

Ten Red Flags for Corruption Risk in Transition Minerals Licensing and Contracting

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Key messages

- Corruption in the licensing and contracting of transition minerals projects is undermining a just energy transition.
- Some government officials and mining company executives are already using corruption around licenses and contracts to deny citizens and communities a fair share of the benefits of mining transition minerals. Through corruption that starts in the licensing and contracting phase, companies are neglecting and harming vulnerable populations and ecosystems with impunity. And corruption is delaying mineral production, sometimes for years.
- Corruption in transition mineral supply chains is a global problem, with our study identifying 53 cases of corruption in 30 countries across five continents, involving a diverse range of minerals. Corruption cases have been documented in 8 out of the 10 countries with the highest levels of transition mineral reserves. The companies involved in these cases are often based in the world's wealthiest or most powerful countries, including Australia, Canada, China, Russia, Switzerland, the U.K. and the U.S.
- Most of the corruption cases identified followed a familiar pattern, with red flags surrounding the types of company granted licenses or contracts, the ways in which companies have sought to unduly influence decisions and decision-makers—often with implications for democratic processes, and how officials have circumvented proper processes.
- Efforts to skip or shorten essential safeguards around licensing and contracting processes can lead to greater problems in the future, as production is slowed or stopped entirely by legal proceedings, shutdowns, protests and strikes.

Corruption in transition mineral supply chains: an urgent challenge

As the world moves away from fossil fuels, there is a growing demand for renewable energy technologies—and the minerals and metals needed to build them. To reach net zero globally by 2050, the International Energy Agency estimates that the world will require six times more mineral inputs in 2040 than in 2021. For some minerals, the demand could even reach 30 times current levels. Demand remained strong in 2023, despite more volatility in prices. While the development of new technologies or policies to reduce consumption and increase circularity could have a crucial mitigating impact on this demand, the coming decades will no doubt see many new mines come online.

As demand for these essential materials booms, there is risk of a corresponding increase in corruption, with harmful impacts on communities and nature, the state budgets of mining countries, and humanity's collective ability to realise a just energy transition. In past commodity booms, fast-paced dealmaking and the promise of windfall profits encouraged graft and self-dealing. At the same time, the scale and pace of activity hampered the ability of oversight actors to keep pace with developments in the sector, making it harder to spot corrupt behavior. These problems could easily repeat themselves in transition mineral projects, not least given the added pressure of tackling the climate crisis.

Other characteristics of the current mineral boom could further increase corruption risks. First, NRGI's research finds that many players in today's transition mineral supply chains are assuming new roles in different stages of the supply chain and negotiating unprecedented deals, such as in cobalt supply chains.

As offtakers and consumer product companies manage unfamiliar risks and dominate multiple stages of the supply chain, their anticorruption processes may be poorly equipped, perhaps even intentionally, to address the challenges posed in the extraction and processing of transition minerals.

Second, reserves of key transition minerals are concentrated in countries that have struggled to control corruption. Transparency International Australia identified that as much as 94 percent of rare earth reserves and 70 percent of cobalt reserves are found in countries that score poorly on Transparency International's *Corruption Perceptions Index*. Some minerals, such as rare earth elements, are found in countries with contested governments or ongoing violent conflict.

Corruption in mineral supply chains threatens a just energy transition both by increasing the risk of harms associated with mining, and delaying and disrupting the supply of minerals needed to deliver the necessary scale-up in renewable technologies required to fight climate change. Taking steps now to identify, prevent and redress corruption can help avoid the mistakes and harmful outcomes of the past, as well as new harms, lost opportunities and the reproduction of inequities.

Licensing and contracting: a nexus of corruption risk in mining

Many of the risks just described are especially high when a government grants a company rights to exploit minerals.

Throughout the extractive industries, license and contract awards have attracted major corruption in the past. In boom times, when the value of mining rights soars, officials have more incentive to capture some of the upside for themselves or their allies. Companies, meanwhile, may be more willing to engage in corruption to obtain the rights they want, particularly in an environment of heightened competition. Industry pressure to fast-track transition mineral licensing processes in order to speed up supply could also lead to corners being cut on essential oversight and anticorruption measures.

The good news is that license and contract awards can be opportunities to promote more responsible conduct. In particular, tackling corruption around awards more proactively can support three key good outcomes in the mining sector:



Good outcome 1. The benefits of mining are shared more equitably.

In the past, corrupt licensing and contracting around mines have helped elites stifle competition, capture business opportunities for themselves, and siphon profits from mining away from public budgets, leaving less money for essential infrastructure, education, healthcare and other public goods. Where communities support projects going ahead, the transition minerals boom could provide a chance to chart a different course, one where mining provides greater input to local, regional and national economies, job markets, social investments and community-led development priorities. Governments can include robust conflict of interest prohibitions and other anti-corruption measures in rules and bid evaluation criteria, for instance—and strengthen their application through building in stronger oversight and enforcement mechanisms. And by showing zero tolerance for corruption, officials and investors can send signals that mining projects do not exist merely to reward a select few.



Good outcome 2. Communities and ecosystems suffer less social and environmental harm.

The history of mining around the world has shown how corruption can facilitate, hide or block accountability for serious social and environmental harm. Companies have used corruption to skirt their legal and ethical obligations to host communities; coopt and divide local leadership; paper over terrible working conditions, health outcomes and environmental damage, and avoid cleaning up the harm they have created. The negative results have fallen disproportionately on vulnerable and marginalized groups, including lower-income communities, women and Indigenous Peoples. Addressing corruption in the licensing process can help ensure that Indigenous Peoples' right to Free, Prior and Informed Consent is respected and upheld; that communities enjoy the right to access information and participate in decisions affecting them, and that companies cannot buy their way out of adhering to socioenvironmental protections.



Good outcome 3. Countries supply enough responsibly mined minerals to meet demand.

Left unchecked, corruption could undermine the mining sector's ability to meet surging demand responsibly, if at all. New mines will need to swing into production faster than the current industry average of 16 years to supply enough minerals to meet current demand projections. Policies to reduce overall material use, particularly in high-income countries, can ameliorate some of the pressure on mineral-producing countries and the need for new mines. For new projects that do go ahead, a well-governed licensing process can ensure that projects are awarded to companies with the necessary technical and financial capabilities to implement them efficiently and responsibly. A well-governed licensing process can also prevent costly litigation and lawsuits for both governments and companies; ensure that projects that meet required standards can swing into production more quickly and reduce the likelihood of backlash down the line. Addressing corruption risks in the licensing process can also help companies and countries to access financing on more favorable terms, help governments secure investment, including for industrial ambitions in midstream activities and beyond the extractives sector, and reduce the likelihood of a predatory and unpredictable operating environment for companies.

Ten red flags for corruption risk

From our analysis of over 50 cases of corruption in the licensing and contracting process, we have identified the following list of red flags that appeared in multiple cases:

1. The government awards a license or contract to a seemingly unqualified company.
2. A company with a history of controversy or criminality competes for, or wins, a license or contract.
3. A competing or winning company has a politically exposed person (PEP), or a company in which a PEP has an interest, as an owner or contractor.
4. A company seeking a license or contract makes a payment, or gives a gift or favor to an individual PEP with influence over the award.
5. A company seeking a license or contract has a long-term pattern of giving gifts or favors to PEPs.
6. A company seeking a license or contract takes steps to help an official or political party sway an election.
7. A company uses an intermediary to gain an advantage in the award process.
8. An official intervenes in an award process to benefit a particular company.
9. The award process does not follow existing rules or guidelines for awards.
10. The winning company does not meet its environmental and social obligations for the license or contract, with few or no consequences from the government.

Approach and methodology

The list of red flags provides a tool for identifying corruption risk around mining license and contract awards. In particular, we designed the list to be useful for:

- Government officials who design mining license and contracting processes, or who oversee and approve awards. This could include mining ministry personnel, an industry regulator, and personnel at a state-owned mining company or a mining cadaster office.
- Institutional oversight actors. For example, parliamentarians, anticorruption commissions, national Extractive Industries Transparency Initiative (EITI) multi-stakeholder groups or supreme audit institutions.
- Law enforcement officers conducting investigations or looking for leads related to mining corruption.
- Mining companies evaluating—as part of their due diligence, risk or compliance functions—whether to participate in an award process or whether to partner with a certain company and companies seeking to strengthen such functions by ensuring their policies and practices address the risks identified in this analysis
- Staff at commercial banks, international financial institutions, private equity firms or other investors engaged in similar decisions.
- Civil society actors and journalists. Staff from non-governmental organizations (NGOs), campaigners, activists and journalists can use the list to probe the adequacy of government and industry anticorruption policies and practices and the integrity and legality of ongoing or past award processes or individual awards. In particular, the list can help them to identify important lines of inquiry, and to prioritize their scarce resources.

