

# Position Paper: Sustainability Standards and Assurance Schemes

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## ABOUT COBALT INSTITUTE

Cobalt Institute is the global industry association for the cobalt value chain. Our members include leading producers, refiners, recyclers, traders, and users of cobalt, and other cobalt-related businesses. Through knowledge-sharing, collaboration, engagement, and advocacy we promote the responsible, sustainable, and safe production and use of cobalt in all its forms.

## ABOUT COBALT

Cobalt is a key component in lithium-ion batteries, essential for electric vehicles (EVs), and renewable energy storage systems. In addition, cobalt's myriad other uses include roles in jet turbines, electronic integrated circuits and semi-conductors, orthopaedic and dental implants, vitamin B12, electroplating, inks and pigments, magnets, and more. Cobalt is mined around the world and the vast majority is produced as a by-product from industrial copper and nickel mines, with large-scale mining (LSM) occurring in the Democratic Republic of Congo (DRC), Indonesia, Australia, Philippines, Cuba, and a number of other countries. A small portion of cobalt production takes place via artisanal and small-scale mining (ASM), almost all in the south-east of the DRC known as the Copperbelt.



# TABLE OF CONTENTS

Executive Summary .....	1
Purpose: The need for a constructive dialogue on standards .....	2
Our perspective on standards: Essential tool yet not a silver bullet .....	3
Our dialogue on standards: What we heard .....	3
Our dialogue on standards: Where we landed .....	5
Our commitment .....	7
Recommendations.....	8



# EXECUTIVE SUMMARY

In 2023, the Cobalt Institute - the global industry association for the cobalt value chain representing leading producers, refiners, traders, recyclers and users of cobalt and other cobalt-related businesses – launched a dialogue on Sustainability Standards and Assurance Schemes ('Standards'). Through the dialogue, we engaged over 70 key stakeholders: industry, government, civil society, and standard-setting bodies.

This dialogue aimed to better understand the different needs and expectations regarding Standards and help us collectively move to a better understanding of how best to employ them to achieve more impact with their implementation. In parallel, this process provided an opportunity to renew constructive dialogue between all stakeholders.

Informed by this dialogue,

## **THE COBALT INSTITUTE IS SUPPORTIVE OF SUSTAINABILITY STANDARDS AND ASSURANCE SCHEMES THAT ARE:**

- **Designed to meet the needs of all cobalt supply chain actors and stakeholders**
- **Governed through balanced multi-stakeholder structures**
- **Credible, ambitious, practical, and implementable**
- **Aligned with international authoritative frameworks**

## **WE SEE SUCH STANDARDS AS A VALUABLE TOOL FOR DRIVING IMPROVED ACTION IN A COMPANY'S OPERATIONS AND ACROSS THE SUPPLY CHAIN.**

Building on our dialogue on Sustainability Standards and Assurance Schemes, we have identified a series of recommendations to continue to advance this dialogue and strengthen the outcomes of Standards.

The Cobalt Institute is committed to and looks forward to continuing to promote further constructive dialogue and collaboration on Standards between value chain actors, government, civil society and standard-setting bodies. We offer our knowledge and expertise on cobalt for the development of relevant Standards, guidance and legislation.

## **WE ENCOURAGE ALL STAKEHOLDERS TO SUPPORT A LANDSCAPE OF SUSTAINABILITY STANDARDS AND ASSURANCE SCHEMES THAT ENABLES ALL COMPANIES IN THE COBALT VALUE CHAIN GLOBALLY TO PROGRESS IN ALIGNMENT WITH EVOLVING REGULATIONS AND EXPECTATIONS.**



# PURPOSE: THE NEED FOR A CONSTRUCTIVE DIALOGUE ON STANDARDS

The transition to net zero requires significant scale-up of low-carbon and clean energy technologies, which are mineral intensive. Cobalt is essential to these technologies, with cobalt production predicted to have to increase by more than 450% by 2050 to meet demand<sup>1</sup>.

