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NGOs: What are their expectations? How can companies engage those expectations into their business?

Conflict Free Seminar 2015

ILTAM

16.11.15

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Conflict Minerals: The Process' Background

Conflict free sourcing practices were around before the SEC was involved

RAISE HOPE FOR CONGO
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EICC
Electronic Industry Citizenship Coalition

OECD
Better Policies for Better Lives



GeSI
Global e-Sustainability Initiative

AIAG
AIAG Initiatives
Corporate Responsibility

Ethical Trading Initiative
Respect for workers worldwide



AMNESTY INTERNATIONAL

RESPONSIBLE sourcing network

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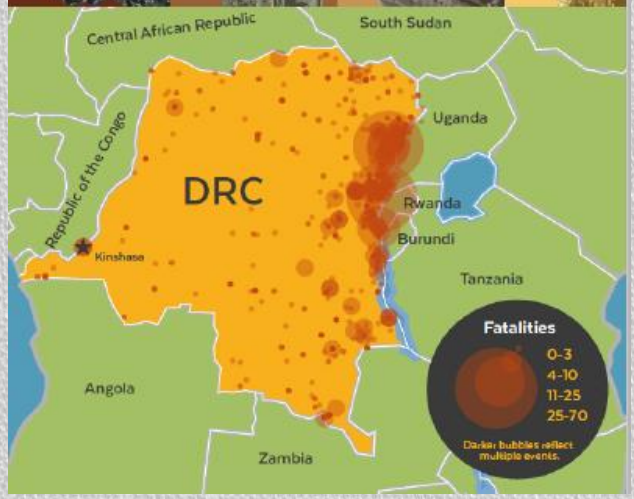
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Background: Conflict in the DRC Region

- Large variety and abundance of minerals
- Eastern DRC in conflict since early 1990s
  - Ethnic tensions
  - Border disputes
  - Over 5 million casualties
- Mineral founding armed groups
  - Up to $185 millions/Y







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Background: Section 1502

- July 2010: Dodd-Frank Act became law.
- 2010-2011: RSN coordinate five MSG consensus comments; RSN convened MSG in-person meetings and call with SEC staff, and the MSG's comments were cited in the final SEC rule 48 times.
- 2013-2014: RSN and Enough Project releases *"Expectations for Companies' Conflict Minerals Reporting"*; RSN released *"Expectations Shortlist"* with endorsement by 26 NGOs and SRIs.
- May 2015: RSN releases "*Mining the Disclosures: An Investor Guide to Conflict Minerals Reporting*" (covered 2014 SEC fillings).
- Sep. 2015: RSN releases "*Mining the Disclosure 2015: An Investor Guide to Conflict Minerals Reporting in Year Two* " (covers 2015 SEC fillings).

RSN=Responsible Sourcing Network

MSG=Multi-Stakeholder Group

SRI=Social Responsible Investment

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Ranking by NGOs

- The Enough Project has ranked the largest electronics companies on their efforts toward using and investing in conflict-free minerals in their products.

See 2012 rating in - http://www.raisehopeforcongo.org/content/conflict-minerals-company-rankings and in the next slide.

