

Mining the Disclosures 2015

How does your conflict minerals program compare with best-in-class and peers?



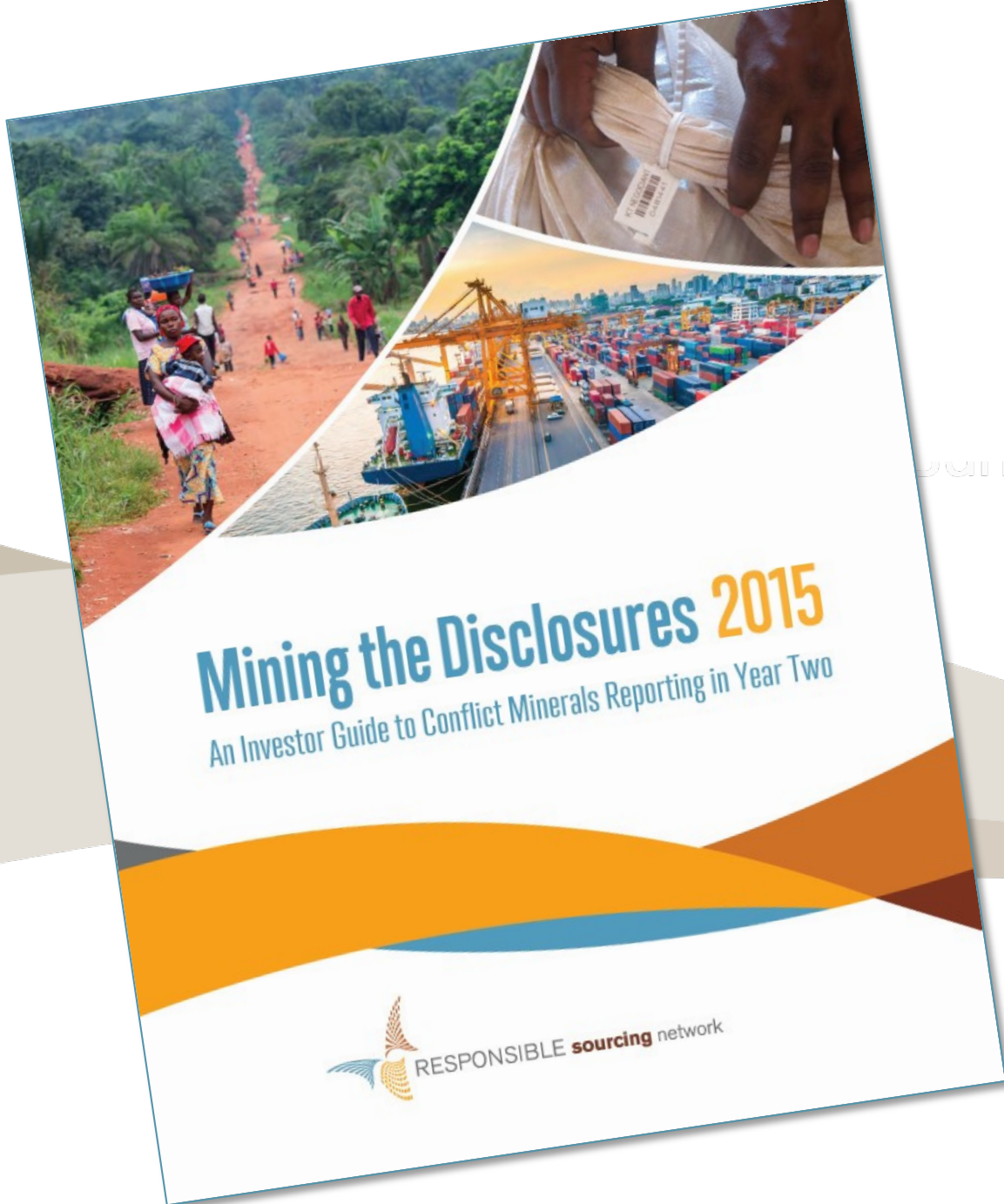
Panelists



Patricia Jurewicz
Director
Responsible Sourcing Network



Andrew Arriaga
Conflict Minerals
Program Manager
Responsible Sourcing Network



Mining the Disclosures 2015

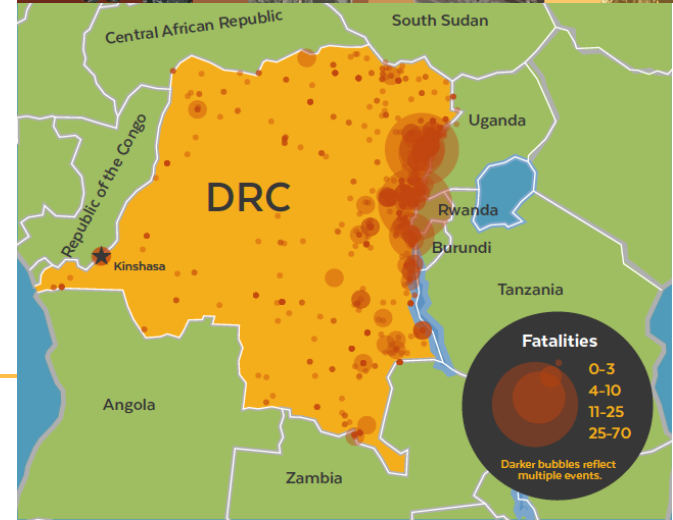
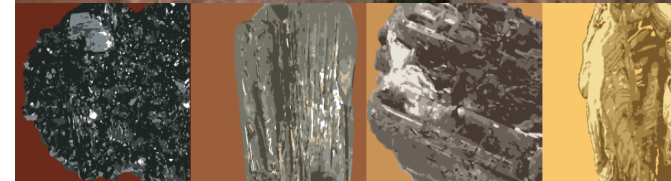
An Investor Guide to Conflict Minerals Reporting in Year Two

 RESPONSIBLE **sourcing** network

Summary

Background: Conflict in the DRC Region

- Democratic Republic of the Congo (DRC)
- Large variety and abundance of minerals
- Eastern DRC in conflict since early 1990s
 - ✓ Ethnic tensions
 - ✓ Border disputes
 - ✓ Over 5 million casualties
- Minerals funding armed groups
 - ✓ Up to \$185 million/yr
 - ✓ Conflict minerals include:
tin, tantalum, tungsten, gold (3TG)



Background: Section 1502

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

Investor Analysis: the “S” in ESG

- Primary Drivers
 - ✓ Regulation
 - ✓ Materiality
 - ✓ Mission Alignment
- Social Performance and Social Value
 - ✓ Growing trend among investors on social outcomes
 - ✓ Most urgent concerns: labor and human rights abuses, slavery/trafficking, women and girls
 - ✓ Increased value with transparency and impact-oriented approach to addressing challenges

MtD15 Sample Group

