

# Indicators Shortlist



## Measuring Performance in 2014 Conflict Minerals Reporting

### Introduction

In compliance with the Security and Exchange Commission's (SEC's) 1502 Conflict Minerals Rule and amendments, companies (filers) are required to disclose due diligence efforts to manage the risk of conflict minerals in their supply chains. This document is a summary of the criteria [Responsible Sourcing Network](#) (RSN) and our research providers and partners will use to evaluate conflict minerals filings submitted to the SEC and companies' conflict minerals activities. We offer it as guidance for any analyst, company, or consumer to reference to understand stakeholders' expectations and assess a company's social performance.

**Sources:** RSN's indicators are based on input from stakeholders across the conflict minerals supply chain, the Organization for Economic Co-operation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ([OECD Due Diligence Guidance](#)), the SEC's [Final Rule](#), [Template](#), [Fact Sheet](#), and [FAQs](#), the RSN/Enough [Reporting Expectations White Paper](#), [RSN's Expectations Shortlist](#), and best practices from exemplary disclosures.

**Beyond Compliance:** In addition to reviewing the Form SD and CMR, we also looked for certain "beyond compliance" indicators in public reports such as a dedicated conflict minerals page on the filer's website or a section of its citizenship report. These references should be linked from the SEC filing.

## Performance Measurement Areas

The 18 performance indicators fall into four Measurement Areas, each addressing a different area of risk and opportunity for filers.

### 1. Assessing Exposure and Responding to Risk

- ✓ The filer has thoroughly described which product(s) requires which mineral(s), including:
  - Listing which specific 3TG mineral(s) is/are necessary to the production of which product or product category.
  - Qualitative and quantitative description of 3TG exposure to products or business (estimates or general statements).
- ✓ The filer describes a thorough RCOI process, related attempts to identify, and country list for minerals' location of origin, which contains qualitative and quantitative metrics that give the reader insight into its conclusions. The reader should be able to clearly understand the filer's justification for its RCOI conclusion.
- ✓ The filer engages its suppliers in a robust manner that substantively contributes to the company's exposure assessment and risk mitigation, including:
  - Communicating a conflict minerals policy with all suppliers, including adding the policy into supplier contracts and ensuring mechanisms for enforcement or corrective actions with suppliers found to be noncompliant.
  - Providing training or support in risk mitigation to suppliers.
- ✓ Sending out surveys to suppliers, the responses to which are then assessed and verified for accuracy and completeness.

### Expectations for SD-only Filers

**SD-only filer:** Filer that does not submit a Conflict Minerals Report as an addendum to its Specialized Disclosure Report (Form SD).

**CMR filer:** Filer that does submit a Conflict Minerals Report (CMR) as an exhibit to the Form SD.

Every filer is expected to detail how it measured its exposure to risk and has systems in place to monitor its tin, tantalum, tungsten, and gold (3TG) supply chain, regardless of the outcome of the Reasonable Country of Origin Inquiry (RCOI). This includes a filer that does not have reason to believe any of the smelters or refiners (SORs) in its supply chain source from the Democratic Republic of the Congo or covered countries (DRC region). Such a filer does not have to submit a CMR, but is still exposed to conflict minerals risk from year to year. While the Rule requires at minimum a "brief" description of the RCOI, RSN is looking for a thorough description of the filer's due diligence process.

- Detail supplier engagement efforts.
- List its in-scope products and minerals used.
- Describe internal management systems.
- Justify its RCOI conclusion and include supplier survey response rate.
- Explain its steps to promote a conflict-free minerals trade in the DRC.

- ✓ The filer engages SORs through its membership in an SOR auditing effort, such as the Conflict-Free Sourcing Initiative's (CFSI's) Conflict-Free Smelter Program (CFSP), the London Bullion Market Association's (LBMA's) Responsible Gold Guidance, Responsible Jewelry Council certified membership program, or another similar initiative.

Note: Simply stating that the filer uses publicly available information to determine the conflict-free certification status of SORs without actually supporting the SOR audit scheme as a member is not considered an indicator of best practice.

## 2. Policies and Management Systems

- ✓ Filer explicitly states that it has followed the OECD Due Diligence Guidance framework and describes how it has fulfilled each of the five areas of the framework.
- ✓ Filer explains the internal risk-management steps undertaken to comply with the OECD framework requirement to create company management systems, identify and assess risk, and design a strategy to respond to risk. Policy should be described or a link provided in the filing.
- ✓ Filer has obtained an independent, private sector audit of the CMR and named the auditor, including contact information, providing the assurance standard used, and the level of assurance designated by the auditor. (Only required for a filer that claims a determination of "DRC Conflict Free" in 2014 and 2015.)

