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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold originating in conflict-affected and high-risk areas**

{SWD(2014) 52 final}

{SWD(2014) 53 final}

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

#### **Ground for and objectives for a proposal**

The main objective of this proposal is to help reduce the financing of armed groups and security forces<sup>1</sup> through mineral proceeds in conflict-affected and high-risk areas by supporting and further promoting responsible sourcing practices of EU companies in relation to tin, tantalum, tungsten and gold originating from such areas. The proposal builds on existing international due diligence frameworks and principles.

#### **General context**

Today, international measures exist to promote responsible sourcing of minerals in areas at risk or affected by armed conflict. The two best-known were adopted in 2011 and 2010 respectively: the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* (OECD Due Diligence Guidance) and Section 1502 of the United States *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

The former is not country or region-specific and sets out a process to be followed by countries interested in developing responsible sourcing capabilities. While primarily at the disposal of companies in OECD jurisdictions, the Due Diligence Guidance is also a source of inspiration attracting the participation of companies performing significant transformative or trading functions in mineral supply chains for gold, tin, tantalum and tungsten. In 2011, the EU took a political commitment in the OECD framework to support the further uptake of the Guidance.

The Dodd-Frank Act focuses on the Democratic Republic of Congo (DRC) and nine adjoining countries. Section 1502 of the Act requires companies listed on US stock exchanges which use 'conflict minerals'<sup>2</sup> to report to the Security Exchange Commission on the origin of such minerals and on relevant due diligence measures. These reports require an extensive supply chain inquiry. US-listed companies are turning increasingly to their suppliers, including in the EU, for relevant information and evidence of due diligence. One of the business responses to the Act has been to redirect trade away from Central Africa with impacts on the local markets for gold, tin, tantalum and tungsten. Legitimately mined minerals make it to US and EU markets with some difficulty.

The trade of conflict minerals is very well documented in the case of the DRC and is the subject of UN Security Council Resolution 1952 (2010). However, other cases abound elsewhere in Africa, Asia and Latin America and the cause is being taken up outside the OECD too. In June 2013, G8 leaders expressed their commitment<sup>3</sup> to increase transparency in the extractive industry.

Against this background, the European Commission and the High Representative have been working to develop a comprehensive EU responsible mineral sourcing framework. This work follows up a 2010 European Parliament Resolution calling for the EU to legislate along the

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<sup>1</sup> 'Armed groups and security forces' as defined in Annex II of the 'OECD Due Diligence Guidance' (OECD (2013), *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Second Edition*, OECD Publishing. <http://dx.doi.org/10.1787/9789264185050-en>.

<sup>2</sup> The US Dodd-Frank Act defines 'conflict minerals' as columbite-tantalite or coltan (the metal ore from which tantalum is extracted); cassiterite (the metal ore from which tin is extracted); gold; wolframite (the metal ore from which tungsten is extracted) or their derivatives that are financing conflict in the DRC, Angola, Burundi, the Central African Republic, the Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.

<sup>3</sup> G8 Leaders' Lough Erne Summit, Communique, Paragraph 40, 18 June 2013.

lines of US legislation as well as two Communications in 2011 and 2012<sup>4</sup> that announced the Commission's intention to explore ways of improving supply chain transparency. This legislative proposal will therefore be accompanied by a Communication detailing other policy measures that can be deployed to tackle the problem as broadly as possible.

### **Existing provisions in the area of the proposal**

Existing EU initiatives in relation to natural resources, financial transparency and conflict-sensitive management of international diamond trade and forestry:

- Council Regulation (EC) No 2368/2002 of 20 December 2002 implementing the Kimberley Process certification scheme for the international trade in rough diamonds
- Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market.
- Directive 2013/34/EU of the European Parliament and the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

### **Consistency with the other policies and objectives of the Union**

The proposal is consistent with, and aims at contributing to the EU foreign policy goals and development strategy of better governance, sustainable management and law enforcement in relation to the exploitation of natural resources in mineral-producing conflict-affected and high-risk areas as well as to EU enterprises and corporate social responsibility policies, which recommend companies to mitigate any potential negative impacts that they might have on society, and therefore pay attention to any potential human rights violations.

## **2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS**

### **Consultation of interested parties**

A broad consultation process was held between December 2012 and June 2013 which included a web-based public consultation and numerous meetings with stakeholders. An assessment study into due diligence compliance costs, benefits and related effects on selected operators in relation to the responsible sourcing of minerals was finalised mid-September 2013.

A summary of the results of the public consultation and the final report of the assessment study are made available on the Commission's web-site concurrently with this proposal.

The Commission carried out an impact assessment of the proposed policy options taking into account the results of the public consultation and the assessment study, which led to the publication of a report. The following six options were considered:

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<sup>4</sup> Respectively *Commodity markets and raw materials*, COM(2011) 25 final and *Trade, growth and development*, COM(2012) 22 final.

- Option 1 – Standalone EU Communication

This option consists of the following measures to be included in a joint Communication of the Commission and the High Representative: (i) National Contact Points (NCPs) and the Enterprise Europe Network (EEN) would advocate the uptake of the OECD Due Diligence Guidance; (ii) EU public procurement: the application of performance clauses in Commission and EU Member States' public procurement contracts for relevant products (e.g. computers, cell phones); (iii) financial assistance to the existing OECD programmes; (iv) Commission support to 'Letters of Intent' by the European industry, and (v) government-to-government actions.