The list builds on and adapts the methodology from our 2017 report, *Twelve Red Flags: Corruption Risks in the Award of Extractive Sector Licenses and Contracts*,which analysed over 100 such cases to identify 12 key red flags for the oil, gas and mining sectors. As with the 2017 analysis, we began by compiling a large, geographically diverse database of real-world corruption cases. This time, the database contains 53 cases from 29 countries on five continents.[1] It likewise covers 10 minerals that are key for the energy transition: bauxite, chromium/chromite, cobalt, copper, graphite, lithium, manganese, nickel, rare earth elements and zinc.

Most of the cases involved a government awarding a company a license or contract to explore or extract minerals, but we also included a few other scenarios where rights to minerals changed hands.[2] Our database also covers different types of award processes, from competitive auctions to first-come, first-served awards, single-source awards and license transfers. We chose cases that featured either clearly proven corruption or credible, detailed accusations—which, we acknowledge, could exclude more subtle, complex or legalized forms of corruption. To account for as much relevant behavior as possible, we defined corruption broadly as "the abuse of entrusted public power for personal gain." For more on how we chose cases and built the list, see the appendix to this briefing.

1 The following countries are where the primary acts of corruption took place: Afghanistan, Australia, Burkina Faso, Cambodia, Chile, China, Democratic Republic of Congo, Ghana, Guatemala, Guinea, India, Indonesia, Kazakhstan, Kenya, Kyrgyzstan, Madagascar, Malaysia, Mongolia, Myanmar, Namibia, Panama, Papua New Guinea, Philippines, Portugal, Solomon Islands, South Africa, Spain, United States, Zambia and Zimbabwe. The number of connected countries—for instance, countries of origin of bribe-paying firms, or intermediary jurisdictions through which corrupt funds flow—is much larger.

2 For instance, we included cases in which companies won rights to buy state-owned minerals extracted by other firms, or where PEPs used corrupt means to reward or do business with companies that already held mining rights.

It is important to note that the red flags list is a tool for inquiry, not prediction. Users should not take the presence of any individual flag on award as *de facto* proof of corruption. Likewise, no one should assume that an award with no red flags is corruption-free. (See the appendix for a more detailed discussion of the list's limitations and strengths.) If you spot red flags from our list in real-world cases, you should both "zoom in" to understand more about the specific companies, individuals and processes involved, and "zoom out" to understand the broader institutional, sociopolitical, cultural, economic and industry contexts in which the award is taking place. This could include asking questions such as: are there strong non-corruption-related explanations for the red flag? Has the behavior involved been a sign of corruption in that context in the past? What other factors in the wider context increase or decrease the likelihood that the red flag is pointing to corrupt practices? As always with corruption, the broader context will suggest what specific action is needed.



Photo by Imani Bahati for Unsplash

Lessons about corruption risk in transition mineral projects

Our analysis of the cases underlying our red flags list shows that:

Corruption in transition minerals licensing and contracting follow familiar patterns.

Anyone who has tracked the decades of law enforcement, investigative reporting, leaks and political scandal around extractives will find very few surprises here. Actors seeking corrupt access to transition minerals are using well-worn tactics and channels to accomplish their ends. At least 6 out of 10 of our red flags are virtually identical to ones from our 2017 list for oil, gas and mining. There could be recent innovations, of course, that watchdogs have not yet highlighted, particularly as all the cases we identified have already taken place. With many new licenses expected to be granted, an in-depth understanding of the various stakeholders and risks associated with different commodity supply chains, and support to oversight actors, is essential to ensure that these innovations are detected as far as possible. Support for this could entail greater resources and training to government agencies, as well as efforts to strengthen access to information for journalists and civil society actors, while protecting their freedom to use this information without repercussions.

Every type of transition mineral carries corruption risk.

We found multiple corruption cases for bauxite, chromite, chromium, cobalt, copper, lithium, nickel, rare earths and zinc.

Only graphite had no results, most likely because four-fifths of all graphite mining happens in authoritarian states such as China, Russia and North Korea, where anticorruption work is selective, often weaponized and not always well publicized. Some minerals presented more cases than others, but we do not assume this means their corruption risks are necessarily higher. A larger number of cases could indicate that anticorruption actors have paid more attention to a certain mineral, or to a country where it is mined. It could also reflect the relative scale of mining operations. For example, our database has more cases for copper than lithium, yet figures provided by Benchmark Mineral Intelligence showed that worldwide, there are nine times more producing copper mines than lithium mines. We should also note that our dataset only covers mining that took place under formally awarded licenses and contracts, whereas huge amounts of some transition minerals—rare earths, for instance—are mined illegally.

Corrupt licensing and contracting schemes occur on every continent with transition minerals.

They also show up in a wide range of countries that together control huge portions of global production and reserves. Africa, Asia-Pacific, Europe, and North and South America all feature in our database, as do high-, middle- and low-income countries.

A large majority of countries with the biggest transition mineral reserves have experienced cases of corruption, and nearly two-thirds of all reserves are in countries with cases:

How many of the countries with the largest transition mineral reserves (by value) had corruption cases?	**8 of the top 10**
What percentage of worldwide transition mineral reserves (by value) were held by countries with corruption cases?*	**63%**

Source: NRGI calculations based on 2022 S&P reserves and pricing data.
* Figure does not include rare earth reserves

Zooming in on individual minerals, many of the most significant producing countries show up in our database, and large amounts of both production and reserves were concentrated in countries with cases, as shown by the 2022 figures for three minerals:

	Copper	Lithium	Manganese
Number of the biggest producers with corruption cases	**8 of the top 10**	**4 of the top 8**	**5 of the top 10**
Percentage of all production by countries with cases	**66**	**92**	**65**
Percentage of all reserves held by countries with cases	**65**	**47**	**66**

Source: NRGI calculations based on 2022 S&P reserves and U.S. Geological Survey (USGS) production data

Some continents and countries showed up more prominently in the database than others, and some minerals have corruption cases spread across more continents. Using the same three minerals as examples:

	Africa	Asia-Pacific	Europe	North America	South America
Copper	Yes	Yes	Yes	Yes	Yes
Lithium	Yes		Yes	*	Yes
Manganese	Yes		**	**	*

Source: NRGI calculations based on 2022 USGS production figures
* Continent accounted for less than 1 percentof global production of the mineral
** Continent had no production

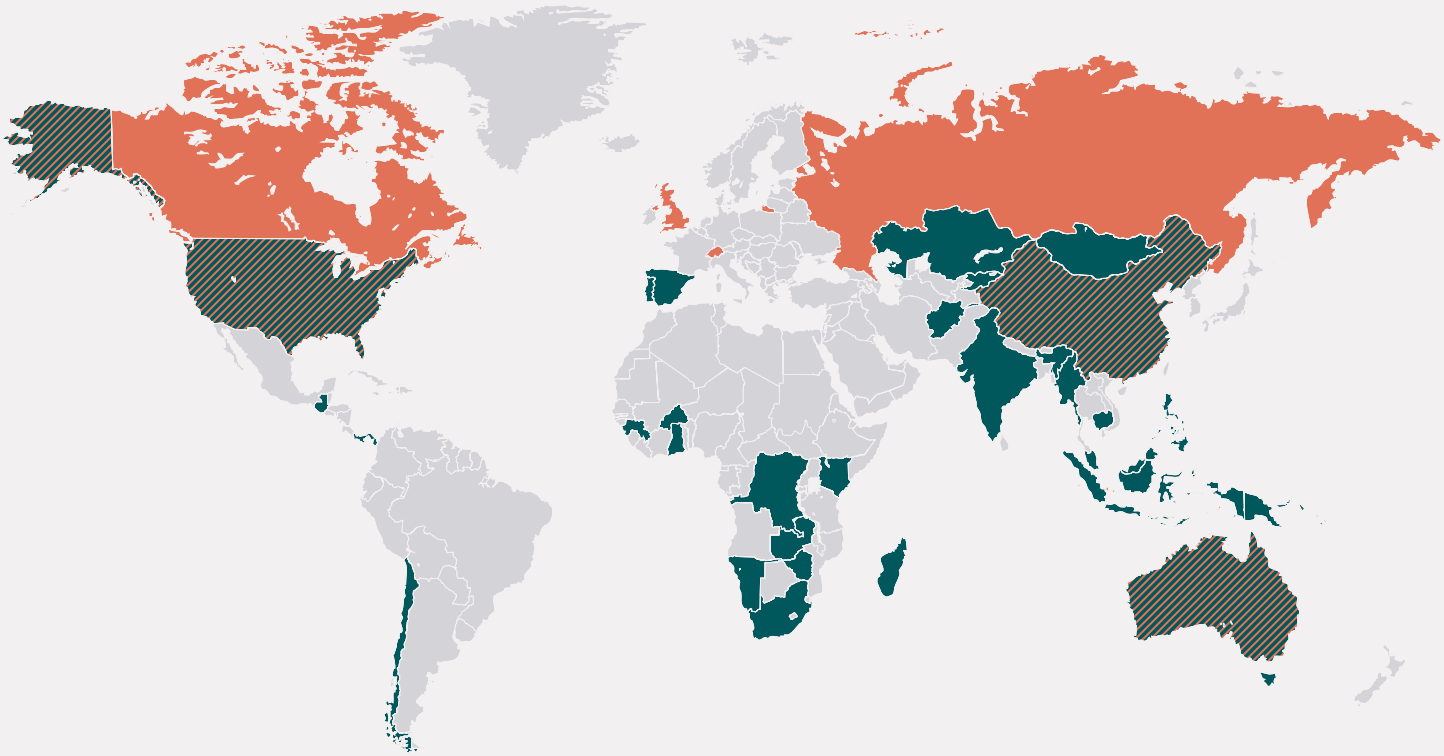
Again, this does not automatically mean these areas' licensing or contracting processes are "more corrupt." What is clear is that no place with transition minerals is immune from corruption, and that stronger anticorruption measures are needed across the mining sector.