Out of 1,268 filers
this study evaluates 155, from:

17 high exposure industries, which represent 69% of all filings;

Plus other large-cap companies from the 31% that fall outside this high exposure matrix.

INFORMATION TECHNOLOGY SECTOR: 32/334

- 124 Semiconductors and Semiconductor Equipment 8
- 105 Electronic Equipment, Instruments and Components 8
- 68 Communications Equipment 8
- 37 Technology Hardware, Storage and Peripherals 8

INDUSTRIALS SECTOR: 31/210

- 105 Machinery 8
- 53 Aerospace and Defense 8
- 45 Electrical Equipment 8
- 7 Industrial Conglomerates 7

HEALTHCARE: 8/101

- 101 Healthcare Equipment and Supplies 8

CONSUMER DISCRETIONARY: 48 OF 178

- 52 Specialty Retail 8
- 35 Auto Components 8
- 35 Textiles, Apparel and Luxury Goods 8
- 32 Household Durables 8
- 14 Leisure Products 8
- 10 Automobiles 8

ENERGY: 8/34

- 8 Energy Equipment & Services

MATERIALS: 8/17

- 8 Containers & Packaging

20 companies outside the high exposure industries, sorted into three groups.

- Oil & Gas 4
- Pharmaceuticals 4

12

Once we added them to the sample group, many of these large-cap companies were the only member of an industry so the analysis groups these into "Other Large Cap" a category that cuts across various industries/sectors.

OTHER SECTORS

Subtotal: 135

TOTAL: 155

Sample Group divided into seven sector groups, 20 industry groups.