This increased demand for cobalt goes hand in hand with a growing desire from the industry to demonstrate increased Environmental, Social and Governance (ESG) performance, particularly for the automotive sector leading the electric vehicle revolution.

Over the last few years we have seen growing attention on Sustainability Standards and Assurance Schemes ('Standards') for mineral supply chains. Downstream companies are increasingly placing Standards at the centre of their approaches governing their minerals supply chains. This is one of the reasons that a proliferation of Standards has emerged. And while voluntary in a legal sense, Standards have often become mandatory in effect due to the market power of the companies that apply them. They are also increasingly referenced within regulatory requirements for environmental and human rights due diligence.

At the same time, many supply chain actors and stakeholders are confused by a bewildering landscape of Standards. Some stakeholders view certain Standards as too industry driven and falling short on transparency, while some companies feel particular Standards are being cascaded contractually without any shared responsibility on ESG issues between the customer and buyer.

There is currently a pressing need for more meaningful dialogue between cobalt supply chain actors, downstream actors and other stakeholders to build a shared vision on how to best to design and use these Standards to meet compliance, whilst driving transparency and achieving more impact with their implementation.

In 2023, against this backdrop, the Cobalt Institute launched a dialogue on Sustainability Standards and Assurance Schemes, engaging stakeholders across the cobalt value chain: industry (upstream, mid-stream and downstream companies), government, civil society, and standard-setting bodies. In total, we engaged with over 70 stakeholders through bilateral interviews and four roundtables convened in Paris, Washington, D.C., London and virtually.

**Rather than seeking to define a new Standard, this paper provides the Cobalt Institute's position on Sustainability Standards and Assurance Schemes in the cobalt value chain, with consideration for the minerals sector more broadly. It articulates our perspective on what makes a credible Standard for the cobalt supply chain and the key opportunities and challenges in implementing them. This paper has been informed by our dialogue on Standards.**

<sup>1</sup> World Bank Group, "Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition"  
<https://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf>



# OUR PERSPECTIVE ON STANDARDS: ESSENTIAL TOOL YET NOT A SILVER BULLET

The Cobalt Institute defines a Sustainability Standard and Assurance Scheme ('Standard') as one that provides a voluntary framework to manage and assess a company's ESG performance against a defined set of expectations or criteria. They articulate an agreed definition of responsible practices (through a standard) and outline an approach for verifying this (through an assurance process).

Standards articulate an agreed definition of responsible practice through the standard-setting process. And, in most cases, they outline an approach for verifying this through the assurance process. Standards should not replace national due diligence regulations or permitting requirements, and should complement or reinforce these defined frameworks.

Standards are used to demonstrate ESG performance to external parties and promote transparency. They can increase market access and generate trading opportunities. They are also particularly valuable for more efficient exchanges between suppliers and customers on due diligence issues, for example by replacing the need for each customer to individually audit its supplier.

Standards cannot replace a company's environmental and human rights due diligence in its own operations and business relationships. But they do play a role in strengthening a company's management systems and supporting continuous improvement, by providing a formally defined benchmark and an external review relative to it.

Standards can also have their limitations. Most rely on time-bound third-party audits that are neither continuous nor comprehensive in their coverage. Additionally, audits alone are not necessarily designed to identify and address the root causes of systemic issues.

## OUR DIALOGUE ON STANDARDS: WHAT WE HEARD

### A BUSY LANDSCAPE

- **Growing complexity of requirements:**

Many stakeholders commented on the high number of overlapping Standards for mineral supply chains, some finding it confusing and difficult to navigate. They agreed that some simplification and rationalisation of the landscape would be useful to counter having to navigate a growing set of Standards related to mineral supply chains and increasing disclosure requirements.

- **Insufficient consensus on approach:**

While some called for the need to agree on a single accepted Standard, there clearly is not sufficient consensus to agree on which one. There isn't consensus either on the idea that there should be only one Standard. A few stakeholders made the point that the minerals sector is potentially best served by more than one Standard or more than one option.