- Option 2 – 'Soft-law' approach

This option combines the measures described under Option 1 with a Council Recommendation to raise awareness of and promote the voluntary uptake by EU enterprises of the OECD Due Diligence Guidance notably for those enterprises that are not already subject to a mandatory third country scheme.

- Option 3 - Regulation establishing obligations under an 'EU Responsible Importer' certification based on the OECD Due Diligence Guidance - VOLUNTARY

This option combines the measures described under Option 1, with a Regulation targeting all EU importers of tin, tantalum and tungsten ores and metals, and gold, regardless of the origin of the products. The Regulation relies on the OECD Due Diligence Guidance to define obligations for EU importers that opt to be self-certified as responsible importers of tin, tantalum and tungsten ores and metals, and gold, on the basis of a self-declaration of compliance.

Although the Regulation is voluntary, EU importers opting for self-certification are obliged to integrate all elements of the OECD Due Diligence Guidance in their management system by: (i) maintaining a system of controls and transparency over the mineral supply chain, which includes *inter alia* the country of mineral origin and the smelters/refiners; (ii) identifying and assessing risks in the supply chain against the OECD model supply chain policy; (iii) designing and implementing a strategy to respond to identified risks; (iv) obtaining independent third-party audit assurances of supply chain due diligence; and (v) reporting publicly on supply chain due diligence.

The EU self-certified importer is required to disclose annually to the Member State competent authority the identity and geographical location of the smelters/refiners in its supply chain. On this basis, an EU list of responsible smelters/refiners established in or supplying to the EU, would be drawn up.

The scheme will be evaluated after three years, or before in case available information will allow it, and the results will be used for decision-making needs on the future of the EU approach and for amendments to the regulatory framework, making it mandatory, if appropriate, on the basis of a further impact assessment.

- Option 4 - Regulation establishing obligations under an 'EU responsible importer' certification based on the OECD Due Diligence Guidance – MANDATORY

This option combines the measures described under Option 1, with a compulsory version of the Regulation described in Option 3 under which all EU importers of tin, tantalum and tungsten ores and metals, and gold, would be subject to the obligations defined under the Regulation.

- Option 5 - Directive establishing obligations for EU-listed companies based on the OECD Due Diligence Guidance

This option combines the measures described under Option 1, with a Directive targeting almost 1,000 EU-listed companies using tin, tantalum, tungsten and gold, regardless of origin, in their supply chain.

The Directive would define the obligations for EU-listed companies to integrate OECD Due Diligence Guidance in their management system by (i) maintaining a system of controls and transparency over the mineral supply chain, which includes *inter alia* the country of mineral origin and the smelters/refiners; (ii) identifying and assessing risks in the supply chain against the OECD model supply chain policy; (iii) designing and implementing a strategy to respond to identified risks; (iv) obtaining an independent third-party audit of supply chain due diligence of the EU-listed company; and (v) reporting publicly on supply chain due diligence.

EU-listed companies should disclose to Member States' competent authorities the outcome of the independent third-party audit.

- Option 6 - Prohibition of imports when EU importers of mineral ores fail to demonstrate compliance with OECD Due Diligence Guidance

This option consists of the measures described under Option 1, and in addition it would require EU importers to mandatorily demonstrate compliance with the OECD Due Diligence Guidance. Providing evidence on compliance to Member States' customs authorities, importers will be eligible to access the EU market.

This option would follow the approach taken by the Kimberley Process Certification Scheme targeting the trade in rough diamonds and Council Regulation (EC) No 2368/2002 of 20 December 2002 based on Article 133 EC (now Article 207 TFEU) which sets out the rules applicable for imports and exports of rough diamonds. In this case, an international agreement supports the importation ban for so-called "conflict diamonds".

### **3. LEGAL ELEMENTS OF THE PROPOSAL**

#### **Summary of the proposed action**

The proposed action is Option 3. It focuses on all EU operators importing tin, tantalum and tungsten, their ores, and gold into the EU market. It defines the conditions for them to be self-certified as responsible importers of the mineral and metals in scope. The proposal is based on a due diligence framework allowing EU importers to apply the principles and processes set out in the OECD Due Diligence Guidance and thereby addressing the risk of financing armed groups and security forces and mitigating other adverse impacts including serious abuses associated with the extraction, transport or trade of the minerals in scope.

The due diligence framework requires responsible importers of the mineral and metal within the scope of the Regulation to establish a strong company management system; to identify and assess risks in the supply chain; to design and implement a strategy to respond to identified risks; to carry out independent third-party audits of supply chain due diligence at identified points in the supply chain; and to report on supply chain due diligence.

In addition, responsible importers of those minerals and metals are required to make available on an annual basis, where applicable, the identity of all smelters and/or refiners supplying them, as well as to provide independent third-party audit assurances and pass them on to Member States' competent authorities and to downstream purchasers, with due regard to business confidentiality and other competitive concerns.

The proposal aims to help reduce the financing of armed groups and security forces through mineral proceeds in conflict-affected and high-risk areas by encouraging EU operators importing the minerals and metals within the scope of the Regulation from such areas, to do so responsibly and facilitate due diligence efforts of downstream purchasers.

On the basis of the information disclosed to the competent authorities, the EU will publish annually, after consultation with the OECD, a list of responsible smelters and refiners that source according to the Regulation.

### **Legal basis**

Article 207 of the Treaty on the Functioning of the European Union.

### **The principles of subsidiarity and proportionality**

The proposal falls under the exclusive competence of the Union. The subsidiarity principle does therefore not apply. It should however be noted that in the light of the problems outlined above, EU-level action provides more critical mass and global leverage relative to individual Member State action.