Corruption is often committed by companies based in some of the world's wealthiest countries.

The following countries appeared multiple times in our database as the home jurisdictions of companies involved in corruption cases: Australia, Canada, China, Russia, Switzerland, the U.K. and the U.S. Each is a signatory to the U.N. Convention Against Corruption, which requires countries to criminalize foreign bribery.

Except for China, these countries are also signatories to the OECD Anti-Bribery Convention. Transparency International's 2022 *Exporting Corruption* report found that only 2 of 47 countries analyzed are actively enforcing foreign bribery laws (the U.S. and Switzerland). In our database as a whole, the companies involved ranged from major international mining conglomerates to locally controlled juniors with little to no work history. There is an unfortunate tendency among higher-income countries, many of which depend on minerals sourced elsewhere to power their energy transitions, to see corruption as a problem of lower- and middle-income countries. These findings firmly refute this narrative and reaffirm the importance of all countries taking responsibility for investigating and prosecuting corruption, including foreign bribery.

Map: Corruption as a global problem



Countries where we identified cases of corruption: Afghanistan, Burkina Faso, Cambodia, Chile, DRC, Ghana, Guatemala, Guinea, India, Indonesia, Kazakhstan, Kenya, Kyrgzstan, Madagascar, Malaysia, Mongolia, Myanmar, Namibia, Panama, Papua New Guinea, Philippines, Portugal, Solomon Islands, South Africa, Spain, Zambia, Zimbabwe

Countries that appeared multiple times as the home jurisdictions of companies involved in corruption: Canada, Russia, Switzerland, United Kingdom

Countries with both cases and companies: Australia, China, United States

Officials and mining companies are already using corruption around licenses and contracts to deny others a fair share of the benefits of mining transition minerals.

Here again, the tactics are very familiar from the wider history of poor mining governance. Over and over, our dataset shows mining firms and officials conspiring to block competition for mining rights and capture windfall profits they did very little to earn. This can involve officials taking hidden interests in companies; allowing middlemen to buy minerals or licenses at depressed prices and then resell to more experienced firms; using contracts to siphon off royalties that could have gone to the state; or convincing captured state-owned firms to borrow money for their essentially private business ventures.

Other companies, meanwhile, are paying bribes to have lower tax and royalty payments written into their licenses and contracts. They are also using their favored status, along with familiar tricks of tax avoidance and evasion, to pay far less than they owe. In other cases, the country and its people receive no benefits from mining licenses at all because the companies that won them through graft lack the expertise, capital or will to do the hard work of extraction.

We have not tried to estimate the total costs of losses like these contained in our database. Nonetheless, the available estimates of lost public revenue in many of the individual cases are huge—often hundreds of millions or even billions of dollars. Losses related to employment, wealth creation and broader socioeconomic development are harder to quantify in our dataset, yet we suspect they are substantial in some cases.

See Good Outcome 1

Companies are relying on corruption that starts in the licensing and contracting phase to neglect and harm vulnerable populations and ecosystems—and to escape accountability for it.

In our database, corruption paved the way for, and papered over, many destructive, unjust business practices. Mining firms paid bribes during licensing and contracting processes to cut short consultations with communities, skip environmental and social impact assessments and environmental audits, and convince traditional and local leaders to betray their constituencies.

Companies behaved with similar impunity when they started developing their corruptly acquired assets. We saw cases where firms illegally took possession of and destroyed land, including ancestral farms, archeological sites and religious shrines, without legally required negotiations or paying adequate compensation. Communities endured forced relocations. The water that people used for cooking, drinking and washing was diverted into extraction projects or polluted. Community development projects promised during license or contract negotiations never took place. Working conditions in some mines were terrible, with reports of child labor, dangerously long shifts, lack of sanitary facilities or safe ventilation, explosions and collapses.

Many of the companies who won their rights through corruption likewise ignored rules and standards meant to constrain their behavior, with disastrous results. They violated air and water quality regulations, sometimes repeatedly and often with no punishment from the government. Over time, toxic dust from mines stunted crops and entered nearby homes; leaks and waste dumps killed marine life, sickened communities, and introduced harmful levels of lead and other poisons into people's food and bodies.

Once some companies were caught harming people and ecosystems, they seemingly used their politically protected status to escape accountability. They refused to cooperate with environmental investigations, intimidated and harmed protesters, and avoided cleanup and remediation even when required by law. When those affected protested—sometimes violently—or went on strike, conditions did not always improve. Findings like these echo other research into the socioenvironmental costs of transition minerals—the Business & Human Rights Resource Centre, for instance, found over 500 allegations of human rights abuses in key supply chains over 12 years.

See Good Outcome 2

Corruption is delaying mineral production, sometimes for years.

All sorts of corruption-related controversies shut down or delayed the opening of mines in our database, including lawsuits, arbitrations, foreign sanctions, political infighting, community-led protests and worker strikes. Many of the interruptions lasted for years; some are still not resolved. Or, in cases where unqualified companies won rights through corruption, work simply never started. To be clear, we see no evidence that the corruption in any of the cases directly caused a mineral shortage.

Some voices in the sector have also expressed concerns that efforts to strengthen anticorruption measures around transition minerals could slow down production at a time when it needs to grow—for example, by lengthening due diligence cycles, encouraging litigation or convincing investors to back away from projects. The examples we found suggest the opposite, however: that in the race towards a renewable future, corruption can be the brakes.

See Good Outcome 3



Photo by Ilham Arifin / Shutterstock

Red flags in depth



Red flag 1. The government awards a license or contract to a seemingly unqualified company

When a company wins a mining license or contract but lacks the technical, operational or financial capabilities to deliver, this can raise concerns that the company prevailed for some reason other than merit—e.g., because it paid bribes or has financial ties to a politically exposed person (PEP).[3] Some governments routinely award mining licenses on a first-come, first-served basis, meaning the winner need not compete against other applicants. This is especially true of early-stage exploration licenses. "Local content" policies in some places also allow unqualified firms to be members of mining consortiums that win licenses and contracts, ostensibly so that the local company can learn from its more experienced foreign partners. In such cases, though, the other members should have the necessary skills to manage the license or contract efficiently and ethically, and oversight actors may want to ask why that specific local company was included.

More specific warning signs[4]

- The company does not meet the government's pre-qualification standards or other guidelines for the selection process, but is still selected.
- The company or its principals have no prior relevant work experience.
- The company or its principals have little or no industry reputation or name recognition.
- The company was incorporated only shortly before, or even after, the award. (Note: there could be legitimate, non-corrupt reasons for this. For instance, some countries require foreign mining firms to be registered in their jurisdictions to apply for a license, and companies often set up special-purpose vehicles for each mining license they hold, usually for legal, accounting and tax purposes.)
- The company lacks the basic capabilities or assets needed to contribute, including manpower, equipment or technical skills—for example, a purported exploration company with no geologists, engineers or project managers on its staff or as consultants.
- The company lacks basic features that would allow it to contribute financially, either directly or by accessing outside finance. These could include a balance sheet, audited accounts, a credit rating, or an extended period of financial existence and operations.
- The company does not show other basic signs of being a functioning business—for instance, a physical address or office space, staff or a website.
- The company's website or other published materials claim relevant experience but lack verifiable details, including on past work or names of key personnel.
- The company's main role relative to the license or contract appears to be to passively receive payments or other items of value—especially if these are for unclear beneficiaries.