## DIFFERENT PRIORITIES FOR DIFFERENT STAKEHOLDERS

- **Non-industry stakeholders:**

Unsurprisingly, different actors expressed different priorities regarding Standards. Many non-industry stakeholders are mostly seeking increased transparency, and therefore Standard with a high level of disclosure and stakeholder engagement built in to the assurance process. Many also expressed scepticism with industry-led schemes due to potential inherent bias.

- **Downstream (e.g. manufacturers, distributors, retailers):**

Several downstream companies indicated their priority vis-à-vis meeting regulatory requirements and their desire to protect themselves and strengthen their mandatory due diligence in their mineral supply chains through the adoption of Standards by their suppliers.

- **Supply chain actors:**

Supply chain actors felt that there was a practice of one-sided contractual cascading, without shared responsibility between the customer and supplier for identifying, preventing, mitigating and remediating ESG risks. Suppliers indicated an ever-increasing audit and reporting burden and the need to seek efficiencies to mitigate this. They underlined cross-recognition between Standards as a high priority. Additionally, they noted a substantial amount of time spent responding to self-assessment questionnaires (SAQs) from customers and investors. They underlined that SAQs would benefit from being harmonised through more common approaches.

- **Mid-stream (e.g. smelters and refiners):**

Companies in the mid-stream part of the value chain felt like they were “stuck in the middle” between the requests of the downstream towards upstream companies.

- **Upstream (e.g. miners, traders, exporters):**

Many upstream companies highlighted the need to use a Standard which could build on existing work and meet their own internal, regulatory, and other requirements. Upstream producers also noted an upward trend in bespoke second-party audits, over and above third-party certification.

## TRANSLATING THE BIG PICTURE TO PRACTICAL APPLICATION AND EFFECTIVE OUTCOMES

- **Need for alignment on detail:**

Throughout the process, we often found alignment at the conceptual level. For example, everyone agreed that governance of Standards should be multi-stakeholder. However, there was a clear disconnect between concept and detail. For example, what multi-stakeholder governance looks like in practice.

- **Aligning expectations:**

Different industry actors and key stakeholders were not aligned in a number of areas of expectation. For example, level of prescriptiveness of a Standard, and common agreement of what ‘continuous improvement’ looked like in practice.

- **Effective use of Standards:**

All stakeholders agreed on the need to explore how we could use Standards more effectively in the minerals supply chain. They were keen to find ways to advance together to strengthen outcomes in practice on the ground and shared their desire for more formal and informal forums to have honest and productive conversations.



# OUR DIALOGUE ON STANDARDS: WHERE WE LANDED

The Cobalt Institute supports a landscape of Sustainability Standards and Assurance Schemes that enables all companies in the cobalt value chain to progress in alignment with evolving regulations and expectations.

Through the dialogue, we have identified a core set of foundational expectations for all Standards. Any Standard, applicable to the cobalt supply chain, underpinned by these expectations could reasonably be deemed to support enhanced transparency and drive continuous improvement.

## FOUNDATIONAL EXPECTATIONS

- **Alignment with international frameworks:**

Standards should align with international authoritative frameworks. These include the [UN Guiding Principles on Business & Human Rights \(UNGPs\)](#), the [OECD Multinational Enterprise Guidelines \(OECD MNE Guidelines\)](#), the [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas \(OECD Due Diligence Guidance\)](#) and prevailing scientific environmental expectations of the field.

- **Transparent:**

The requirements of the Standard, how individual criteria are assessed, and the overall rules for design, assurance, and governance should be clear, public and accessible to everyone.

- **Robust standard-setting process:**

Standards should reflect consensus thinking on good practice. The standard-setting process should also take place in such a way that the Standard can evolve to reflect changing expectations and thinking.