The principle of proportionality requires that any intervention is targeted and does not go beyond what is necessary to achieve the objectives. This principle has guided the preparation of this proposal from the identification and evaluation of alternative policy options to the drafting of the legislative proposal.

### **Choice of the instrument**

The proposed instrument is a Regulation to ensure the highest level of harmonisation across Member States and guarantee sufficient authority over participating operators and leverage in relation to the identification of smelters and refiners.

## **4. BUDGETARY IMPLICATION**

The present proposal entails limited financial implications for the Union budget for administrative purposes.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,  
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Natural mineral resources in conflict-affected or high risk areas – although holding great potential for development – can be a cause of dispute where their revenues are fuelling the outbreak or continuation of violent conflict, undermining national endeavours towards development, good governance and the rule of law. In these areas, breaking the nexus between conflict and illegal exploitation of minerals is critical to peace and stability.
- (2) The issue concerns resource-rich regions where the challenge posed by the desire to minimise the financing of armed groups and security forces has been taken up by governments and international organisations together with business operators and civil society organisations.
- (3) The Union has been actively engaged in an Organisation for Economic Co-operation and Development (OECD) initiative to advance the responsible sourcing of minerals from conflict regions, which has resulted in a government-backed multi-stakeholder process leading to the adoption of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* (OECD Due Diligence Guidance<sup>5</sup>) including supplements on tin, tantalum and tungsten, and on gold. In May 2011, the OECD Ministerial Council recommended to actively promote the observance of this Guidance.
- (4) The concept of responsible sourcing is referred to in the updated OECD Guidelines for Multinational Enterprises<sup>6</sup> and is in line with the United Nations (UN) Guiding Principles on Business and Human Rights<sup>7</sup>. These documents aim at advancing supply chain due diligence practices when businesses source from regions affected by conflict and instability. At the highest international level, UN Security Council Resolution

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<sup>5</sup> *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Second Edition*, OECD Publishing (OECD (2013)). <http://dx.doi.org/10.1787/9789264185050-en>.

<sup>6</sup> OECD Guidelines for Multinational Enterprises, OECD 2011 edition.

<sup>7</sup> Guiding Principles on Business and Human Rights, UN Human Rights Office of the High Commissioner, New York and Geneva 2011.

1952 (2010) specifically targeted the Democratic Republic of Congo (the DRC) and its neighbours in Central Africa calling for supply chain due diligence to be observed; the UN Group of Experts on the DRC, following up Security Council Resolution 1952 (2010), also advocates compliance with the OECD Due Diligence Guidance.

- (5) In addition to multilateral initiatives, on 15 December 2010, the Heads of State and Government of the Great Lakes Region took a political commitment in Lusaka to fight the illegal exploitation of natural resources in the region and approved inter alia a regional certification mechanism based on the OECD Due Diligence Guidance.
- (6) The Commission in its 2008 Communication<sup>8</sup> recognised that securing reliable and undistorted access to raw materials is an important factor for the EU's competitiveness. The Raw Materials Initiative (RMI) is an integrated strategy aimed at responding to different challenges related to access to non-energy non-agriculture raw materials. The RMI recognises and promotes financial as well as supply chain transparency, and the application of corporate social responsibility standards.
- (7) On 7 October 2010, the European Parliament passed a Resolution calling for the Union to legislate along the lines of the US 'conflict minerals' law *alias* Section 1502 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*; and the Commission announced in its Communications of 2011<sup>9</sup> and 2012<sup>10</sup> its intention to explore ways of improving transparency throughout the supply chain, including aspects of due diligence. In the latter communication and in line with the commitment it had made at the May 2011 OECD Ministerial Council, the Commission also advocated greater support for and use of the OECD Guidelines for Multinational Enterprises, and of the OECD Due Diligence Guidance – even outside the OECD membership.
- (8) Union citizens and civil society actors have raised awareness with respect to companies operating under the Union's jurisdiction for not being held accountable for their potential connection to the illicit extraction and trade of minerals from conflict regions. The consequence is that such minerals, potentially present in consumer products, link consumers to conflicts outside the Union. To this end, citizens have requested, notably through petitions, that legislation be proposed to the European Parliament and the Council holding companies accountable under the Guidelines as established by the UN and OECD.
- (9) In the context of this Regulation, supply chain due diligence is an on-going, proactive and reactive process through which business operators monitor and administer their purchases and sales with a view to ensuring that they do not contribute to conflict and adverse impacts thereof.
- (10) Third-party auditing of a company's supply chain due diligence practices ensures credibility for the benefit of downstream companies and contributes to the improvement of the upstream due diligence practices.
- (11) Public reporting by a company on its supply chain due diligence policies and practices provides the necessary transparency to generate public confidence in the measures companies are taking.
- (12) Union companies have expressed their interest through the public consultation in the responsible sourcing of minerals and reported on current industry schemes designed to

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<sup>8</sup> *The Raw Materials Initiative – meeting our critical needs for growth and jobs in Europe*, COM(2008) 699.

<sup>9</sup> *Commodity markets and raw materials*, COM(2011) 25 FINAL.

<sup>10</sup> *Trade, growth and development*, COM(2012) 22 FINAL.



pursue their corporate social responsibility objectives, customer requests, or the security of their supplies. However, Union companies have also reported countless difficulties in the exercise of supply chain due diligence because of lengthy and complex global supply chains involving a high number of operators that are often insufficiently aware or ethically unconcerned. The cost of responsible sourcing and their potential impact on competitiveness notably on SMEs should be monitored by the Commission.