3 The Financial Action Taskforce describes a PEP as "an individual who is or has been entrusted with a prominent function." www.fatf-gafi.org/en/publications/Fatfrecommendations/Peps-r12-r22.html

4 We note that the more specific warning signs listed for each red flag do not necessarily all appear in the case study which follows it. The list of warning signs is intended to be illustrative and to support this report's users in further interrogation of suspicious activity.



Illustrative case: Copper in Mongolia

In March 2024, U.S. prosecutors took steps to seize two Manhattan apartments that they claim had been purchased with proceeds of corruption for ex-Mongolian Prime Minister Sukhbaatar Batbold and his family. Specifically, court filings alleged that while he was in office, Batbold awarded lucrative state mining contracts to companies "that were owned and controlled by his known associates or his son."

One such company was Hong Kong-registered Catrison Limited, which the U.S. Department of Justice claimed Batbold owned and controlled "through trusted intermediaries." In 2011, Catrison won a contract worth USD68 million to sell state-owned copper concentrates. Prior to this award, prosecutors said, Catrison had "no operational history, no mining expertise, no financial or logistical infrastructure to execute commodity sales, and its sole director was a former linguistics teacher." In essence, Catrison acted as a middleman company, passively earning margins on the copper, which major commodities traders ultimately bought, transported and re-sold.

What were the outcomes?



Outcome 1

Inequitable benefit sharing: The U.S. court filings allege that operatives for Batbold used shell companies to transfer profits from Catrison's and other shell companies' mining contracts to foreign bank accounts in the U.S. and elsewhere, to purchase a range of luxury goods for Batbold and his family, including the two New York apartments in 2012 and 2015 for a total of USD14 million. The case involving Catrison is not the only instance where Batbold has been accused of using his position to siphon wealth from Mongolian mining. He has rejected the allegations, claiming they are fabricated by "shadowy figures" working for his political enemies. The civil forfeiture case in the U.S. is still in its early stages and likely will continue for years.



Red flag 2. A company with a history of controversy or criminality competes for, or wins, a license or contract

What if a company involved in the award process, or one of its individual owners, has a reputation or track record of corruption or other misconduct such as fraud, participation in organized crime or human rights abuses? Will they engage in similar conduct again, or does the fact that they have been allowed to compete or win, despite their checkered past, suggest undue influence or favoritism? Some companies are wrongly accused, especially by their rivals, and the amount of scrutiny warranted will depend on factors such as the reliability and seriousness of the allegations, and how often the company or individual has been accused.

More specific warning signs[5]

- The company or individual is under suspicion, investigation or indictment for criminal activity, either in the country that is awarding the license or contract, or elsewhere.
- The company or individual has a criminal record or a long history of legal troubles that suggest unethical business practices.
- The company has recently changed its name. While there could be legitimate reasons for this, it may also be motivated by a desire to avoid association with past controversy or criminality.
- Note: If the company or individual operates in other countries, their track records there are also relevant and should be checked.



Illustrative case: Bauxite in the Solomon Islands

In 2015, Hong Kong-registered Asia Pacific Investment Development (APID) received the rights it needed to mine for bauxite on Rennell Island, part of the Solomon Islands. Three years earlier, the country's High Court had found evidence that APID engaged in illegal logging, a practice rampant in the small nation. NGO and press reporting later claimed that APID had "reinvented itself" as a mining firm for the chance to mine bauxite.

Within months of the award, the mines minister cancelled APID's bauxite license, citing a number of procedural irregularities. The local chapter of Transparency International also alleged that APID had chartered a flight for senior government officials around the time of the award. Years of court cases ensued, with APID recovering its license for a period, but then losing it again in late 2020.

5 We note that the more specific warning signs listed for each red flag do not necessarily all appear in the case study which follows it. The list of warning signs is intended to be illustrative and to support this report's users in further interrogation of suspicious activity.

What were the outcomes?



Outcome 1

Inequitable benefit sharing: According to media reporting, in 2021 a former director of mines and a landowner alleged that APID and its subcontractor on Rennell Island, Bintan Mining (BM), had not paid the taxes, royalties, and fees due to communities and landowners on around a third of its bauxite exports. The companies refused to comment in detail because of ongoing court proceedings, and the ultimate resolution is unclear.



Outcome 2

Environmental and social harm: In 2015, the Solomon Islands High Court heard another logging case against APID, this time related to its bauxite business. The court found that the company had illegally felled trees within its concession area, which included customary lands. Also, in 2019, a tanker hired by BM crashed on a reef, spilling an estimated 300 tons of oil into the water. The spill reportedly contaminated community water sources, killed marine life, affected subsistence fishing and caused infections in children. A leaked expert report estimated the damage was as high as AUD 50 million, saying the wreck destroyed over 10,000 square meters of reef (Rennell Island is the world's largest raised coral atoll) and 4,000 square meters of lagoon habitat that could take up to 130 years to recover. The ultimate responses from the government and APID are unclear.



Outcome 3

Less mineral production: Disputes over APID's business practices have left the Rennell Island bauxite mine closed for an unknown period, likely years. Local landowners, the Solomon Island's Attorney-General and the provincial government all took action against the company at different times, and APID and BM ultimately sued one another when BM entered liquidation.



Red flag 3. A competing or winning company has a PEP, or a company in which a PEP has an interest, as an owner or contractor

You should always investigate further when a government does business with mining companies linked to PEPs. Companies with PEPs as beneficial owners are not uncommon in mining—corporate ownership is one of the main ways that officials and their associates enjoy long-term benefits from the sector. Some PEPs take elaborate steps to hide their equity stakes; others own mining company shares openly. Many of the common tricks used to hide beneficial ownership are not illegal per se, but all should prompt close review, especially when the presence of the company or PEP in the award does not serve any obvious business or public policy interests.

Owning shares is not the only way a PEP can make money from a mining license or contract on an ongoing basis. The winning company can also route payments to the PEP via a third-party business relationship (see below for examples). At best, these arrangements can be legitimate, arms-length deals for the supply of goods and services. At worst, they can be conduits for bribery and kickbacks **(see Red Flag 4)**.

More specific warning signs[6]

- The company hires a PEP or a firm the PEP owns or controls as a consultant or service provider.
- The PEP or the PEP's company provides the mining license holder with a questionable loan agreement, promissory note or other debt instrument. Common signs that these might not be genuine include brevity and lack of detail, especially on repayment processes and obligations; unbalanced interest rates or other financial terms, and lack of penalties for default.
- The payments to the PEP or the PEP's company far exceed the value of the goods or services provided.
- The PEP or the PEP's company does not appear qualified to provide the goods or services agreed, or seems not to have provided them at all.
- The company's ownership structure shows common signs of having a PEP as a hidden beneficial owner—e.g., a chain or network of shell companies located in secrecy jurisdictions, a complex holding company substructure, a nominee shareholder, the use of bearer shares[7], an altered or fabricated shareholder name, or the presence of a trust with unclear beneficiaries.
- An individual with familial, personal, political, business or other close financial ties to a PEP is a shareholder, director or officer in the company. Especially when other red flags are present, this could raise concerns that the individual is a proxy or "front" for the PEP.
- The company shares a registered or actual physical address, registered agent, office space, phone number, or other business infrastructure with another firm that is owned or controlled by a PEP, or with an individual linked to a PEP.

6 We note that the more specific warning signs listed for each red flag do not necessarily all appear in the case study which follows it. The list of warning signs is intended to be illustrative and to support this report's users in further interrogation of suspicious activity.

7 Bearer shares are those considered to be owned by the person who has it in their possession, rather than by a named person.



Illustrative case: Chromite in Afghanistan

In 2019, President Ashraf Ghani's administration awarded U.S.-based SOS International (SOSI) exclusive rights to operate various mines in Afghanistan. At the same time, a UAE-based SOSI subsidiary, Southern Development, received rights to buy and process chromite ore. Two years later, investigative reporting found that Hashmat Ghani, the president's brother, was the founder of Southern Development and hidden owner of 20 percent of the company.

Afghanistan's High Economic Council approved Southern Development's chromite contract in December 2019—a clear conflict of interest, since President Ghani oversaw the Council. SOSI's qualifications to run multiple mines in a country like Afghanistan are also unclear, since its main work history seems to be as a North American defense contractor providing analysis, advice and communications support to the U.S.-led NATO operation in the country.

