Mining the Disclosures 2018

An Investor Guide to Conflict Minerals Reporting in Year Five

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In partnership with
Meet the Speakers

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Responsible Sourcing Network

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Vice President  
Responsible Business Alliance
Methodology (Similar to 2017)
- 25 indicators
  - Risk Management
  - Human Rights Impact
  - Reporting

Indicators are weighted according to their importance.
- 1 additional, non-weighted indicator assessing companies’ due diligence on cobalt.

Sample
- 206 companies – consistent with 2017 report
- 26 industry groups
- 8 industry sectors
- 67% of the indicators scores were flat or decreased.

- Comparison with OECD Guidance 5-step framework:
  - **Step 1**: Positive performance, indicators reach scores above 60% for the sample.
  - **Step 2**: Drop of in-scope determination, weakening the positive performance in the other indicators.
  - **Step 3**: Significant decrease in quality due to companies’ reluctance to address risk at the choke point (smelters and refiners).
  - **Step 4**: Almost non-existent, 2% of the sample group conducts an IPSA.
  - **Step 5**: Light decrease, indicators suffer from the absence of continuous improvement.
Positive performance of the Auto Manufacturers, Auto Parts, Chemicals, Industrial Products, and Aerospace and Defense industry groups. Industry group scores improve due to the good performance of a few companies. (e.g. Ford increased by 12.5, boosting the Auto Manufacturer’s score)

57% of the companies saw their scores decrease in 2018 compared to 2017.
Leaders...

- 1 company above 90 (Intel).
- 3 companies above 80 (Microsoft, Apple, Qualcomm).
- 10 companies above 70.
- Edwards Life Sciences, Northrop Grumman, and Ford have the largest increases of the sample.

...vs. Laggards

- Autodesk suffers from the largest drop, with a 33.9 points decrease.
- Business Services, Oil & Gas Integrated, and Steel are the industries with the lowest scores, but laggard companies are found in every industry group.
Additional Minerals and Material Risks

- Need to adopt proactive due diligence policies and reporting.

- New minerals
  - Cobalt
  - Lithium
  - Nickel
  - Others...

- New risks
  - Child Labor
  - Modern Slavery
  - Environmental Impacts
  - Community Relations
  - Organizational Health & Safety (OHS)

Cobalt Risks and Initiatives

- Material Risks regarding child labor and modern slavery

- Downstream initiatives such as RMI cobalt due diligence project

- Upstream initiatives such as Better Cobalt and blockchain pilots

- Midstream initiatives such as CIRAF by the Cobalt Institute
# Building a successful due diligence program

- On-going, proactive risk-based due diligence program.
- Strengthening risk assessment systems to provide appropriate risk mitigation measures.
- Cooperation vs. competition, the importance of a collaborative, multi-sectorial approach.

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<tbody>
<tr>
<td><strong>Comprehensive risk assessment leading to appropriate risk mitigation measures.</strong></td>
<td><strong>Support on-the-ground projects and sourcing (BSP, Better Cobalt, Solutions for Hope).</strong></td>
<td><strong>Cross-industry (RMI), mineral-specific (CIRAF), and standard setting (IRMA) initiatives.</strong></td>
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<td><strong>Cooperation with first-tiers suppliers to building leverage over the supply chain.</strong></td>
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| **Company’s internal systems**  
(policy, ethical code, due diligence program, etc.) | | |
## Recommendations for Investors

Investments should be...

<table>
<thead>
<tr>
<th>Conditioned</th>
<th>Require effective due diligence programs by companies.</th>
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<tr>
<td>Informed</td>
<td>Require quality reporting by companies.</td>
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<tr>
<td>Competition-based</td>
<td>Promote healthy competition between companies to reach ethical and sustainable supply chains.</td>
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Recommendations for Business Managers

Due Diligence must be:

<table>
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<tr>
<th>Comprehensive</th>
<th>Proactive</th>
<th>Collaborative</th>
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<tr>
<td>o Identify every risk-prone material.</td>
<td>o Include new minerals in its systems.</td>
<td>o Ensure long-term relationships and capacity-building with suppliers.</td>
</tr>
<tr>
<td>o Map supply chains to identify choke points and risk areas.</td>
<td>o Include new risks and align with current legislation and standards.</td>
<td>o Develop joint programs and joint audits in the industry.</td>
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</table>
# Recommendations for Policy Makers

Legislations should be...

