



ICGLR THIRD PARTY AUDIT AT SMB EXECUTIVE SUMMARY (Published on 27 July 2016)

1. Introduction

a. Audit objective (reference to Regional Initiative, RCM)

To validate conformance of the mineral exporter, Société Minière de Bisunzu (SMB), to the requirements of the Mineral Certification Scheme of the International Conference on the Great Lakes Region per Version Final November 2011 and its appendices.

b. Auditee

i. General Information

SMB Sarl is a limited company registered in the DRC.¹ In 2006, Edouard Mwangachuchu Hizi, obtained a mining licence (PE 4731) for a concession of 30.5 square kilometres for his company MHI to exploit cassiterite, coltan, wolframite, monazite and other minerals in the area of Rubaya, in Masisi territory, North Kivu province.² In 2014, Edouard Mwangachuchu ceded the mining licence in full to SMB.³ Ben Mwangachuchu, a former CEO of MHI, manages SMB.⁴

¹ Siège social : 206, Avenue du Lac Nord—Kivu ; Numéro d'identification Nationale : 5—910-N79880N - Numéro de Registre du Commerce et de Crédit Mobilier : GOM/RCCM/I4—B—009.'

² MHI has a mining license for 36 *carrés*; 1 carré = 84,955 Ha (See Décret n° 038/2003 du 26 Mars 2003 portant Règlement Minier, Article 39, Alinéa 4); SMB 2015 Annual report; Certificat d'exploitation, no CAMI/CE/2430/2006, dated 11 August 2006. All documents on file with the auditor.

³ Inscription de la cession totale du permis d'exploitation no 4731, dated 22 September 2014. On file with the auditor.

⁴ Rapport sur la mise en oeuvre du devoir de diligence raisonnable, exercice 2013, MHI.

https://www.itri.co.uk/index.php?option=com_mtree&task=att_download&link_id=55191&cf_id=24

ii. Business Information (includes type of mines sourced from LSM and/orASM)

On 28 November 2013, MHI and the Coopérative des Exploitants Artisanaux Miniers de Masisi (Cooperamma), a registered cooperative operating throughout Masisi, signed a '*Protocole d'Accord de Cooperation*' or memorandum of understanding (MoU). The MoU is a pragmatic solution to address a historic feud between the owners of MHI (subsequently of SMB) and the local population in Rubaya and members of Cooperamma. Artisanal mining had been taking place in several locations in the Rubaya area for decades, and the artisanal miners were hostile towards MHI operations.⁵ According to the MoU, artisanal mining can continue on SMB's concession, while all Cooperamma members' production will be sold to MHI at market price, creating in theory a 'closed pipe'. The MoU also states that both parties promise to respect environmental and traceability regulations.⁶ Both parties also commit to ensure that no children, pregnant women or armed groups work as artisanal miners.⁷ The MoU was meant to be revised six months after the signature, but this had not yet been done at the time of the audit.

As a result of the MoU, SMB has continued to conduct semi-industrial operations in one coltan mine (Bibatama D2) on its perimeter, while Cooperamma has continued to exploit, through artisanal mining, the rest of the mining sites on SMB's concession and now sells the production to SMB (see Table 1).

There are currently seven green validated mining sites on the concession (see Table 1).⁸ Tagging started in the area of Rubaya in 2014. Some of the sites are open-pit (Luwowo; Bibatama D2), others are underground mines (Gakombe D4). Due to stabilisation works, Bibatama D2, SMB mine, has not been in production since end of March 2016. While SMB holds a mining license, which is *de facto*, in DRC, for semi-industrial/industrial mining purposes, no industrial or semi-industrial mining was taking place on SMB's concession at the time of the auditor's visit. The exploitation at the time of the visit was of an artisanal nature and was not conducted by SMB.

While SMB is licensed to exploit a range of minerals, in 2015, it bought and exported exclusively coltan from DRC.

Table 1: Mining sites on PE 4731

SITES	TYPE OF MINING	MINERALS	OPERATOR
D2 Bibatama	Semi-industrial	Coltan	SMB

⁵ Mwangachuchu Hizi International Baseline Audit Report – Executive Summary; Dr. Michael Priester, BGR; April 2012;

http://www.bgr.bund.de/EN/Themen/Min_rohstoffe/CTC/Downloads/CTC_DRC_Baseline_Audits_Bibatama.pdf?blob=publicationFile&v=4

⁶ Article 5, Protocole d'accord de collaboration dated 28 November 2011.

