

GUIDELINE FOR IDENTIFYING AND ADDRESSING CAHRA RISKS IN THE SUPPLY CHAIN

In order to identify and assess risks in the supply chain relating to conflict you should, as recommended by the OECD Guidance:

1. First, complete a 'red flag identification.' What is a Red Flag? A red flag is a preliminary alert, warning or indicator of a potential risk, which is usually based on the geographic origin of the material and transit route of the material or to location and sourcing practices of the supplier, among other factors. A red flag does not necessarily indicate an actual risk, but the potential for risk that triggers a need for further investigation. For your red flag identification process, you consider the following red flags:

Type of Red Flag	Description
Red flag locations of mineral origin and transit	
Supplier red flags	

To identify whether any of these red flags may be triggered in your supply chain, you may make best efforts to collect the following information:

- Country of origin of the material (e.g. gemstone, diamond, or precious metal) you source;
- Countries through which the material has been transported or transited prior to delivery to your business;
- Quantities, expressed in volume or weight of the material received;
- The suppliers' sourcing practices and forms of control, meaning:
 - Whether they have a shareholder interest or other interests in known suppliers that supply materials from or operate in a CAHRA.
 - Whether they have sourced from a CAHRA over the last 12 months.

Such information may be collected through various methods, including but not limited to:

- Supplier engagement, for example, through questionnaires and/or in-person meetings or remote interviews;
- Desk research;
- Information collected through the business's grievance mechanism; etc.

2. **Analyse your supply chain to identify CAHRAs.** In order to identify the red flags listed above, you should also have a process in place to determine whether a certain country may fall under the definition of CAHRA. To do so, you may analyse the following country-level risk indicators:

Areas	Indicators
Indicators of areas with weak or no governance or security	Political instability or repression Institutional weakness Insecurity Collapse of civil infrastructure Widespread Violence
Indicators of areas in a state of conflict	Internal conflict Wars of liberation or insurgencies Civil Wars Any armed aggression
Indicators of areas affected by widespread human rights abuses and violations of law	Torture or cruel and degrading treatment Forced and child labour Widespread sexual violence War crimes Crimes against humanity Genocide

You may collect information related to such indicators by adopting various indices and resources. *You can find information on useful resources in the CAHRA determination document as part of this toolkit. You can also easily find out whether a certain country may be considered a CAHRA by using the Due Diligence Tool*

available in the Gemstones and Jewellery Community Platform, a tool that automatically analysis key indexes and resources for you.

3. If you have identified the presence of red flags in your supply chain, you should proceed to conduct a more in-depth risk assessment to determine whether there are risks in your supply chain. Where you have identified a red flag in your supply chain, you need to assess the risk that adverse impacts (in particular, those listed in the Explanation section) are actually occurring.

Because every supply chain is different – different origin of material, suppliers, and trading arrangements and terms – this more in-depth risk assessment needs to be tailored to your business’ unique supply chain and risk profile. At this stage, you should make reasonable efforts collect more detailed information about your red-flagged supply chains, such as:

- The specific area of origin or the mineral in question, and the context of the area, including the local governance and rule of law, the potential presence of human rights issues, the potential association of the area with illicit trade and with armed conflict, etc.;
- The supplier’s sourcing and production practices and ability to manage risks.

There are a number of ways of conducting risk assessments that you should select based on the specialist skills you have in-house, the budget available for contracting external parties, and the level of effort it would take to examine specific risks that you identify.