**Implemented**
- The SEC should reconsider its position statement.
- The EU Legislation must develop strong implementation mechanisms.

**Comprehensive**
- To avoid unintended consequences, the legislation should be global.
- Integrate new raw material risks.

**Integrated**
- To ensure on-the-ground positive impacts, legislation should be included in broader development programs.
RMI Revised Standards and Cobalt Update

October 2018

Leah Butler, Vice President, Responsible Business Alliance
Companies publicly listed in the United States must submit an annual report on the use of tin, tantalum, tungsten and gold originating from the Democratic Republic of Congo or the nine adjoining countries, and the associated due diligence efforts.
New regulation passed requiring **EU importers of 3TG minerals and metals to exercise due diligence** when annual import volumes exceed thresholds.

- Global geographic scope
- Takes effect in 2021
- EU will host list of global responsible smelters and refiners
- RMI must be an OECD-aligned program
- Smelters and refiners participating in the RMI would not need to undergo an additional audit.
Meeting US+EU Regulatory Requirements

- RCOI
- Public Reports
- Summary Audit Reports
Revised Standards Released

2016 - 2017
- Review and consultation (800 comments from 48 commenters)
- Standard Advisory Group approval
- RMI Steering Committee Approval

2017
- June – Release of Sn/Ta Standards
- December – Release of W and Au Standards

2018
- Implementation of Revised Standards begins

2019
- Mandatory adoption of the Revised Standard begins
  January 1, 2018
Current Implementation Practices

Implementing the Revised RMAP Standard
June-Dec 2017: Revised Standards Published

January 2018: Voluntary adoption of revised standards

June 2018: Standard comes into effect; choice between old protocols and revised standards

January 2019: Mandatory adoption of revised standards

Training, resources, and technical assistance
Participation so far (2018): 29 Smelters/Refiners

- Gold: 6
- Tantalum: 12
- Tin: 9
- Tungsten: 2
Feedback

Positive Feedback

• Aligned with OECD
• Takes into account broader set of risks which our customers are asking us to review
• Helps create a management system
• Help formalize a lot of processes that are already in place

Room for improvement

• Struggling with developing a procedure to identify CAHRAs
• Workbook questions should be shortened / condensed to avoid redundancy
• A lot of work to switch over to the revised standard
Cobalt Refiner Due Diligence Program
Cobalt Issues

- Stakeholder pressure by NGOs, SRIs, media highlighting issues in cobalt supply chains;
- Customer expectations for due diligence on cobalt supply chains;
- Concentration of Co reserves in the DRC;
- Expected pressure on Co demand due to electric vehicle market growth.
Due diligence with internationally recognized Standards:

- OECD Due Diligence Guidance for Responsible Minerals Supply Chains from Conflict-Affected and High-Risk Areas;
- UN Guiding Principles for Business and Human Rights
- OECD Guidance for Responsible Business Conduct
- OECD Practical Actions for Companies to identify and address worst forms of child labor

Risk areas:

- OECD Annex II Model Policy, including serious human rights abuse such as worst forms of child labor;
- Occupational health and safety;
- Upcoming focus on anti-corruption and transparency.
RMI has 10 years of experience working on responsible mineral supply chains from high-risk areas. Our focus for cobalt is to:

1. Apply internationally recognized due diligence frameworks, particularly the OECD Due Diligence Guidance;
2. Build on existing infrastructure, tools and resources of RMI where appropriate;
3. Collaborate with other stakeholders, in particular those working upstream in the DRC.

Visit our cobalt webpage for more detailed information.
Tools & Resources for Cobalt

Support to public reporting through activity and program summaries

Pilot Cobalt Refiner Due Diligence Supply Chain Standard
Pilot Cobalt Refiner Assessment Program

Training & capacity building resources for suppliers / cobalt refiners

Cobalt Reporting Template
Cobalt Refiner List
Coordinated supply chain outreach

Risk Readiness Assessment
Active / conformant cobalt refiner list
• **Pilot Cobalt Refiner Supply Chain Due Diligence Standard** approved by RMI and RCI leadership;

• First two cobalt refiner pilot assessments ongoing!