- (13) Smelters and refiners are an important point in global mineral supply chains as they are typically the last stage in which due diligence can effectively be assured by collecting, disclosing and verifying information on the mineral's origin and chain of custody. After this stage of transformation it is often considered unfeasible to trace back the origins of minerals. A Union list of responsible smelters and refiners could therefore provide transparency and certainty to downstream companies as regards supply chain due diligence practices.
- (14) The Member State competent authorities are responsible to ensure the uniform compliance of the self-certification of responsible importers by carrying out appropriate ex-post checks so as to verify whether the self-certified responsible importers of the minerals and/or metals within the scope of the Regulation comply with the supply chain due diligence obligations. Records of such checks should be kept for at least 5 years. Member States are responsible to lay down the rules applicable to infringements of the provisions of this Regulation.
- (15) In order to ensure the proper implementation of this Regulation, implementing powers should be conferred on the Commission. The implementing powers relating to the list of responsible smelters and refiners and the list of Member State competent authorities should be exercised in accordance with Regulation (EU) No 182/2011<sup>11</sup>.
- (16) The Commission should report regularly to the Council and the European Parliament on the effects of the scheme. No later than three years after entering into force and every six years thereafter, the Commission should review the functioning and the effectiveness of this Regulation, including as regards the promotion of responsible sourcing of the minerals within its scope from conflict-affected and high-risk areas. The reports may be accompanied, if necessary, by appropriate legislative proposals, which may include mandatory measures,

HAVE ADOPTED THIS REGULATION:

### *Article 1*

#### **Subject matter and scope**

1. This Regulation sets up a Union system for supply chain due diligence self-certification in order to curtail opportunities for armed groups and security forces<sup>12</sup> to trade in tin, tantalum and tungsten, their ores, and gold. It is designed to provide transparency and certainty as regards the supply practices of importers, smelters and refiners sourcing from conflict-affected and high-risk areas.

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<sup>11</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

<sup>12</sup> 'Armed groups and security forces' as defined in Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Second Edition*, OECD Publishing (OECD (2013). <http://dx.doi.org/10.1787/9789264185050-en>).

2. This Regulation lays down the supply chain due diligence obligations of Union importers who choose to be self-certified as responsible importers of minerals or metals containing or consisting of tin, tantalum, tungsten and gold, as set out in Annex I.

## *Article 2*

### **Definitions**

For the purpose of this Regulation, the following definitions shall apply:

- (a) 'minerals' means ores and concentrates containing tin, tantalum and tungsten, and gold as set out in the Annex I;
- (b) 'metals' means metals containing or consisting of tin, tantalum, tungsten and gold as set out in the Annex I;
- (c) 'mineral supply chain' means the system of activities, organisations, actors, technology, information, resources and services involved in moving and processing the minerals from the extraction site to their incorporation in the final product;
- (d) 'chain of custody or supply chain traceability system' means a record of the sequence of entities which have custody of minerals and metals as they move through a supply chain;
- (e) 'conflict-affected and high-risk areas' means areas in a state of armed conflict, fragile post-conflict as well as areas witnessing weak or non-existent governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses;
- (f) 'downstream' means the metal supply chain from the smelters or refiners to the end use;
- (g) 'importer' means any natural or legal person declaring minerals or metals within the scope of this Regulation for release for free circulation within the meaning of Article 79 of Council Regulation (EEC) No 2913/1992<sup>13</sup>;
- (h) 'responsible importer' means any importer who chooses to self-certify according to the rules set out in this Regulation;
- (i) 'self-certification' means the act of declaring one's adherence to the obligations relating to management systems, risk management, third-party audits and disclosure as set out in this Regulation;
- (j) 'grievance mechanism' means an early-warning risk awareness mechanism allowing any interested party or whistle-blower to voice concerns regarding the circumstances of mineral extraction, trade, handling and export in conflict-affected and high-risk areas;
- (k) 'model supply chain policy' conforms to Annex II of the OECD Due Diligence Guidance outlining the risks of significant adverse impacts which may be associated with the extraction, trade, handling and export of minerals from conflict-affected and high risk areas;

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<sup>13</sup> Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code (OJ L 302, 19.10.1992, p. 1).

- (l) 'risk management plan' means the importers' written response to the identified supply chain risks based on Annex III to the OECD Due Diligence Guidance<sup>14</sup>;
- (m) 'smelting and refining' are forms of extractive metallurgy involving processing steps with the aim to produce a metal from its ore or concentrate;
- (n) 'upstream' means the mineral supply chain from the extraction sites to the smelters or refiners, included;
- (o) 'supply chain due diligence' refers to the obligations of responsible importers of tin, tantalum and tungsten, their ores, and gold in relation to their management systems, risk management, third-party audits and disclosure of information with a view to identifying and addressing actual and potential risks linked to conflict-affected and high risk-areas to prevent or mitigate adverse impacts associated with their sourcing activities;
- (p) 'responsible smelters or refiners' means smelters or refiners in the supply chain of the responsible importer;
- (q) 'Member State competent authorities' means the designated one or more authorities with auditing competences and knowledge as regards raw materials and industrial processes.

### *Article 3*

#### **Self-certification as a responsible importer**

1. Any importer of minerals or metals within the scope of the Regulation may self-certify as responsible importer by declaring to a Member State competent authority that it adheres to the supply chain due diligence obligations set out in this Regulation. The declaration shall contain documentation in which the importer confirms its adherence to the obligations including results of the independent third-party audits carried out.
2. The Member State competent authorities shall carry out appropriate ex-post checks in order to ensure that self-certified responsible importers of the minerals or metals within the scope of this Regulation comply with their obligations pursuant to Articles 4, 5, 6, and 7 of this Regulation.