## 3. Transparency and Reporting

- ✓ The filer provides a hyperlink within the 1502 disclosure that shows the company has made its 1502 conflict minerals disclosure publicly available on its website. Best practice: The link leads directly to a conflict minerals page of the company's website with its conflict minerals policy, updates on progress between annual filings, and a link to a sub-page or downloadable file that contains the full text of the Form SD/CMR.
- ✓ The filer references the quantity or percentage of verified conflict-free smelters or refiners in its supply chain.
- ✓ SORs are listed by name, geographic location, and minerals processed by the SOR.
- ✓ All countries of origin for each necessary conflict mineral listed with the "greatest possible specificity." This is also a best practice for SD-only filers.
- ✓ The filer describes plans for continuous improvement of conflict minerals supply chain risk management and due diligence. The steps for improvement must be clearly headlined and outline specific goals, metrics, and steps. The filer also commits to publicly report on progress.

### An Internationally Recognized Framework

The OECD's Due Diligence Guidance is currently the only internationally recognized framework providing guidance on responsible supply chain management of minerals from conflict-affected areas. As part of the Guidance, there is a Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain. This framework sets forth the due diligence requirements and processes issuers must follow.

#### STEP 1

Establish strong company management systems.

#### STEP 2

Identify and assess risk in the supply chain.

#### STEP 3

Design and implement a strategy to respond to identified risks.

#### STEP 4

Carry out an independent, third-party audit of supply chain due diligence at identified points in the supply chain.

#### STEP 5

Report on supply chain due diligence.

## 4. Promoting a Conflict-Free Minerals Trade

- ✓ The filer sources directly or requires/explicitly expects suppliers to source *only* from verified conflict-free SORs.
- ✓ The filer demonstrates leadership in engaging SORs or in-region mining efforts through:
  - Financial support to an in-region conflict-free mining effort or a midstream SOR audit effort;
  - In-kind support to an in-region multi-stakeholder or industry working group, or to an audit committee; and
  - An employee or direct representative sent to mines, SORs, or SOR association meetings to encourage participation in conflict-free verification.
- ✓ The filer demonstrates commitment to supporting a conflict-free minerals trade within the DRC region and describes tangible participation in an in-region conflict-free sourcing initiative (e.g. ITRI Tin Supply Chain Initiative (ITSCI), Solutions for Hope, etc.).
- ✓ The filer states a commitment to contribute to an evolving conflict-free minerals trade within the DRC region and does not, to the contrary, describe a policy to *avoid* sourcing from the DRC and covered countries altogether.

### Commit to Source from the DRC Region

Investors and consumers should be mindful of the impact that a filer can have by sourcing responsibly and be concerned if a filer appears to respond to Section 1502 (or any other transparency initiative) by moving to source from geographic regions where there is less transparency.

Unfortunately some filers have reacted to Section 1502 by going “DRC-Free.” In taking a shortcut to reduce one type of risk, these filers increase their risk of creating new adverse affects on the minerals trade by pressuring their suppliers to avoid the region altogether. By taking this position, filers neglect their responsibility in the global supply chain and fail to contribute to the downstream leverage that the law envisions as being a force for change in the region.

In contrast, filers that are actively engaging in conflict-free sourcing initiatives have secured future 3TG supply and substantively contributed to progress in the region by supporting responsible mining opportunities and stable economic development. When enough filers understand the key difference between “Conflict-Free” and “Congo-Free” and reject the easy way out, they can counteract an embargo effect in the region that is hurting the livelihood of many Congolese citizens to instead commit to “Conflict-Free *from* the DRC” to positively impact the region.

## Conclusion

These performance indicators have evolved from an expectations list into a measurement tool to evaluate conflict minerals reporting. RSN worked with ESG research and analysis firm [Sustainalytics](#) to conduct a pilot study using this tool. Results will be published in our forthcoming report [Mining the Disclosures: An Investor Guide to Conflict Minerals Reporting](#), which will help set a precedent for evaluating social performance on this and other human rights issues.

RSN would like to gratefully acknowledge all the stakeholderes who provided input to develop these indicators, and we welcome feedback for their continuous improvement. Our team looks forward to tracking progress on the quality of conflict minerals filings and the ability of companies to report on social performance.

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