In a Facebook post, the Afghan Ministry of Mines said it was "untrue" that the government had ever signed a contract with Hashmat Ghani (an apparent misrepresentation of the allegations). The ex-president's brother himself denied wrongdoing in statements to reporters and on social media.

What were the outcomes?



Outcome 1 & 2

Inequitable benefit sharing and environmental and social harm: Leaked government documents show Southern Development received at least 1.1 million kilograms (roughly 1,200 short tons) of chromite under its contract to purchase the mineral from the government. Most or all of what it bought, however, was seized from illegal artisanal mining operations, which means that villagers extracted the chromite in dangerous, difficult conditions, often under the control of warlords and militia leaders. From available information, it is not clear what benefits or compensation, if any, the artisanal miners received for this work.



Outcome 3

Less mineral production: It is not clear whether SOSI managed to extract any minerals from its mining licenses. Once Afghanistan fell to the Taliban in August 2021, the company's rights were apparently cancelled, leaving the assets in limbo.



Red flag 4. A company seeking a license or contract makes a payment or gives a gift or favor to an individual PEP with influence over the award

Under this red flag, a company pays an official or other PEP to manipulate or direct the award process in the company's favor. It covers both classic cases of bribery and other, more subtle behavior that bribery laws might not punish. In the most obvious cases, the official receiving the payment will have final say over who receives the license or contract—a mines minister, for instance, or a cadaster office head. Lower-level officials who run award processes or evaluate bids can also steer outcomes, though, as can people with no formal legal authority over awards at all, such as influential ruling party officials, presidential aides, the country's president, or even close associates and family members of officials. The payment can be made before or after the award and take many forms beyond cash. Past cases have found winning companies buying PEPs luxury goods, paying PEPs' bills, or offering "loans" that PEPs never have to repay. Companies make such payments for a range of reasons, whether to win outright, undermine the fairness of the award process or obtain preferential license or contract terms (Red Flag 8).



Illustrative case: Zinc in China

Starting in 2014, a government anti-corruption crackdown in China's Yunnan Province raised questions about the Lanping zinc mine, one of the largest of its kind in Asia. Government prosecutors and media agencies alleged that in the early 2000s, Zhou Yongkang, who was later appointed to the Politburo, and Bai Enpei, a one-time Party chief for Yunnan and Vice-Chair of the National People's Congress Environment and Resources Committee, took bribes to facilitate the sale of a controlling interest in the mine to a businessman named Lui Han. Lui was chairman of the energy conglomerate Sichuan Hanlong group and reportedly a friend of Zhou. Through complex transactions, in 2003 Lui allegedly paid the Yunnan provincial government 153 million yuan for a 51 percent share of the Lanping mine. Zhou and Bai reportedly received bribes for their roles in the deal, and a year later, the mine was valued at 100 billion yuan, according to one news report.[8] These allegations were part of a broader government sweep of corruption in Yunnan that implicated hundreds of officials. Western media outlets and Chinese activists have questioned the motivations behind the sweep, though not the allegations against Zhou and Bai.

What were the outcomes?



Outcome 1

Inequitable benefit sharing: While it is unclear how much the graft around Lanping cost China, Chinese courts convicted Bai and Zhou on a dramatic range of corruption charges in 2015 and 2016. Zhou was sentenced to life in prison after the government seized 90 billion yuan (USD14.5 billion) of assets it linked to him. Bai received a death sentence with a two-year reprieve for his alleged role in bribery schemes across many sectors. State prosecutors alleged he had accepted, personally or through his wife, nearly 250 million yuan (USD37.5 million) in bribes from various sources. Lui Han was executed in February 2015 on unrelated charges of participation in organized crime.

8 Zhang Yi, "Former senior official confesses to corruption," China Daily, 17 June 17 2016.



Red flag 5. A company seeking a license or contract has a long-term pattern of giving gifts or favors to PEPs

Not all corruption around mining licenses and contracts looks like simple bribery in exchange for a favor—in other words, a one-time payment clearly meant to hijack an award. Some companies create more subtle, complex ecosystems of gift giving in the countries where they work, to buy themselves longer-term advantages. Past investigations have shown mining firms supporting the lifestyles and aspirations of dozens or even hundreds of PEPs and their associates over long periods, sometimes decades. Companies can give multiple gifts or favors to single people over time, or the same ones repeatedly. Each gift need not be expensive—some might cost a few hundred dollars or less.

It can be difficult to tie this sort of corruption to the award of individual licenses or contracts. Some of the officials who benefit will not have direct authority over awards—a company may decide to reward an official now on the chance the person will be useful later. Mining companies also use gifts to obtain benefits besides a decision or signature in its favor, such as business intelligence or access to confidential information that their competitors will not have. Eventually, successful campaigns of this sort can "capture" a government to the point where decisions in a company's favor are all but guaranteed. They can also remove the need to pay bribes when a contract or license becomes available, because in essence, the company has already paid.

More specific warning signs[9]

- A company buys luxury goods and services for a PEP.
- A company pays a PEP's mortgage, medical bills, school fees, or other debts or expenses.
- A company covers the costs of a PEP's family events—e.g., vacations, funerals or weddings.
- A company grants a PEP, or a company linked to a PEP, contracts to supply it with goods or services. These could be anything from expert consulting to office catering. Suspicions should increase when the PEP or company does not appear qualified to provide the goods or services, or where evidence suggests they were not provided.
- A company hires a PEP or the associate of a PEP as an employee.
- A company creates or participates in a "revolving door" arrangement for mining-sector jobs in the country.

9 We note that the more specific warning signs listed for each red flag do not necessarily all appear in the case study which follows it. The list of warning signs is intended to be illustrative and to support this report's users in further interrogation of suspicious activity.



Illustrative case: Lithium in Chile

In 2017, U.S. courts charged Sociedad Química y Minera de Chile, S.A. (SQM), a Chilean mining and chemical company, over USD30 million for violating the U.S. Foreign Corrupt Practices Act (FCPA) and the Securities Exchange Act. Court documents alleged that over a period of seven years, SQM made roughly USD14.75 million in "improper payments to Chilean politicians, political candidates, and individuals and entities connected to them." Much of this money traveled through a discretionary account controlled by the then-CEO. SQM executives also disguised the payments with "ideologically false"[10] invoices and contracts, and falsely recorded them on the company's books.

Outflows from the discretionary CEO account included transfers to dozens of foundations controlled or supported by Chilean politicians or their families, as well as support for a Chilean senatorial campaign. While U.S. court filings did not describe the purposes behind all the payments, nor list what SQM ultimately received in exchange for them, prosecutors did note that SQM executives "funneled approximately $630,000 to foundations controlled by a Chilean official with influence over the government's mining plans." The U.S. charges built on earlier investigations in Chile, which alleged similar practices dating back to the 1990s.

Founded in 1968, SQM was nationalized in 1971 under the government of Salvador Allende and then privatized in the 1980s during the dictatorship of Augusto Pinochet. Julio Ponce Lerou, then son-in-law of Pinochet, was appointed chairman of SQM in 1987. He resigned from this position in 2015 amid the FCPA probe, although was not personally charged.

What were the outcomes?



Outcome 1

Inequitable benefit sharing: A subsequent related class action suit by SQM shareholders expanded the story, accusing SQM staff of paying "hundreds, and likely thousands, of false invoices to politicians, political parties and politically connected companies, in order to control the government and gain influence across Chile's political spectrum." According to the shareholders, this included "illegally financing electoral campaigns, including at least three presidential campaigns, and diverting Company funds to Chilean politicians from major political parties." While SQM partly disputed this in court, the company ultimately agreed to pay the shareholders a further USD 62.5 million to settle the suit.

10 In Chile, an ideologically false invoice is the term used to describe an invoice that is issued legally, through the formal tax system, but that does not correspond to a real operation or lacks documentary support to support said operation.



Red flag 6. A company seeking a license or contract takes steps to help an official or political party sway an election

Elections can be tense times for mining companies, particularly if they worry that a change of government will be bad for business. New governments can renegotiate terms, pass new rules, launch investigations, even revoke licenses and contracts. Alternatively, a company might want power to change hands if the change would help its business. Faced with such high stakes, some company executives offer officials or political parties goods or services that they think can help sway the election results. The company might approach the official or party, but the reverse also happens. In some cases, unpopular, struggling politicians who fear losing will say to a company, "Help us win now, and we'll reward you with a license or contract later."