### *Article 4*

#### **Management system obligations**

The responsible importer of the minerals or metals within the scope of this Regulation shall:

- (a) adopt and clearly communicate to suppliers and the public its supply chain policy for the minerals and metals potentially originating from conflict-affected and high-risk areas,
- (b) incorporate in its supply chain policy the standards against which supply chain due diligence is to be conducted consistent with the standards set forth in the model supply chain policy in Annex II to the OECD Due Diligence Guidance,

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<sup>14</sup> *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Second Edition*, OECD Publishing (OECD (2013), <http://dx.doi.org/10.1787/9789264185050-en>).

- (c) structure its internal management systems to support supply chain due diligence by assigning responsibility to senior staff to oversee the supply chain due diligence process as well as maintain records for a minimum of 5 years,
- (d) strengthen its engagement with suppliers by incorporating its supply chain policy into contracts and agreements with suppliers consistent with Annex II to the OECD Due Diligence Guidance,
- (e) establish a company-level grievance mechanism as an early-warning risk-awareness system or provide such mechanism through collaborative arrangements with other companies or organisations, or by facilitating recourse to an external expert or body (e.g. ombudsman),
- (f) as regards minerals, operate a chain of custody or supply chain traceability system that provides, supported by documentation, the following information:
  - (i) description of the mineral, including its trade name and type,
  - (ii) name and address of the supplier to the importer,
  - (iii) country of origin of the minerals,
  - (iv) quantities and dates of extraction, expressed in volume or weight,
  - (v) when minerals originate from conflict-affected and high-risk areas, additional information, such as the mine of mineral origin; locations where minerals are consolidated, traded and processed; and taxes, fees, royalties paid, in accordance with the specific recommendations for upstream companies as set out in the OECD Due Diligence Guidance.
- (g) as regards metals, operate a chain of custody or supply chain traceability system that provides, supported by documentation, the following information:
  - (i) description of the metal, including its trade name and type,
  - (ii) name and address of the supplier to the importer,
  - (iii) name and address of the smelters or refiners in the importers' supply chain,
  - (iv) record of the smelters' or refiners' third-party audit reports,
  - (v) countries of origin of the minerals in the smelters' or refiners' supply chain.
  - (vi) when metals are based on minerals originating from conflict-affected and high-risk areas, additional information shall be provided in accordance with the specific recommendations for downstream companies set out in the OECD Due Diligence Guidance.

#### *Article 5*

#### **Risk management obligations**

1. The responsible importer of the minerals or metals within the scope of this Regulation shall:
  - (a) identify and assess the risks of adverse impacts in its mineral supply chain on the basis of the information provided pursuant to Article 4 against the standards of its supply chain policy, consistent with Annex II and the due diligence recommendations of the OECD Due Diligence Guidance,

- (b) implement a strategy to respond to the identified risks designed so as to prevent or mitigate adverse impacts by
    - (i) reporting findings of the supply chain risk assessment to its designated senior management,
    - (ii) adopting risk management measures consistent with Annex II and the due diligence recommendations of the OECD Due Diligence Guidance, considering its ability to influence, and where necessary take steps to put pressure on suppliers who can most effectively prevent or mitigate the identified risk, by making it possible either to
      - (a) continue trade while simultaneously implementing measurable risk mitigation efforts,
      - (b) suspend trade temporarily while pursuing on-going measurable risk mitigation efforts, or
      - (c) disengage with a supplier after failed attempts at mitigation,
    - (iii) implementing the risk management plan, monitoring and tracking performance of risk mitigation efforts, reporting back to designated senior management and considering suspending or discontinuing engagement with a supplier after failed attempts at mitigation,
    - (iv) undertaking additional fact and risk assessments for risks requiring mitigation, or after a change of circumstances.
2. If a responsible importer pursues risk mitigation efforts while continuing trade or temporarily suspending trade, it shall consult with suppliers and affected stakeholders, including local and central government authorities, international or civil society organisations and affected third parties, and agree on a strategy for measurable risk mitigation in the risk management plan.
  3. A responsible importer shall, in order to design conflict and high-risk sensitive strategies for mitigation in the risk management plan, rely on the measures and indicators under Annex III of the OECD Due Diligence Guidance and measure progressive improvement.

#### *Article 6*

#### **Third-party audit obligations**

The responsible importer of the minerals or metals within the scope of this Regulation shall carry out audits via an independent third-party.

The independent third-party audit shall

- (a) include in the audit scope all of the responsible importer's activities, processes and systems used to implement supply chain due diligence regarding minerals or metals within the scope of the Regulation, including the responsible importer's management system, risk management, and disclosure of information,
- (b) determine as the objective of the audit the conformity of the responsible importer's supply chain due diligence practices with Articles 4, 5 and 7 of this Regulation,
- (c) respect the audit principles of independence, competence and accountability as set out in the OECD Due Diligence Guidance.

