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Mica supply chain



Mica is the primary raw material of our effect pigments, which are used in automotive and industrial coatings and plastic mass coloration, as well as in the cosmetics and food industries. Although it occurs naturally in many places, we mainly procure mica from India, specifically the north-eastern states of Jharkhand and Bihar. This region suffers from political instability and poverty, with widespread child labor, so we've taken special measures to meet compliance with our social and environmental standards.

Our approach to responsibility in the mica supply chain

In procuring mica from north-east India, we are supporting this region by safeguarding local jobs and livelihood. We only source the raw material from formal working environments, such as mines qualified by our company, as this is the only way to monitor [compliance](#) with our standards including our ban of child labor.

Our mica suppliers have been informed of our standards and have confirmed that they adhere to the principles of our [Human Rights Charter](#) [↗](#) as well as the requirements of our [Responsible Sourcing Principles](#) [↗](#). **We do not tolerate child labor** and contractually prohibit our suppliers from employing children. Hence, we are driving initiatives and taking measures to improve the conditions of mica sourcing based on our high standards. We constantly review our monitoring processes and work on improving their effectiveness.

How we organize our mica supply chain



Our commitment: Compliance with guidelines and standards



Auditing our mica supply chain

We have implemented a series of **oversight mechanisms** through a system that monitors and audits [compliance](#) with our social and environmental standards. In addition to regular self-inspections, we conduct comprehensive announced audits at mica mines and processors, as well as unannounced check visits.

Annual audits

The international consultancy firm Environmental Resources Management [ERM](#) [↗](#) conducts annual audits of all mines and processing plants, investigating working conditions as well as **environmental, health and safety issues**. The audit reports document any identified shortcomings in this respect and propose corrective actions. Our employees in Kolkata (India) and Darmstadt (Germany) then follow up to work on resolving

any identified issues.

In 2018, ERM conducted six audits. Identified defects primarily involved occupational safety precautions and gaps in the implementation of management systems. When violations are discovered, we work **together with the suppliers** on corrective measures. When breaches are not rectified, we take further actions up to freezing relations with the respective company or even terminating the business relationship altogether.

Monthly inspections

Since 2013, the [IGEP Foundation](#), a local non-government organization, has been arranging monthly unannounced visits to check the working standards in the mines and at the processors. In 2018, three mica mines and three processing plants were regularly checked. During these visits, IGEP monitors productivity and occupational safety as well as **compliance with the ban on child labor**. They also check whether our suppliers have held mandatory training sessions for their employees. In October 2018, IGEP - supported by one of our [EHS](#) specialists - held a workshop on workplace health and safety for our suppliers.

Tracking system for mica sources

We use a tracking system to ensure mica that is supplied to us comes from **mines qualified by our company** and to monitor the productivity of the mines. All mine owners record the daily extraction volume of their mines in a logbook, and we review the volumes of mica reported in the logbook and supplied to the processing companies.

Community outreach in the mica supply chain

The states of Jharkhand and Bihar are among the most impoverished regions in India. Together with IGEP, we are working to improve **living conditions of the families** in the mica mining areas. The literacy rate and the number of children who attend school are far below the Indian national average, according to a study in 2016 and a [report](#) in 2018 by the organization [Terre des Hommes](#) and the [Centre for Research on Multinational Corporations](#).

As part of our efforts, we are financing three schools run by our partner IGEP in Jharkhand, which are attended by a total of almost 500 children and adolescents. All three schools introduced a sixth grade in 2018. This change will contribute to school attendance of **children and younger students**. Tailoring and carpentry courses are also offered. At a fourth school run by one of our mica suppliers, we provide scholarships for 200 children.

In addition to our education efforts, we are committed to improving **local access to healthcare**. To this end, in 2010 we established a health center operated by IGEP to serve the region's 20,000 residents. Two medical professionals work at the center and also provide regular health services to schools. Previously there was no healthcare of any kind in this region.

In August 2018 we supported a health checkup camp that was run in collaboration with the Indian hospital chain Medanta at two different locations in the state of Jharkhand (India). The first took place in Jhumri Telaiya in the Koderma district with the second one in Tisri in Giridih district. These health camps were visited by more than 1,000 people and gave them access to up-to-date diagnostic tools and doctors without charge. Patients were then provided with initial treatment. The follow-up will be done by our health center. The camps are regarded as starting point for further health camps in the communities.

Stronger together: Joint action in the mica supply chain

We are a founding member of the Responsible Mica Initiative ([RMI](#)), which was established as a multi-stakeholder group following the Mica Summit 2016. From January 2018 to January 2020, our company holds the presidency of the organization. The initiative aims to eradicate child labor and unacceptable working conditions in the Indian mica supply chain by **joining forces across industries**. In 2018, we actively supported the RMI's work to improve traceability along the Indian mica supply chain: "Responsible Mica specifications" have been developed and pilot tests on the field have been conducted. To build sustainable living conditions in local communities, the RMI started a community empowerment program in the mica mining area. The goal is to address the root causes of child labor and to improve the livelihood of the local community. In 2018, 40 villages in Jharkhand and Bihar (India), were selected for the program.

We participated in **dialogues with various stakeholders** and at conferences in 2018, such as the Child Labor Platform ([CLP](#)) of the International Labour Organization ([ILO](#)) in Paris (France), the Mica [Stakeholder](#) Event in The Hague (Netherlands) organized by Terre des Hommes and the OECD Forum on Responsible Mineral Supply Chain in Paris. During these meetings, approaches on fighting child labor were critically reviewed and best practices were shared.

New sources of mica

Our processes undergo constant review and improvement. We are evaluating other sources for mica according to our quality, social and

environmental standards both in India and in other regions. Part of our mica, for example, is obtained from Brazil. This helps us to secure supply over the long term and avoid potential bottlenecks. We also manufacture effect pigments based on synthetic substrates as an alternative to pigments based on natural mica.

GRI DISCLOSURES

102-9 102-17 308-1 308-2 407-1 408-1 409-1 414-1 414-2

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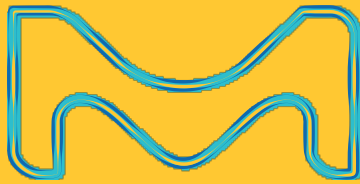
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With our Corporate Responsibility Report we inform our stakeholders in detail on our sustainability achievements. In this report, you will find key indicators and a selection of the progress we have made with our corporate responsibility efforts in 2018.

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