⁷ Article 5, Protocole d'accord de collaboration dated 28 November 2011.

⁸ The Ministry of Mines validates mine sites. See <http://www.pactworld.org/projects/scaling-itsci/partners>

SITES	TYPE OF MINING	MINERALS	OPERATOR
Gakombe D4	Artisanal	Coltan	Cooperamma
Luwowo	Artisanal	Coltan	Cooperamma
Koyi	Artisanal	Coltan	Cooperamma
Mataba D2	Artisanal	Coltan	Cooperamma
Bundjali	Artisanal	Coltan	Cooperamma
Bibatama D3	Artisanal	Coltan	Cooperamma

c. Auditor

i. Audit Firm

Estelle Levin Ltd (ELL). Audit funder is Tetra tech.

ii. Lead Auditor

Emilie Serralta

2. Scope of audit

a. Methodology (provide a general description of methodology)

Originally planned to take place in late 2015, the third party audit was postponed to 18-23 April 2016. During the trip, the audit period was extended until 26 April 2016, in order to collect additional information and after agreement with the ICGLR observer.

The audit examined the records and operations of the Exporting Entity (SMB) including all other entities and actors upstream in the mineral chain as well as industrial and artisanal mines, traders, and producers that have supplied Designated Minerals to the Exporting Entity during the period covered by this audit. The audit covers transport routes and interviews.

While SMB is the holder of a valid mining right (PE 4731) that permits it to engage in non-artisanal exploration or exploitation of mineral substances, the Audit Committee recommends that ASM criteria should be used at mine sites where the activity is artisanal in practice (regardless of permit conditions).

The auditor has therefore applied the ICGLR RCM’s Inspection Criteria for Artisanal minesto SMB.⁹

b. Provide a short overview of what was actually reviewed including: records, operations, mine sites, and other entities that were part of the audit.

Geographical scope of audit:

- Head office of SMB

⁹ See p.5 of the Manual of the RCM: ‘ARTISANAL MINING means mineral extraction undertaken generally by individuals, small groups of individuals, or cooperatives working with hand tools or very basic forms of mechanization.’

- Mine site(s) owned by SMB
- Mine sites and offices from which SMB purchases minerals
- Local offices of the Ministry of Mines

Documents reviewed:

Please refer to Section IV Audit Methodology, sub section D. Records/Document Review

SMB provided **most** of the documents requested in the list, as well as additional documents; not all documents requested from SMB were provided in a timely and efficient manner. However, the auditor was still able to review a substantial date range of documents within the temporal scope of January to December 2015. The auditor was able to freely access correspondence, exports documents, bank account statements and make copies when needed.

Materials covered during the audit period:

- Tantalum (Coltan)

Audit period reviewed: January - December 2015.

Interviews: Discussions as well as interviews took place with SMB and Cooperamma staff, DRC Government and institutions and Pact staff; some of them were interviewed on several occasions. In addition, the auditor interviewed staff of local and international NGOs, people living near the mines and people working on the mines.

Field visits: As previously noted, SMB's concession hosts 7 validated mines. However, at the time of the visit, SMB semi-industrial mine, Bibatama D2, was not in production and activities at Gakombe mine had been suspended.

The auditor visited:

- Luwowo – the artisanal mine with the largest production
- Bibatama D2 – the mine SMB exploits semi-industrially
- The situation in Gakombe D4 was observed from the surroundings of the mine.

3. Findings (flag status)

a. Mine sites and trade routes

Summary Table of conformance to RCM status criteria

CONFLICT	WORKING CONDITIONS	ENVIRONMENT	FORMALITY/ TRANSPARENCY	COMMUNITY DEVELOPMENT

Summary Table of conformance to RCM progress criteria

CONFLICT	WORKING CONDITIONS	ENVIRONMENT	FORMALITY/ TRANSPARENCY	COMMUNITY DEVELOPMENT

b. Exporter Requirements

RECORDS	TAXES	CASH PURCHASES	BRIBES	HUMAN RIGHTS	CONFLICT	PUBLIC or PRIVATE SECURITY	CHAIN of CUSTODY	DATA	OWNERSHIP

4. Conclusion

Based on the scope and findings of the audit, the locations visited, the individuals interviewed and the processes reviewed, the auditor identified several non-conformances between the auditee’s operations and the requirements of the ICGLR Regional Certification Mechanism – Certification Manual. The auditee must address non-conformances through corrective actions, within an agreed timeframe.