• Assessment process is the same than for any RMAP assessment
Assurance Process: Who, what and when?

Who
- Cobalt refiners: last point before the downstream manufacturing
- Must be fully operational
- Conformance determination at facility level

What
- Conformance against Cobalt Refiner Supply Chain Due Diligence Standard
- Based on Chinese Due Diligence Guidelines and OECD Due Diligence Guidance
- Auditees select the Chinese Guidelines or OECD Guidance

When
- 5 pilot assessments to be conducted
- Feedback round for Standard and tools
- Launch of full program early 2019
Cobalt Added to RMI’s Public Resources

Please select an option to view RMAP conformant smelters and refiners for tantalum, tin, tungsten, gold, and cobalt.

Active Cobalt Refiners

<table>
<thead>
<tr>
<th>SMELTER ID</th>
<th>STANDARD SMELTER NAME</th>
<th>STATE/PROVINCE/REGION</th>
<th>COUNTRY LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>CID003229</td>
<td>Freeport Kokkola</td>
<td>Kokkola, Central Ostrobothnia</td>
<td>FINLAND</td>
</tr>
<tr>
<td>CID003338</td>
<td>SungEel HiTech Co. Ltd.</td>
<td>Gunsan-si, Jeollabuk-do</td>
<td>KOREA, REPUBLIC OF</td>
</tr>
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</table>
RMI is encouraging companies to identify cobalt refiners in their supply chains:

- Identify cobalt refiners using the Cobalt Reporting Template
- Request for newly identified refiners to complete the Smelter Identification Questionnaire (ENG, CHI, KOR)
- Share any alleged cobalt refiners with hamster@responsiblebusiness.org
- Encourage refiner participation in the pilot assessment program using the Outreach Letter Template
Risk Readiness Assessment (RRA)

Upstream users (smelters, refiners, mine sites): self-assessment and self-reporting of risk management practices and performance

Downstream users: relevant information on risk management practices in the upstream supply chain

Current Uptake

Over 260 companies active (trader, smelter/refiner, mining, manufacturing, recycler)

Over 650 RRAs completed to date

Covers 31 risk areas: Governance, Environment, Business and Human Rights, Community, Labor and Working Conditions

15 minerals/metals included: Aluminum, Alumina, Tantalum, Steel, Mica, Nickel, Lithium, Iron Ore, Gold Tungsten, Graphite, Bauxite, Cobalt, Copper, Tin
Risk Readiness Assessment Analytics

Results

Level of Readiness per Category

Level of Readiness, Distribution of Risk Areas by Readiness Rating (%)
Industry Norm:

To implement a management system that ensures against the employment of children under the age of 15, and against the exposure of employees under the age of 18 to hazardous work that is likely to compromise their health, safety or morals.

Select which of the following options best describes your organization's current ability to demonstrate meeting the industry norm. Please use the 'Comments' box to provide any further relevant information.

- We do not have in place policies, procedures or practices (a management system) that ensure against the employment of children under the age of 15 and the exposure of employees under 18 to hazardous work. (Does Not Meet)

- We have begun to develop policies, procedures and practices (a management system) that ensure against the employment of children under the age of 15 and the exposure of employees under 18 to hazardous work, but implementation has not started or is incomplete. (Partially Meets)

  Show sample indicators

- We have in place policies, procedures and practices (a management system) that ensure against the employment of children under the age of 15 and to the exposure of employees under 18 to hazardous work. (Fully Meets)

  Show sample indicators
Thank you!

Contact us: lbutler@responsiblebusiness.org
Thank you!

Webinar Slides, Recording, and Report: https://www.sourcingnetwork.org/mining-the-disclosures
Raphael Deberdt: RSNminerals@sourcingnetwork.org

Thanks to our 2018 sponsors:
Questions?

Use the Q&A window to send us your questions or raise your virtual hand.
Report and Speaking Engagements
Join us!

Report available:
https://www.sourcingnetwork.org/mining-the-disclosures

Speaking engagements:
- Responsible Minerals Initiative (RMI) Annual Conference
  Santa Clara, CA – 1 November 2018.