## Article 7

### Disclosure obligations

1. By 31 March of each year at the latest, the responsible importer of minerals or metals within the scope of this Regulation shall submit to the Member State competent authority the following documentation covering the previous year's calendar period:
  - (a) its name, address, full contact details and a description of its commercial activities,
  - (b) a declaration of conformity with the obligations set out in Article 4, 5, 6 and 7,
  - (c) independent third-party audits carried out in accordance with Article 6 of this Regulation.
2. By 31 March of each year at the latest, the responsible importer of minerals within the scope of this Regulation shall submit to the Member State competent authority the documentation covering the previous year's calendar period as regards the proportion of minerals originating from conflict-affected and high-risk areas relative to the total amount of minerals purchased, as confirmed by independent third-party audits in accordance with Article 6 of this Regulation.
3. By 31 March of each year at the latest, the responsible importer of metals within the scope of this Regulation shall submit to the Member State competent authority the following documentation covering the previous year's calendar period:
  - (a) name and address of each of the responsible smelters or refiners in its supply chain,
  - (b) independent third-party audits regarding each of the responsible smelters or refiners in its supply chain carried out in accordance with the scope, objective and principles set out in Article 6 of the Regulation,
  - (c) the proportion of minerals originating from conflict-affected and high-risk areas relative to the total amount of minerals purchased by each of those smelters or refiners, as confirmed by independent third-party audits.
4. The responsible importer of minerals or metals within the scope of this Regulation shall make available to its immediate downstream purchasers all information gained and maintained pursuant to its supply chain due diligence with due regard to business confidentiality and other competitive concerns.
5. The responsible importer of minerals or metals within the scope of this Regulation shall publicly report as widely as possible, including on the internet and on an annual basis on its supply chain due diligence policies and practices for responsible sourcing. The report shall contain the steps taken by the responsible importer to implement the obligations as regards its management system, risk management set out in Article 4 and 5 respectively, as well as a summary report of the third-party audits, including the name of the auditor, with due regard to business confidentiality and other competitive concerns.
6. Within two months of reception of the submitted documentation as referred to in paragraph 1, 2 and 3 the competent authority of the Member States shall issue a notice of reception.

## *Article 8*

### **List of responsible smelters and refiners**

1. On the basis of the information provided by the Member States in their reports as referred to in Article 15, the Commission shall adopt and make publicly available a decision listing the names and addresses of responsible smelters and refiners of minerals within the scope of this Regulation.
2. The Commission shall identify on the list referred to in paragraph 1 those responsible smelters and refiners that source – at least partially – from conflict-affected and high-risk areas.
3. The Commission shall adopt the list in accordance with the template in Annex II and the regulatory procedure referred to in Article 13(2). The OECD Secretariat shall be consulted.
4. The Commission shall update the information included in the list in a timely manner. The Commission shall remove from the list the names of the smelters and refiners that are no longer recognised as responsible importers by Member States in accordance with Article 14(3), or the names of the smelters and refiners in the supply chain of the no longer recognised responsible importers.

## *Article 9*

### **Member State competent authorities**

1. Each Member State shall designate one or more competent authorities in charge of the application of this Regulation.  
  
Member States shall inform the Commission of the names and addresses of the competent authorities within 3 months after the entry into force of this Regulation. Member States shall inform the Commission of any changes to the names or addresses of the competent authorities.
2. The Commission shall make a decision to publish, including on the internet, a list of competent authorities in accordance with the template in Annex III and the regulatory procedure referred to in paragraph 2 of Article 13. The Commission shall update the list regularly.
3. Competent authorities shall ensure the effective and uniform implementation of this Regulation throughout the Union.

## *Article 10*

### **Ex-post checks on responsible importers**

1. The competent authorities of the Member States shall carry out appropriate ex-post checks in order to ensure whether self-certified responsible importers of minerals and metals within scope of this Regulation comply with the obligations set out in Articles 4, 5, 6 and 7.
2. The checks referred to in paragraph 1 shall be conducted by taking a risk-based approach. In addition, checks may be conducted when a competent authority is in possession of relevant information, including on the basis of substantiated concerns provided by third parties, concerning the compliance by a responsible importer with this Regulation.

3. The checks referred to in paragraph 1 shall include, inter alia:
  - (a) examination of the responsible importer's implementation of supply chain due diligence obligations including the management system, risk management, independent third-party audit and disclosure,
  - (b) examination of documentation and records that demonstrate the proper compliance with the supply chain due diligence obligations,
  - (c) examination of audit obligations in accordance with the scope, objective and principles set out in Article 6,
  - (d) on-the-spot inspections, including field audits.
4. Responsible importers shall offer all assistance necessary to facilitate the performance of the checks referred to in paragraph 1, notably as regards access to premises and the presentation of documentation and records.

#### *Article 11*

##### **Records of checks on responsible importers**

The competent authorities shall keep records of the checks referred to in Article 10(1), indicating in particular their nature and results, as well as records of any notice of remedial action issued under Article 14(2).

Records of the competent authorities' checks shall be kept for at least 5 years.

#### *Article 12*

##### **Cooperation between authorities**

1. Competent authorities shall exchange information, including with their respective customs authorities, on matters pertaining to self-certification and ex-post checks carried out.
2. Competent authorities shall exchange information on shortcomings detected through the ex-post checks referred to in Article 10 and on the rules applicable to infringement in accordance with Article 14 with the competent authorities of other Member States and with the Commission.
3. Cooperation between authorities shall be in full respect of the Directive 95/46/EC and Regulation (EC) No 45/2001 on data protection and the provisions of the Council Regulation (EEC) No 2913/92 relating to the disclosure of confidential information.

#### *Article 13*

##### **Committee procedure**

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

Where the opinion of the committee is to be obtained by written procedure, that procedure shall be terminated without result when, within the time-limit for delivery



of the opinion, the chair of the committee so decides or a simple majority of committee members so request.

