinea communities filed the complaint with the Australian National Contact Point (AusNCP), alleging that the Frieda River Project did not comply with OECD standards. The AusNCP has invited both parties to provide the other with further detail. For more information, please see the Initial [Assessment by the Australian National Contact Point Independent Examiner](#).
- 6 There has been growing momentum worldwide for states to require companies to undertake human rights due diligence through legislation. France was the first country to adopt such a requirement under its Duty of Vigilance law, followed by the Netherlands with due diligence focused on child labour, and now various other governments are considering legislative proposals including Austria, Switzerland, and Luxembourg. In June 2023, the European Parliament adopted its position on the Corporate Sustainability Due Diligence Directive, moving one step closer towards EU-wide legislation.
- 7 A National Action Plan (NAP) is a document in which a state outlines the priorities and actions it will take to fulfill its obligations under the UNGPs. NAPs enable governments to set expectations for companies regarding human rights and provide companies with government support in this area, and act as a means for the state to improve coordination among various government departments. Additionally, NAPs allow for a more active promotion of human rights in the business environment, both within and beyond its borders.
- 8 HREDD refers to the process by which companies identify, prevent, mitigate and account for how they address their adverse human rights and environmental impacts. It should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed. (Refer to [UNGP Principles 17-21](#) for further details). It is typically broader and beyond Environmental Impact Assessments (EIA), by which in many countries, companies are required to assess the potential environmental impacts of particular proposed projects or activities. HREDD is also more of an ongoing process that applies to a company's entire operations, rather than a one-time assessment focusing on specific projects as in an EIA.



Business & Human Rights Resource Centre

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Business & Human Rights Resource Centre is an international NGO which tracks the human rights impacts of over 10,000 companies in over 180 countries, making information available on our 10-language website.

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