Elections, it should be noted, are a high-risk time for mining corruption more broadly—for instance, when officials rush through last-minute awards to their allies, worried it may be their last chance. Corruption or campaign finance laws do not always forbid the behaviors described here. But if a company uses them to gain an unfair advantage or undermine a country's electoral system, they deserve scrutiny.

More specific warning signs[11]

- A company pays a third party for election-related services that could benefit a politician or party—e.g., grassroots campaigning, opinion polling, opposition research, media work, disinformation campaigns, or foreign or domestic lobbying.
- A company provides goods or services directly to voters with the message that they are "from" the politician or party—e.g., free or discounted transport, temporary employment, foodstuffs or other household commodities.
- A company provides something to individuals or government agencies involved in electioneering—e.g., it buys luxury goods or makes payments that benefit election agency officials.
- A company uses its resources in ways that could influence behavior on election day—e.g., it sends its private security forces to monitor poll sites or guard vote-counting centers.
- A company sells minerals or something else of value to a firm controlled by a politician or party, then allows the firm to delay payment until after election day. This could raise the suspicion that the firm will re-sell the minerals and use the proceeds to influence the election results.

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Illustrative case: Chromite in Madagascar

In the months leading up to Madagascar's 2018 elections, the Russian firm Ferrum Mining won an 80 percent stake in three of the country's chromite mining licenses, through a joint venture (JV) with the state-owned mining firm, Kraomita Malagasy. NGO research and whistleblower evidence have alleged that Ferrum was controlled by Russian national Evgeny Prigozhin (who died in 2023). As Ferrum's chromite licenses were being negotiated, a U.S. court indicted Prigozhin and other Russian nationals for interference in the 2016 U.S. elections. Similar work to sway an election in Madagascar was already underway, however, led by a group of Prigozhin associates with at least some Kremlin backing. This allegedly included in-person and online disinformation campaigns, bribery and intimidation of the opposition, and support for fringe candidates—all of which took place in a highly fragmented, contested political context, as an apparent exchange for Ferrum's stake in the JV.

At the time Prigozhin, a convicted felon in his home country due to gang activity, led the notorious Wagner Group, a paramilitary force that played well-documented roles in Russia's illegal 2014 invasion of Crimea in Ukraine. Wagner and its associated companies have been accused of atrocities and questionable business in other conflict zones—beheading enemy combatants and profiting from contested oil and minerals in Syria, for instance, or massacring civilians in the Central African Republic while mining gold and diamonds **(see Red Flag 2)**.

What were the outcomes?



Outcome 3

Less mineral production: The mining JV was ultimately a failure, both for Ferrum and Madagascar. Workers at the mines went on strike within months, claiming poor conditions, and Ferrum shut down operations by the end of 2019, allegedly without paying local salaries. Five years on, to the best of our knowledge, the mines remain idle.



Red flag 7. A company uses an intermediary to gain an advantage in the award

In this scenario, a company hires a third-party firm or individual to act as a go-between with influential government officials. While not inherently corrupt, the use of intermediaries in mining licensing and contracting can turn corrupt in two main ways. First, the intermediary can receive money or gifts from the company, then secretly pass all or part of these on to an official. Second, the intermediary can broker access to key officials that other firms competing for the same license or contract do not enjoy. The corruption may be less obvious in this second situation, but such cases still require scrutiny, since preferential access can facilitate bribery and other negotiations for favors, or provide the company with other unfair advantages.

More specific warning signs[12]

- The intermediary has political, social, familial or business ties to an official.
- An official or government body recommends or requires the company to hire the intermediary.
- The contract between the company and the intermediary describes the services the intermediary must perform in vague terms.
- The contract between the company and the intermediary calls for the intermediary to perform a long laundry list of services for which the intermediary lacks capacity or resources.
- The intermediary requests unusually high commissions or fees.
- The intermediary helps the company arrange meetings with high-level officials, or other types of access that other companies competing for the award do not receive.
- The intermediary appears to perform little, if any, substantive work.
- The intermediary requests unusual, or unusually complex, payment patterns, including payments in cash, into offshore accounts, or into accounts in different names or countries.
- The intermediary creates documentation saying it performed services under the contract that it has not performed—e.g., false invoices or reports.

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Illustrative case: Cobalt and copper in the Democratic Republic of Congo

Between 2010 and 2012, the Congolese state-owned mining firms Gécamines and Sodimico sold parts of their stakes in valuable copper and cobalt projects to little-known offshore companies traceable to Israeli mining entrepreneur Dan Gertler, a friend of former president of the Democratic Republic of Congo (DRC), Joseph Kabila, since at least the 1990s. Joseph Kabila became president in 2001 after the assassination of his father, President Laurent-Désiré Kabila. A series of joint ventures, all owned by Gertler and affiliates of U.S.-based Och-Ziff Capital Management, then took over ownership. Each joint venture had the same goal: buy valuable mining assets in the DRC, consolidate them into a single entity or multiple companies, then sell the companies to larger mining firms at a significant profit. Och-Ziff would supply the initial investment capital; Gertler would handle government relations.

The Congolese government continued doing business with Gertler companies after NGOs, investigative journalists and others began raising concerns. Due diligence performed by one of Gertler's business partners found evidence of ties between him and Congolese PEPs. In emails and personal meetings, Gertler and his associates also made clear to Och-Ziff personnel that significant sums of money would be needed to pay DRC officials, including President Kabila, his associates and other "local partners." Ultimately, a U.S. Department of Justice investigation reached an agreement with Och-Ziff, which acknowledged that companies controlled by Gertler "paid more than one-hundred million U.S. dollars in bribes to DRC officials to obtain special access to and preferential prices for opportunities in the government-controlled mining sector" from 2005 to 2015. Gertler is not explicitly mentioned in the Och-Ziff statement of facts, which refers to a "DRC partner".

Gertler has consistently denied findings of this kind and has retained significant mining assets in the DRC, in 2023 earning an estimated USD120 million from royalty payments alone. In 2017, under the authority of the Global Magnitsky Human Rights Accountability Act, the U.S. Treasury sanctioned Gertler for involvement in corruption in the DRC. In 2022, the Congolese Minister of Justice signed a Memorandum of Understandingwith a Gertler-owned company in which several assets were returned to the state. NGOs have alleged that the deal led to the return of dormant assets, while Gertler continued to receive USD 250,000 per day in royalties from three lucrative copper-cobalt mining projects.

What were the outcomes?



Outcome 1

Inequitable benefit sharing: The Gertler mining deals cost Congo and its already struggling people huge sums. Within short periods—sometimes as little as one month—Gertler's companies sold their freshly acquired stakes for large profits to established operators. A 2013 report estimated that the DRC lost USD1.36 billion in public revenues between 2010 and 2012—an amount equal to twice the country's combined health and education budgets for one year—from five such deals. A report by the Africa Progress Panel in 2013 estimated that Gertler-associated companies meanwhile made an average profit margin of 512 percent. At time of publication, Gertler remains sanctioned by the U.S., although media reports have indicated that the U.S. government is considering lifting sanctions. For example, a *Financial Times* report in June 2024 indicated that the Treasury has proposed a deal to lift sanctions on Gertler in return for his selling his mining interests in the DRC for a reported USD300 million.



Red flag 8. An official intervenes in an award process to benefit a particular company

What if an official uses his or her formal or informal powers in ways that help a specific company win a license or contract, or other business related to the award? Or what if an official tells a company that it will only win if it partners or does business with another firm? Could the official, or someone in his or her networks, have an interest in the outcome? This red flag will need especially close scrutiny where other red flags are present—if the company appears to be unqualified **(see Red Flag 1)** or to have a hidden owner (Red Flag 3), for instance, or the license or contract has unbalanced terms (Red Flag 8)

More specific warning signs[13]

- An official involved in picking the winner, or a close associate of that official, has mining-sector investments.
- The official or a close associate is a director, officer or owner of a company that is competing for the license or contract.
- The official or a close associate consults for, provides services to, or otherwise does business with a company that is competing.
- A company involved in the award process owes the official money.
- An official with influence over the award recommends or requires that the company partner or do business with another company showing other red flags. The resulting "forced marriage" can take the form of a joint venture, partnership, subcontract or other third-party relationship.
- An official takes unusual steps to make sure a company can compete—e.g., inserting its name on the list of approved bidders.
- An official gives a winning or competing company preferential access to confidential information—e.g., geological data—to use in crafting its bid.
- An official plays multiple, apparently conflicting roles in the award process.
- An official overturns a decision or recommendation made by technical staff.