#### *Article 14*

##### **Rules applicable to infringement**

1. The Member States shall lay down the rules applicable to infringements of the provisions of this Regulation.
2. In case of an infringement of the provisions of this Regulation, the competent authorities of Member States shall issue a notice of remedial action to be taken by the responsible importer.
3. In case of inadequate remedial action by the responsible importer, the competent authority shall issue to the importer a notice of non-recognition of its responsible importer certificate as regards the minerals or metals within the scope of this Regulation and inform the Commission.
4. The Member States shall notify the rules to the Commission and shall notify it without delay of any subsequent amendment thereto.

#### *Article 15*

##### **Reporting and review**

1. Member States shall submit to the Commission by 30 June of each year at the latest, a report on the implementation of this Regulation during the previous calendar year, including any information on responsible importers as set out in Article 7(1) (a), 7.2 and 7.3 (a) and (c).
2. On the basis of this information the Commission shall draw up a report which shall be submitted to the European Parliament and to the Council every three years.
3. Three years after the entry into force of this Regulation and every six years thereafter, the Commission shall review the functioning and effectiveness of this Regulation, including on the promotion and cost of responsible sourcing of the minerals within its scope from conflict-affected and high-risk areas. The Commission shall submit a review report to the European Parliament and to the Council.

#### *Article 16*

##### **Entry into force**

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

## LEGISLATIVE FINANCIAL STATEMENT

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management mode(s) envisaged

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. *Summary of estimated impact on expenditure*
  - 3.2.2. *Estimated impact on operational appropriations*
  - 3.2.3. *Estimated impact on appropriations of an administrative nature*
  - 3.2.4. *Compatibility with the current multiannual financial framework*
  - 3.2.5. *Third-party contributions*
- 3.3. Estimated impact on revenue

## LEGISLATIVE FINANCIAL STATEMENT

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

Regulation of the European Parliament and of the Council setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores and gold originating in conflict-affected and high-risk areas

#### 1.2. Policy area(s) concerned in the ABM/ABB structure<sup>15</sup>

20 Trade Policy

#### 1.3. Nature of the proposal/initiative

- The proposal/initiative relates to a **new action**
- The proposal/initiative relates to a **new action following a pilot project/preparatory action**<sup>16</sup>
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

#### 1.4. Objective(s)

##### 1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

Foster a sustainable economic, social and environmental development in particular for developing countries.

##### 1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objective No

3

ABM/ABB activity(ies) concerned

Foster a sustainable economic, social and environmental development, focusing on green and inclusive growth, in particular for developing countries

<sup>15</sup> ABM: activity-based management – ABB: activity-based budgeting.

<sup>16</sup> As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

1.4.3. *Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

N/A

1.4.4. *Indicators of results and impact*

*Specify the indicators for monitoring implementation of the proposal/initiative.*

N/A

**1.5. Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term*

N/A

1.5.2. *Added value of EU involvement*

N/A

1.5.3. *Lessons learned from similar experiences in the past*

N/A

1.5.4. *Compatibility and possible synergy with other appropriate instruments*

N/A

**1.6. Duration and financial impact**

- Proposal/initiative of **limited duration**
  - Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
  - Financial impact from YYYY to YYYY
- Proposal/initiative of **unlimited duration**
  - Implementation with a start-up period from YYYY to YYYY,
  - followed by full-scale operation.

**1.7. Management mode(s) planned**

**From the 2014 budget**

- Direct management** by the Commission
  - by its departments, including by its staff in the Union delegations;
  - by the executive agencies;
- Shared management** with the Member States
- Indirect management** by delegating implementation tasks to:
  - third countries or the bodies they have designated;
  - international organisations and their agencies (to be specified);
  - the EIB and the European Investment Fund;
  - bodies referred to in Articles 208 and 209 of the Financial Regulation;
  - public law bodies;
  - bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
  - bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
  - persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
  - *If more than one management mode is indicated, please provide details in the "Comments" section.*

Comments

N/A
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## **2. MANAGEMENT MEASURES**

### **2.1. Monitoring and reporting rules**

*Specify frequency and conditions.*

Standard monitoring and supervision mechanisms applicable in DG TRADE will apply, such as the spring/autumn reviews, resources report and weekly financial reporting.

### **2.2. Management and control system**

#### *2.2.1. Risk(s) identified*

No particular risks were identified.

#### *2.2.2. Information concerning the internal control system set up*

The management of the related expenditure will be governed by the overall internal control system set up at DG TRADE.

#### *2.2.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error*

Expected level of risk of error is expected to be zero.

### **2.3. Measures to prevent fraud and irregularities**

*Specify existing or envisaged prevention and protection measures.*

DG TRADE's anti-fraud strategy, adopted in November 2013, will apply.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number Heading 5	Diff/non-diff. (17)	from EFTA countries 18	from candidate countries <sup>19</sup>	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	[...][XX.YY.YY.YY]	non-diff.	NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [...][Heading..... .....]	Diff./non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	[...][XX.YY.YY.YY]		YES/N O	YES/N O	YES/N O	YES/NO

<sup>17</sup> Diff. = Differentiated appropriations / Non-Diff. = Non-differentiated appropriations.

<sup>18</sup> EFTA: European Free Trade Association.