RAISE HOPE FOR CONGO

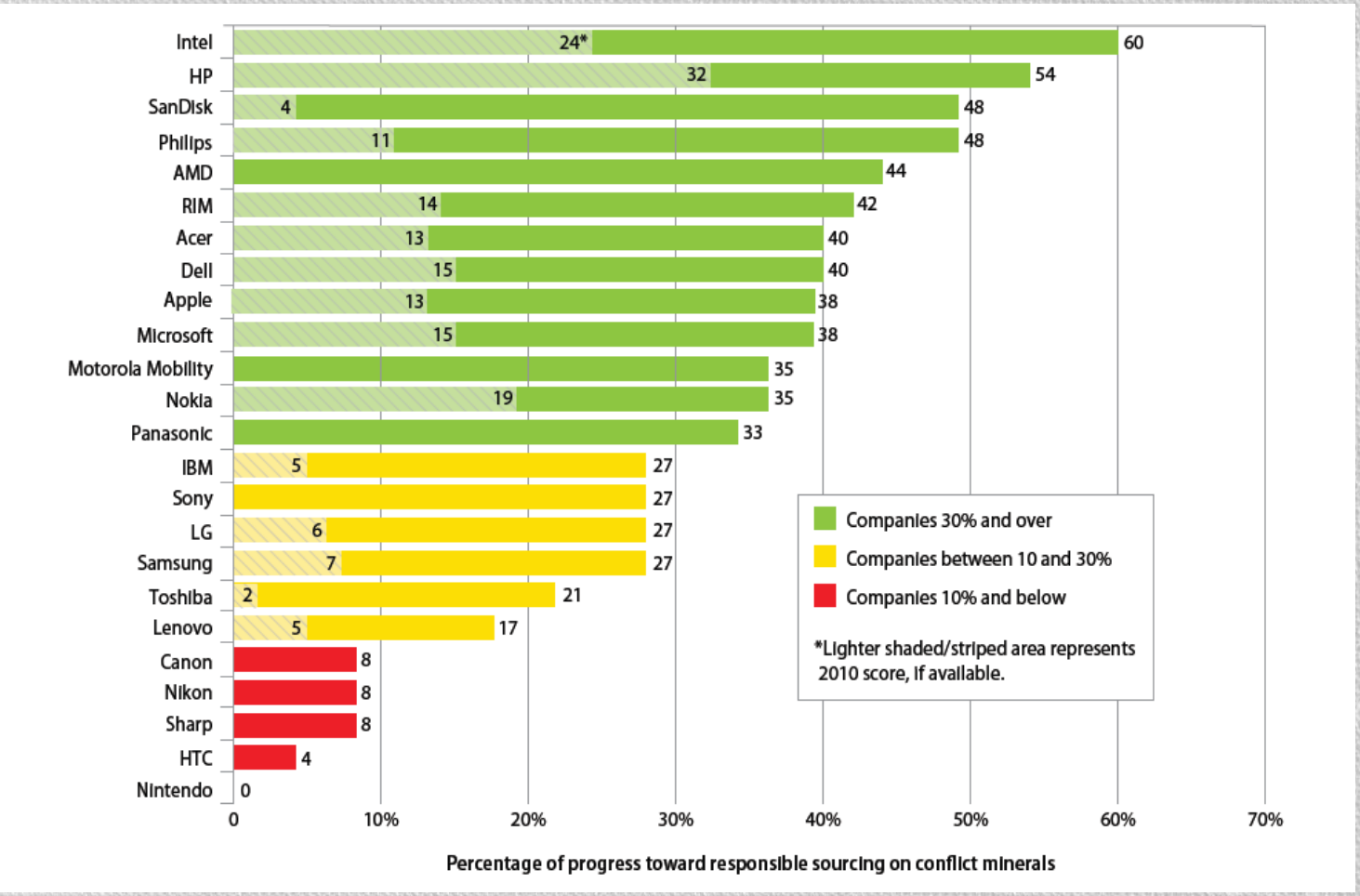
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Electronic Companies Ranked by Progress on CM

- Disclosures are public and will be ranked by NGOs
- Example: Ranking by Enough Project, 2012:

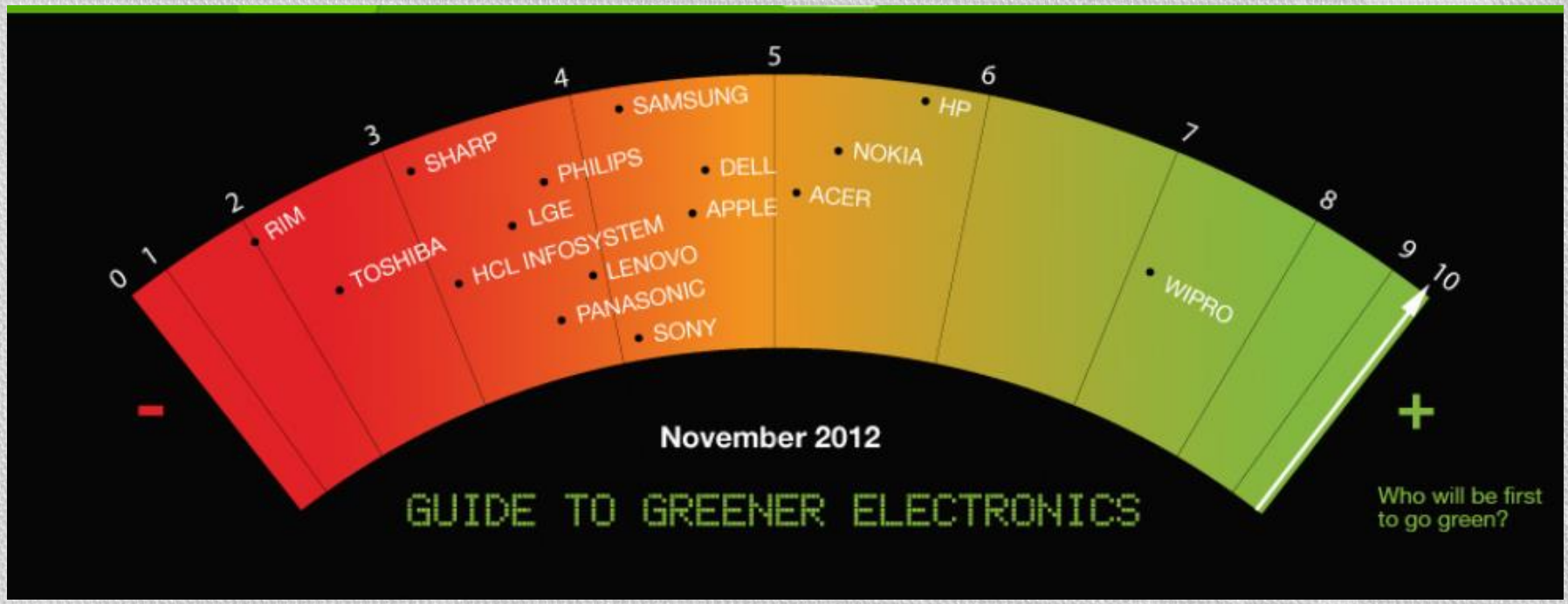


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Another Ranking Example

- From Greenpeace website



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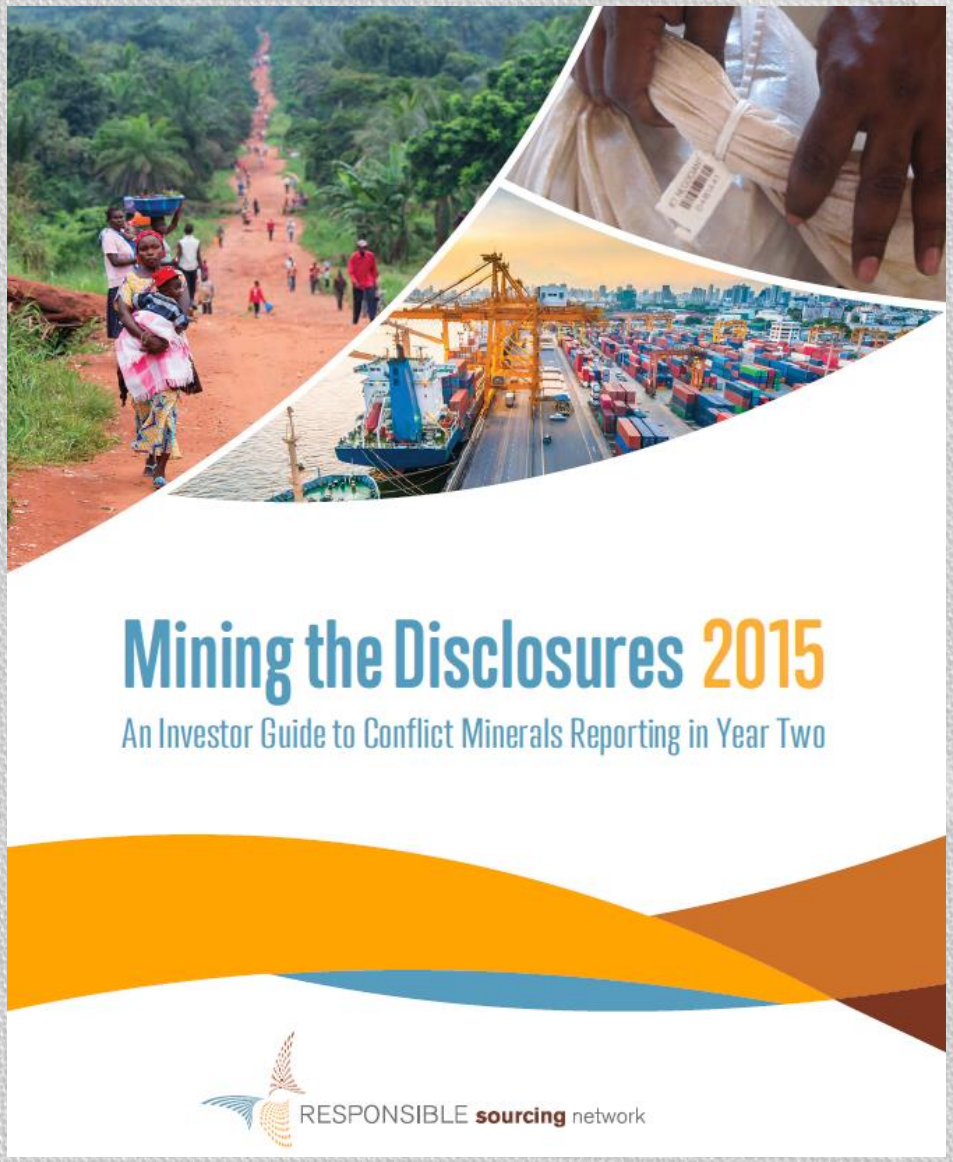
2015 NGOs Publications

Global Witness, April 2015:

- Digging for Transparency: Analysis of 2014 reporting ends with a list of recommendations:
  - Companies reporting under Section 1502 of the Dodd-Frank Act should…
  - The U.S. Securities and Exchange Commission should…
  - The U.S. Department of Commerce should…
  - The Conflict-Free Sourcing Initiative (CFSI) should…

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Responsible Sourcing Network Report - 2015



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Responsible Sourcing Network Report - 2015

- http://www.sourcingnetwork.org/mining-the-disclosures



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Global Witness: Companies reporting under Section 1502 of the Dodd-Frank Act should:

- **Submit meaningful and detailed information** about their supply chain due diligence and clearly demonstrate compliance with each of the five steps of the OECD guidance in subsequent Conflict Minerals Reports. They should specifically:
- **Improve the response rate from suppliers** by, amongst other things, adopting a policy to follow up with uncooperative suppliers, providing training material on conflict minerals and where appropriate amending contracts.
- **Directly engage with smelters and refiners** identified in their supply chain to learn more about the minerals' chain of custody and seek evidence of the due diligence they have undertaken.
- **Provide specific examples of supply chain risks** they have identified in future Conflict Minerals Reports.
- **Ensure that they effectively assess supply chain risks** by developing robust risk mitigation and management processes, and describing and demonstrating the implementation of those processes in their Conflict Minerals Reports.
- **Undertake an independent private sector audit** of their due diligence measures, regardless of the conflict status of their products.

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2015 NGOs Publications

Amnesty International, 2 October 2015:

- Court Should Overturn Decision Limiting Corporate Transparency.
- Citing First Amendment, court limited government's ability to require corporate disclosures and ignored positive impact of conflict minerals rule.

Read here



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Market Changes – a Light at the End of the Tunnel?

- A report issued by the organization *Enough Project* on June 2014 indicates market changes spurred by the Dodd-Frank Act's provisions on conflict minerals have helped to **significantly reduce the involvement of armed groups** in eastern Democratic Republic of Congo in the mines of three out of the four conflict minerals.
- The Enough Project conducted five months of field research in eastern Congo, interviewing 220 people in 14 mines and towns, in addition to 32 interviews in the U.S. and Europe. The research revealed the following findings and others:
  - Armed groups and the Congolese army are no longer present at two-thirds (67%) of tin, tantalum, and tungsten mines surveyed
  - The Dodd-Frank law and electronics industry audits have created a two-tier market for tin, tantalum, and tungsten (3Ts) from Congo and the region. Minerals that do not go through conflict-free programs now sell for 30 to 60 p[illegible]us reducing profits for armed groups trying to sell them



Since the beginning of the CFTI project, 540 tonnes of legitimate minerals were safely exported through the CFTI chain.

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Market Changes – a Light at the End of the Tunnel?

- Bisie, one of the world's largest tin mines which generated hundreds of millions of dollars for a number of armed groups and criminal units of the army, is now largely demilitarized.
- Urgent reforms are needed for conflict gold, as gold continues to finance armed groups and Congolese army commanders.
- Electronics companies are expanding minerals sourcing from Congo, which is improving conditions for miners and communities near the mines. Twenty-one electronics and other companies now source from 16 conflict-free mines in Congo.

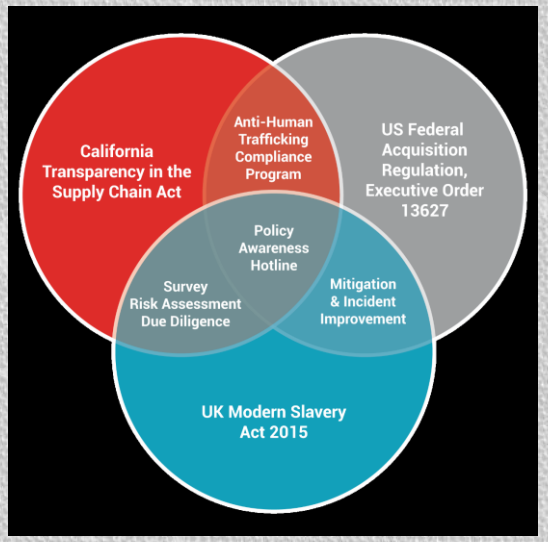


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Growing Focus on Social Impact – the "S" in ESG

- Growing trend among investors that are focused on labor and human rights impacts, driven by emergence of business and human rights standards.
  - Implementing ethical sourcing practices.
  - Better transparency
    - California Transparency in Supply Chains Act (signed into law in October 2010 and went into effect in January 2012)
    - UK Guidance on the transparency provisions of the Modern Slavery Act (introduced to Parliament on 10 June 2014 and passed into law on 26 March 2015)
    - Federal Acquisition Regulation (Executive Order 13627) and



  - ESG=Environmental, Social and Governance

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Thank you!

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