13 We note that the more specific warning signs listed for each red flag do not necessarily all appear in the case study which follows it. The list of warning signs is intended to be illustrative and to support this report's users in further interrogation of suspicious activity.



Illustrative case: Copper in the United States

In 2013, a US federal court in Arizona convicted Rick Renzi, a former U.S. congressman for the state, of extortion, money laundering and fraud, among other charges. In 2005, the court found, Renzi promised U.S.-based Resolution Copper Mining LLC (RCC) that he would use his position on a congressional committee to help pass a law that would allow the company to acquire public forest land located next to its copper concession, as part of a federally mandated land swap. Renzi imposed a condition, however: RCC would also have to buy 480 acres of land owned by James Sandlin, a business partner of Renzi's who owed the congressman money. After RCC backed away from negotiations, Renzi convinced another firm, The Aries Group, to buy Sandlin's land for USD4.5 million in exchange for him supporting a land swap bill in Congress, which he ultimately never did. In total, Sandlin transferred USD733,000 from the land sale to companies and accounts controlled by Renzi.

The court sentenced Renzi to three years' imprisonment; Sandlin received an 18-month sentence. U.S. President Donald Trump pardoned Renzi in 2021, in the final hours of his presidency, after the ex-congressman had served two years in prison. The original 2013 conviction still stands, however, and was upheld by an appeals court in 2015.

What were the outcomes?



Outcome 2

Environmental and social harm: In the case against Renzi and Sandlin, prosecutors presented evidence that the Nature Conservancy, an environmental non-profit, had attempted to acquire the 480 acres from Sandlin as part of a plan to preserve bird life and access to water in the drought-stricken area. The Conversancy claimed, however, that Sandlin's asking price was "way outside of the market values"—and, at around the same time, Renzi made purchasing the acreage the condition for RCC's desired land swap.



Red flag 9. The award process does not follow existing rules or guidelines for awards

A country's rules for how to award mining licenses and contracts can be found in laws, regulations, government circulars or ad-hoc documents such as auction guidelines. When those in charge do not follow the rules, this immediately raises the question: why? In some cases, breaches of the rules may also be grounds for challenging the award and setting it aside. Cases with this red flag may feature similar conduct as Red Flag 7—i.e., a specific official may intervene to ensure the rules are not followed. But unlike Red Flag 7, oversight actors may not know at first who is responsible.

More specific warning signs[14]

- A company skips required steps in the process, e.g., application or prequalification.
- Existing rules or guidelines say the award must happen on a first-come, first-served basis, but the official(s) in charge do not choose the first qualified company that applied.
- Existing rules or guidelines say the award must be competitive, but the most competitive or highest-ranked bid is not accepted.
- The official(s) in charge ignore recommendations or findings about which firm should win—e.g., the conclusions of a bid evaluation committee.
- The award process appears to have been set up in ways that constrain competition—e.g., it is not advertised in the way the rules require, or the timelines for bidding are too short.
- The official(s) with final or high-level decision-making authority override the outcome of the award process, or otherwise alter the results.
- The outcome of the process is not announced in the ways the rules require.
- The final terms of the license or contract show significant deviations from the model contract, term sheet or other roster of terms used during the selection process.

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Illustrative case: Manganese in South Africa

In 2005, South Africa's Department of Minerals and Energy awarded prospecting rights for eight large manganese deposits to United Manganese of Kalahari (UMK), a newly registered company. UMK, in turn, was a JV between offshore entities part-owned by Russian oligarch Viktor Vekselberg and Chancellor House Holdings (CHH), a South African Black Economic Empowerment vehicle. Concerns have been raised that the award process showed some irregularities—for instance, the consortium received licenses that other firms had already sought, even though South African regulations called for first-come, first-served awards. UMK also won several licenses that it did not apply for.

Within months, South African investigative journalists reported that the ruling African National Congress (ANC) owned and controlled CHH. The company defended its financial ties to the ANC as fully legal and transparent, claiming that it was founded to "help historically disadvantaged South African persons or entities." Yet over the years, CHH's stake in UMK has become a major lifeline to the often cash-strapped, mismanaged ANC. Corporate financial records show CHH receiving 528 million rand (USD32 million) in dividends in 2020 alone, and analysis of South African political finance disclosures suggested that the venture was the ruling party's largest single on-record donor. UMK has also made direct contributions to the ANC—in late 2022, for example, the company paid 15 million rand (USD826,000) to the conference center where the party held its conference.

What were the outcomes?



Outcome 1

Inequitable benefit sharing: UMK's eight licenses concentrated control of South Africa's manganese reserves—the world's largest—in the hands of a single group of investors. Over time, CHH has also used its dividends from UMK to grow its interests in other parts of the economy, such as services and real estate.



Outcome 3

Less mineral production: Industry experts have also raised concerns that Vekselberg's involvement in UMK could fall foul of U.S. sanctions and disrupt global supplies of manganese—a theory the company has disputed. In 2018, the U.S. Treasury Department added Vekselberg to a list of Specially Designated Nationals accused of backing Russia's illegal invasion of Crimea. Since then, U.S. officials have reportedly frozen more than a billion dollars of Vekselberg's assets, searched properties linked to him and seized his yacht, worth an estimated USD90 million.



Red flag 10. The winning company does not meet its environmental and social obligations for the license or contract, with few or no consequences from the government

When a mining license is granted, international, national and local laws can require companies and governments to weigh the impacts on people, economies and ecosystems in different ways. Many of these take the form of participatory, multi-stakeholder processes—for example, environmental and social impact assessments (ESIAs); land access laws that set out whether exploration is permitted and the terms under which it may take place; or rules around Indigenous Peoples' right to Free, Prior and Informed Consent (FPIC) and community consultations that determine whether or not a mining company has a social license to operate. A range of institutions can be involved, including regional, local or traditional governments; community, trade and labor bodies, and the ministries of mines, environment, land, water, forestry, agriculture, and indigenous or social affairs.

Mining company staff and government officials resort to corruption in this area to speed up processes, hide troubling issues raised, engage in self-dealing, and sidestep responsibility for setting up socioenvironmental safeguards for when mining begins. There is already a long history of this, seen in many countries, and the need to ramp up transition mineral production could make incentives worse.

More specific warning signs[15]

- The company or one or more responsible officials bypass or partly ignore legal requirements for the process.
- The company receives official permission to skip or truncate all or part of the process.
- The company or officials make misleading statements, omit key information or manipulate relevant data during the process.
- The company or officials carry out the process in ways that do not allow people to participate meaningfully—e.g., they fail to publicize meetings or other opportunities to comment; they share long, confusing documents in languages people cannot read; or they only start consulting or collecting information once key decisions have been made.
- The company or officials exclude required individuals or groups from the process—e.g., by not securing indigenous people's FPIC.
- Local leaders or elites conspire with the company or officials to influence how people participate in the process. For instance, they might offer participants money, gifts, employment offers or other benefits in exchange for participants providing or signing off on misleading or false information, withholding objections or silencing others.
- Government security forces or non-state armed actors take part in the process in ways that intimidate participants or otherwise influence the results.
- An apparent conflict of interest exists between a company and an expert it selects to engage with the community.
- The company or officials engage in harmful or illegal conduct before, during or shortly after the process—e.g., forced evictions and resettlement without adequate compensation, or confiscating or occupying traditional or ancestral lands.
- The company or officials refuse to share key outcomes of the process with communities—e.g., the ESIA report or other documents.
- The company starts exploring for or producing minerals before the process has begun or ended.

15 We note that the more specific warning signs listed for each red flag do not necessarily all appear in the case study which follows it. The list of warning signs is intended to be illustrative and to support this report's users in further interrogation of suspicious activity.



Illustrative case: Nickel in Guatemala

In January 2024, the U.S. Treasury Department sanctioned Alberto Pimentel Mata, a former Guatemalan Minister of Mines and Energy, under the Global Magnitsky Act. The sanctions accused Pimentel of "exploiting the Guatemalan mining sector through widespread bribery schemes, including schemes related to government contracts and mining licenses."Among the allegations were claims that the ex-minister accepted payments to push through an inexperienced company (Red Flag 1), d rewrite bidding terms in a company's favor (Red Flag 8), and support an uncompetitive bid. In another instance, the U.S. Treasury found that Pimentel "received a large illicit payment" relating to the consultation process with communities in El Estor, Izabal. El Estor is home to the Fénix nickel mine, which Guatemalan subsidiaries of Swiss-registered Solway Investment Group have run since 2011. Describing Solway as a Russian enterprise, Treasury had already sanctioned two Solway employees and three of the Guatemalan subsidiaries in 2022 for "multiple bribery schemes over several years."