- **Implementable:**

Standards should be designed so that they are implementable, to allow for a greater number of companies to begin the journey of implementation. In practice, this means both the requirements of the Standard and the assurance process are feasible to implement and accessible to potential auditees in terms of resource requirements to achieve conformance. Successful schemes should have a demonstrated track record of 'conformant/ certified' companies.

- **Third-party assurance:**

Standards should rely on third-party assurance to strengthen stakeholder and market confidence. The approach should include assurance at the operational or site level.

- **High-quality auditors and audits:**

The quality of the auditor and their understanding of the Standard, the sector and the auditees' specific context is critical. Assurance schemes need to have programmes in place that support a high quality of both auditors and audits.

- **Clear guidance on claims:**

Standards need to provide clear guidance on claims, so that those made by auditees correctly reflect what has been verified through the Standard. At the same time, Standards need to avoid the risk of misleading claims, so as to avoid potential 'greenwashing' that could undermine the credibility of both the Standard and its participants.





- **Effective grievance mechanisms:**

Stakeholders should have access to effective mechanisms to raise grievances and concerns regarding the Standard itself, as well as any issues pertinent to the sites involved in the Standard.

## **AREAS FOR FURTHER DIALOGUE**

Through the dialogue, we have also identified a number of additional expectations where we believe there is alignment at the conceptual level, but that would benefit from more dialogue to define what these would mean in practice for standard-setting bodies and implementing companies.

### **Standards should strive for balanced multi-stakeholder governance**

Standard-setting bodies should work towards balanced multi-stakeholder governance structure with clearly defined and substantive roles for the target auditees (usually mid-stream or upstream actors), other industry and non-industry actors, and civil society organizations, noting that further dialogue is required to gain consensus on what ‘balanced’ looks like in practice.

- Meaningful and representative inclusion of the upstream players within the governance structure is particularly important to help ensure that the Standard is implementable and taking account the realities on the ground, particularly in developing country contexts.

### **Local stakeholder engagement as part of the assurance needs to be clearly defined**

In addition to company documentation and interviews with management and workers to verify ESG performance at operational or site level, the assurance process should aim to capture, in practical ways, information and perspectives from affected stakeholders that may not be visible in a management system.

- The process for carrying out community engagement needs to be clearly defined for both the auditor and the auditee. The purpose, process, triangulation and feedback loops also need to be clearly communicated to both consultees and auditees.

### **Effective communication of audit results**

The accessibility and transparency of audit results can ensure trust is built around Sustainability Standards and Assurance Schemes. They should include mechanisms for publishing results of the assurance at a sufficient level of detail and appropriately pitched to the target audience.

- Although communicating audit results is beneficial, this should go hand in hand with site-level engagement activities and dissemination of information to local stakeholders in an accessible way.

### **Effective standards include criteria on both management systems and performance expectations**

Standards should consider a company’s existing management system approach, which is developed to manage risk in an ongoing manner. Credible Standards also support companies to demonstrate specific results and meet certain outcomes. Meeting these performance expectations help demonstrate effectiveness of management systems in practice.

- It is up to the Standard’s multi-stakeholder standard setting process to decide how management systems and performance expectations are defined.



## Striking the right balance between flexibility and prescriptiveness

Standards retain their credibility by ensuring a high level of ambition for all companies, regardless of starting point while also ensuring that requirements are practical and implementable. At the same time, the requirements in a Standard should provide clarity and simplicity and reflect robust science as well as current levels of practice.

- If the requirements of the standard are too high-level and flexible, this can create uncertainty for auditors and auditees. Conversely, if requirements are too prescriptive, they can prove impossible to implement. Prescriptive environmental criteria can drive duplication of methodologies and the use of less appropriate scientific techniques.
- Requirements also need to be flexible enough to account for jurisdictional context so that they do not contradict or require duplicate measures. For example, by requiring disclosure requirements which are not permitted or prescribing scientific methodologies which are different to nationally recognized ones.

## Audit harmonisation

The ability for Standards to harmonise between each other, enable joint audits and/or cross-recognize is a priority, especially for auditees who can have multiple audit needs to fulfil.