<sup>19</sup> Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

<b>Heading of multiannual financial framework</b>	Number	[...][Heading..... .....]
---------------------------------------------------	--------	------------------------------

DG: <.....>			Year N <sup>20</sup>	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
• Operational appropriations										
Number of budget line	Commitments	(1)								
	Payments	(2)								
Number of budget line	Commitments	(1a)								
	Payments	(2a)								
Appropriations of an administrative nature financed from the envelope of specific programmes <sup>21</sup>										
Number of budget line		(3)								
<b>TOTAL appropriations for DG &lt;....&gt;</b>	Commitments	=1+1a +3								
	Payments	=2+2a +3								

<sup>20</sup> Year N is the year in which implementation of the proposal/initiative starts.

<sup>21</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.



• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
<b>TOTAL appropriations for HEADING &lt;....&gt; of the multiannual financial framework</b>	Commitments	=4+ 6								
	Payments	=5+ 6								

**If more than one heading is affected by the proposal / initiative:**

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
<b>TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount)</b>	Commitments	=4+ 6								
	Payments	=5+ 6								

<b>Heading of multiannual financial framework</b>	<b>5</b>	" Administrative expenditure "
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EUR million (to three decimal places)

		Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	TOTAL			
DG: TRADE												
• Human resources		0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.1			
• Other administrative expenditure		0.26	0.06	0.06	0.06	0.06	0.06	0.06	0.62			
<b>TOTAL DG TRADE</b>	Appropriations	0.56	0.36	0.36	0.36	0.36	0.36	0.36	2.72			

<b>TOTAL appropriations for HEADING 5 of the multiannual financial framework</b>	(Total commitments = Total payments)	0.56	0.36	0.36	0.36	0.36	0.36	0.36	<b>0.36</b>	<b>2.72</b>		
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EUR million (to three decimal places)

		Year 2015	Year 2016	Year 2017	Year 2018				TOTAL
<b>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</b>	Commitments	0.56	0.36	0.36	0.36	0.36	0.36	0.36	2.72
	Payments	0.56	0.36	0.36	0.36	0.36	0.36	0.36	2.72

3.2.2. *Estimated impact on operational appropriations*

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs  ↓			Year N		Year N+1		Year N+2		Year N+3		Enter as many years as necessary to show the duration of the impact (see point 1.6)						<b>TOTAL</b>			
	<b>OUTPUTS</b>																			
	Type <sup>22</sup>	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No total	Total cost
SPECIFIC OBJECTIVE No 1 <sup>23</sup> ...																				
- Output																				
- Output																				
- Output																				
Subtotal for specific objective No 1																				
SPECIFIC OBJECTIVE NO 2 ...																				
- Output																				
Subtotal for specific objective No 2																				
<b>TOTAL COST</b>																				

<sup>22</sup> Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

<sup>23</sup> As described in point 1.4.2. ‘Specific objective(s)...’

### 3.2.3. Estimated impact on appropriations of an administrative nature

#### 3.2.3.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year <b>2015</b>	Year <b>2016</b>	Year <b>2017</b>	Year <b>2018</b>	Year <b>2019</b>	Year <b>2020</b>	Year <b>2021</b>	<b>TOTAL</b>
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<b>HEADING 5 of the multiannual financial framework</b>								
Human resources	0.3	0.3	0.3	0.3	0.3	0.3	0.3	<b>2.1</b>
Other administrative expenditure	0.26	0.06	0.06	0.06	0.06	0.06	0.06	<b>0.62</b>
<b>Subtotal HEADING 5 of the multiannual financial framework</b>	<b>0.56</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>2.72</b>

<b>Outside HEADING 5<sup>24</sup> of the multiannual financial framework</b>								
Human resources								
Other expenditure of an administrative nature								
<b>Subtotal outside HEADING 5 of the multiannual financial framework</b>								

<b>TOTAL</b>	<b>0.56</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>2.72</b>
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The human resources appropriations required will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

<sup>24</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

### 3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in full time equivalent units*

	Year 2015	Year 2016	Year 2017	Year 2018	Year N
<b>• Establishment plan posts (officials and temporary staff)</b>					
XX 01 01 01 (Headquarters and Commission's Representation Offices)	2.5	2.5	2.5	2.5	2.5
XX 01 01 02 (Delegations)					
XX 01 05 01 (Indirect research)					
10 01 05 01 (Direct research)					
<b>• External staff (in Full Time Equivalent unit: FTE)<sup>25</sup></b>					
XX 01 02 01 (CA, SNE, INT from the "global envelope")					
XX 01 02 02 (CA, LA, SNE, INT and JED in the delegations)					
XX 01 04 yy <sup>26</sup>	- at Headquarters				
	- Delegations				
XX 01 05 02 (CA, SNE, INT - Indirect research)					
10 01 05 02 (CA, INT, SNE - Direct research)					
Other budget lines (specify)					
<b>TOTAL</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

20 is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	The drafting and implementation of public procurement handbook would require 1 full-time equivalent (FTE) for a number of consecutive years. In addition, the Regulation would require 1.5 FTE to deal with the implementing guidelines.
External staff	

<sup>25</sup> CA= Contract Staff; LA = Local Staff; SNE= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations).

<sup>26</sup> Sub-ceiling for external staff covered by operational appropriations (former "BA" lines).

3.2.4. *Compatibility with the current multiannual financial framework*

- Proposal/initiative is compatible the current multiannual financial framework.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework<sup>27</sup>.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations cofinanced								

<sup>27</sup> See points 19 and 24 of the Interinstitutional Agreement (for the period 2007-2013).

### 3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
  - on own resources
  - on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative <sup>28</sup>						
		Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
Article .....								

For miscellaneous ‘assigned’ revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

<sup>28</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.