What were the outcomes?



Outcome 2

Environmental and social harm: Solway's history at Fénix includes serious negative environmental and social outcomes. Early in 2017, for instance, a red-colored deposit, visible from miles away, formed on Lake Izabal. Solway publicly blamed this on an algae bloom, yet investigative reporting found that Guatemalan executives knew the mine was leaking polluted water into the lake. Independent experts and a government audit found high levels of heavy metals, including nickel, chromium, iron, aluminum and mercury, which can cause toxicity in plants and animals such as fish. Within months, the pollution led to armed clashes between locals and police, blocked roads that delayed nickel exports and, in May 2017, resulted in the fatal shooting of a local fisherman during a riot. Around the same time, local journalists and protesters involved in the conflict reported being harassed, surveilled and having their homes raided, either by Guatemalan police or unknown actors. In a public statement, Solway called the allegations against it and its subsidiaries "false and defamatory." The company claimed the investigative reporters had engaged in "Illegal research methods" including "cyberattacks" that it believed were "part of broad based [*sic*.] misinformation campaign."



Outcome 3

Less mineral production: Disputes over Solway's community engagement practices have kept the Fénix mine closed for long periods. Between 2019 and 2021, multiple Guatemalan courts ruled that Solway's nickel license should be suspended, after community members successfully argued they had not been consulted as required by law. Moreover, leaked company documents showed that when the government met with communities about the license, executives from the Solway subsidiaries provided locals with goods and payments, some of which were recorded as "purchase of community leaders." While Solway kept extracting small amounts of nickel during the court battles over consultation, it ultimately shut down Fénix, apparently around the time of the 2022 U.S. sanctions. (The Treasury removed the subsidiaries from the Magnitsky sanction list in January 2024 without explaining why. The same day, Solway said it had undertaken "wide-ranging reforms", would move ownership of the Guatemalan subsidiaries to the U.S., and was working to restart exports from the mine.)

Conclusion

This briefing has set out red flags and case examples showing how unscrupulous actors breach and bend rules in their favor in licensing and contracting for transition mineral projects. In doing so, they maximize their ill-gotten gains with little regard for the consequences to communities and workers in mining countries and regions. Many, though not all, these actions fall into the category of illegal or wrongful behavior, where actors circumvent safeguards or due process. Yet we have also sought to draw attention to the bigger, more political picture, such as how companies may seek to influence decision-makers over longer time periods or sway election results towards their favored candidates or parties.

It is vital that we draw attention to growing efforts to not just break the rules, but to rewrite them in ways that weaken responsible mining safeguards and checks on corruption. In just one example, there has been a clear call from industry actors and many policy-makers for fast-tracked permitting and licensing processes, ostensibly to meet growing demand and facilitate the switch to renewables. In recent years jurisdictions including the European Union, Norway and Brazil have announced new strategies or developed rules which aim to deliver on this demand, and politicians in many more countries are calling for similar changes.

Given the evidence presented in this briefing, this raises an alarm for two reasons. First, we have seen the myriad ways in which companies—many based in high-income jurisdictions currently vying for control over mineral resources—have already sought to undermine due process, with serious economic, social and environmental consequences for the citizens of mineral-producing regions.

Fast-tracked license processes will only provide more scope for harm by weakening safeguards and facilitating the entry or continued activity of unqualified or harmful actors in the mining industry.

Second, not only does fast-tracking increase the risk of harm to people and planet, but it will likely undermine the ultimate ambition of these processes: to ensure a secure supply of minerals. In many of the cases outlined in this briefing, undue efforts to expedite proceedings have only led to further issues down the line, whether legal proceedings, strikes or protests. There is every chance that this will continue if the mining sector is enabled to follow poor practices, rather than held to account for them.

Ensuring a swift transition away from polluting fossil fuels is necessary to fight climate change, but this transition must also be just if it is to be sustainable and avoid breaching planetary boundaries. The licensing and contracting process for new transition mineral extraction projects is an integral part of this. These decisions must be taken carefully to prevent mining communities, particularly in lower- and middle-income countries, becoming sacrifice zones. Efficiencies and better decision-making around licensing can be achieved through scaling up resources, facilitating better training, and ensuring knowledge transfer for ministries and officials facing this task—all of which would be preferable to skipping essential steps needed to mitigate the worst harms of mining. By drawing attention to key red flags for wrongdoing, we hope this report can contribute to this work.

Appendix. Methodology

Selecting cases

To generate a list of possible mining sector licensing and contracting cases for analysis, we surveyed the following sources:

- Databases of filings from litigated corruption cases in several jurisdictions—e.g., the LexisNexis, U.S. Department of Justice, and Securities and Exchange Committee websites
- Publicly accessible databases that track and describe alleged instances of corruption, including the Business & Human Rights Resource Centre, Trace Compendium, and the World Bank's StAR compendium
- Corruption case compendiums published by law firms, trade periodicals and other industry bodies
- Reports from NGOs, international financial institutions, and international policy-making bodies on corruption and other poor management of mining license and contract awards—e.g., by Global Witness, Public Eye, Transparency International, The Sentry, the OECD and the World Bank
- Offshore leaks databases and associated reporting by investigative journalist groups, such as the International Consortium of Investigative Journalists and the Organized Crime and Corruption Reporting Project
- Media reports, reviewed using a proprietary database and series of keyword searches in Google
- Academic literature
- Colleagues and experts, including NRGI staff, and corruption practitioners from multiple NGOs and other organizations.

We then reviewed the prospective cases, and chose among them using the following set of questions:

- Do the available materials contain a clear and consistent description of the mechanics of the alleged corruption?
- When did the alleged corruption occur? (Preference for newer cases)
- Where did the alleged corruption occur? (Attempt at wide regional distribution)
- Does the source material read as reliable and come from multiple sources?

The searches covered the period from 2000 to 2024, and we looked only for cases involving the 10 transition minerals listed on p.10. After applying the questions, we were left with a group of 53 cases of license and contract awards where corruption accusations were present, which we analyzed to identify potential red flags.

It is important to note that not all the cases we used for analysis (or that are described in this document) led to criminal convictions. Some only prompted suspicion, controversy or lesser types of official responses. Others led to legal action, but the cases were later dropped or settled without a guilty plea. We do not suggest that the actors in these cases engaged in any illegal activity—indeed their actions may have been entirely lawful in the relevant jurisdictions. When an accused party publicly denied the charges, we present this information. However, all the cases illustrate the kind of allegations that can arise when award processes show corruption red flags. We have also included several cases that were subject to active investigations and legal proceedings at the time of publication. We encourage readers to check the status of any of the cases for the most up-to-date and complete information.

Building the red flags list

In choosing red flags, we focused only on specific aspects of award transactions, looking for:

1. the characteristics of the companies, government bodies or individuals involved
2. types of conduct by the companies, government bodies or individuals involved
3. outcomes, especially those that were detrimental to the public interest.

We did not consider broader contextual factors which might increase the likelihood of corruption, such as the country's overall levels of accountability, civic space, rule of law or perceptions of corruption. We omitted these because we wanted to create a list that is widely applicable across different types of award process and country context.

The cases we selected feature three significant biases. First, our research concentrated on publicly available documents and known cases. Our main types of source material were therefore court and regulatory filings, media coverage and NGO reports. This means that our dataset has a bias towards the types of corruption that receive attention from law enforcement authorities or other oversight actors. Corruption schemes or behaviors that so far have escaped public notice will not be described here.

A second and related bias is that we only examined cases where suspicions of corruption have arisen, and therefore we do not have a control group of non-corrupt cases against which to compare them. We therefore cannot quantitatively assess the degree to which the flags on our list correlate with corruption or are absent from cases without allegations of corruption.

A third bias was created by the fact that we conducted searches in English, French and Spanish. While we also used translation tools to check relevant materials identified in other languages, it cannot be excluded that we missed some cases reported only in other languages. Certain jurisdictions such as China and Russia may be underrepresented in the case database, both due to the more limited public reporting on corruption in these countries, and to the languages in which we searched.

Even with these caveats, we believe the following factors make our red flags list sufficiently reliable as a tool to help oversight actors ask further questions about possible corruption in award processes:

- We drew our findings primarily from analysis of detailed real-world cases, not from hypothetical cases.
- We used a large sample of cases, reviewing over 100 in total and ultimately using 53 to build the list.
- The sample has a wide geographic reach, encompassing 30 countries across five continents.
- Each red flag appeared in at least four of the cases; many showed up in far more.
- Each red flag was also present in cases from more than one country.
- In the vast majority of the cases we used, more than one red flag was present.

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About NRGI

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