- Standards need to collaborate and seek to adopt such approaches to the extent possible and in a way that won't undermine the credibility of their systems.

# OUR COMMITMENT

**The Cobalt Institute is committed to and looks forward to continuing to promote and convene a dialogue with stakeholders on Standards, and to involve other industry associations in this process.**

In addition, the Cobalt Institute commits to:

- Continue to engage and contribute constructively to ongoing development of Sustainability Standards and Assurance Schemes. This will be achieved through bilateral engagement, participation in consultation processes and, where applicable, participation on technical working groups.
- Continue to support implementation of robust environmental and human rights due diligence in own operations and business relationships in alignment with the UNGPs, the OECD MNE Guidelines, the OECD Due Diligence Guidance, and other internationally recognized frameworks. This will continue to be achieved through the Cobalt Institute's peer learning programme, the Cobalt Learning Group.
- Convene and/or participate in multi-stakeholder initiatives to address ESG risks in the cobalt industry that require systemic solutions to addressing root causes. Amongst other efforts, this includes the Cobalt Institute's ongoing membership of and active participation in the [Fair Cobalt Alliance](#) and the [Global Battery Alliance](#).
- As a knowledge-centre, we continue to offer our knowledge and expertise on cobalt for the development of relevant Standards, guidance and legislation.



# RECOMMENDATIONS

The Cobalt Institute has identified a number of recommendations for each stakeholder group in the ecosystem to continue to advance this dialogue and strengthen the outcomes of Standards.

## ALL VALUE CHAIN ACTORS

- Adhere to Standards aligned with the international authoritative frameworks and undergo third-party certification, which is key to demonstrating compliance with a Standard.
- Engage and contribute constructively to ongoing development of Standards to increase confidence and trust in assurance processes through, for example, participation in governance structures and consultation processes.
- Participate in multi-stakeholder initiatives to address ESG risks in the minerals sector that require systemic solutions to addressing root causes.

## DOWNSTREAM ACTORS

In addition to the actions identified for all value chain actors, we encourage downstream actors to:

- Participate in platforms to engage with the cobalt supply chain to better understand industry efforts to implement due diligence, share their expectations with the industry, and align risk assessment approaches with industry best practices.
- Move away from cascading conventional contractual requirements towards human rights due diligence-aligned contracts that ensure shared responsibility of ESG issues between buyers and suppliers.
- Prioritise third-party certification of Standards, over second-party audits, to increase transparency of audit results and minimise unnecessary burden on suppliers.

## GOVERNMENTS

- Promote alignment to international authoritative frameworks, including the UNGPs, the OECD MNE Guidelines, the OECD Due Diligence Guidance, and prevailing scientific environmental expectations of the field.
- Provide appropriate guidance on the role of Standards within the broader policy and regulatory ecosystem in a way that is flexible enough to promote widespread uptake, for example by avoiding endorsement of a single Standard.
- In the context of developing countries, where progress on sustainability is needed the most, consider the role of Standards in advancing the environmental, social and governance agenda in host countries whilst building awareness and capacity to meet the requirements.

## CIVIL SOCIETY

- Promote and seek opportunities to collaborate with supply chain actors to discuss expectations and on-the-ground challenges. For example, proactively sharing insights with standard-setting bodies and companies implementing Standards on where expectations are shifting, highlighting where gaps exist and collaborating on potential solutions.



- Engage and contribute constructively to ongoing development of Standards to increase confidence and trust in assurance processes through, for example, participation in governance structures and consultation processes.

## **STANDARD-SETTING BODIES**

- Prioritise harmonisation of Standards by promoting cross-recognition and enabling joint audits wherever possible to increase coherence and minimise unnecessary burden on suppliers.
- Work towards a balanced multi-stakeholder governance structure with clearly defined and substantive roles for industry and non-industry actors, and with meaningful and representative inclusion of target auditees.





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enabling technology, advancing society

## Contact us if you have any questions

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