= companies in sample group

Mining the Disclosures 2015

- Method and analysis for year two reporting: validated and improved
- 155 Companies analyzed; 20 industry groups
 - ✓ 8 Companies from the 17 high exposure industries from 2014 pilot study
 - ✓ Added *Pharmaceuticals, Oil & Gas, Other Large Cap*
- Continued focus on the investment community
- 21 Indicators in 5 Measurement Areas to guide improvement:
 - ✓ *Commit, Assess, Respond, Report, Impact*
- Establishing KPIs for social performance
- Comparison to a baseline and rankings within industry groups

Overall Scores

- Companies Rewarded for Transparency

Company	Industry Group	2015 Filing	2014 Filing	Policy Rating	Score 2015
3M Co.*	Industrial Conglomerates	2015	2014	Strong	71.6
ABB LTD*	Electrical Equipment	2015	2014	Strong	69.2
Abbott Laboratories*	Healthcare Equip. and Supplies	2015	2014	Weak	60.8
Acuity Brands	Electrical Equip.	2015	2014	Inadequate	43.2
Alcatel-Lucent	Communications Equipment	2015	2014	Strong	80.5

Data Gathering

- RSN Accessed Publicly Available Information

Our Company

Corporate Social Responsibility

Human Rights and Security

Conflict Minerals

Due Diligence Framework

Recently Viewed

Conflict Minerals

Due Diligence Framework



Step 1

Baker Hughes is establishing strong company management systems of control and transparency over our supply chain due diligence to facilitate:

- An on-going commitment to a supply chain policy for minerals originating from conflict-affected areas. The Conflict Minerals Policy for Baker Hughes may be accessed at the link below.
- A process to map and create transparency into the conflict minerals supply chain, and to retain related records for a minimum of five years.
- Strengthening engagement with our suppliers.

Baker Hughes has established a cross-functional team to address the challenge of conflict minerals in the supply chain. This Baker Hughes enterprise team is led by Global Supply Chain and is supported by the members of Corporate Finance, Materials, Engineering, Quality Assurance, Investor Relations, Internal Audit and Legal teams. A clear target has been established for supplier due diligence reporting. This team is responsible for working with suppliers as well as tracking progress, reporting and achieving the target.

In 2013, we formulated and published the Baker Hughes Conflict Minerals Policy. We expressly encourage our suppliers to adopt and enforce a similar code of practice and to have their subcontractors do so, and will incorporate appropriate language into our standard terms and conditions. We also plan to provide guidance on supply chain due diligence and sourcing from conflict-affected areas in our Supplier Conflict Minerals Web Site. Our engagement with suppliers may include:

EX-1.01 2 exhibit101conflictminerals.htm EXHIBIT 1.01

Exhibit 1.01

Conflict Minerals Report

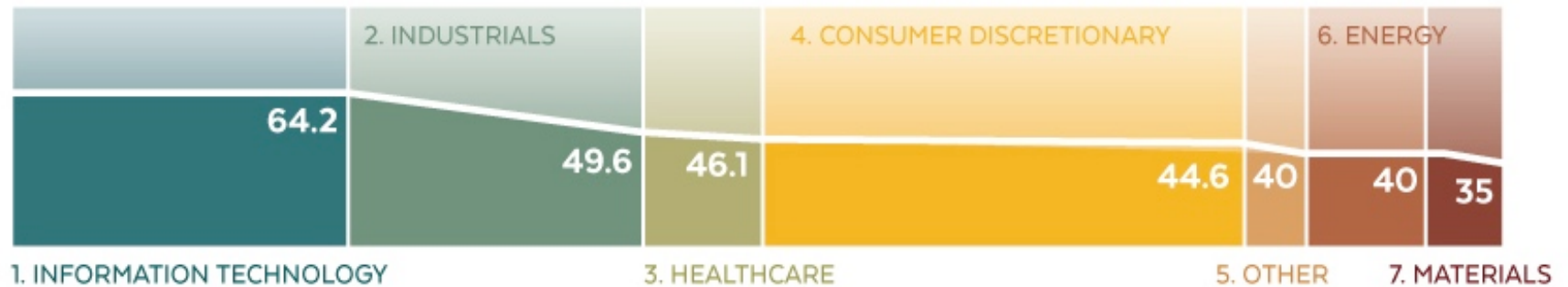
This Report has been prepared pursuant to Rule 13p-1 (the "Rule") for the reporting period from January 1 to December 31, 2014. The Company is a leading supplier of oilfield services, products, technology and systems to the worldwide oil and natural gas industry. The Company also provides industrial products and services to the downstream chemicals, and process and pipeline industries. The Company conducts its operations through subsidiaries, affiliates, ventures and alliances. The Company operates in more than 80 countries around the world and the corporate headquarters is in Houston, Texas.

Our supply chain is both global and complex, and there are multiple tiers of suppliers between us and the original sources of minerals used in our products. Therefore, we relied on our direct suppliers to provide us information about the origin of conflict minerals in the raw materials and components we purchase for use in the manufacture of or contracts to manufacture products that we offer for sale.

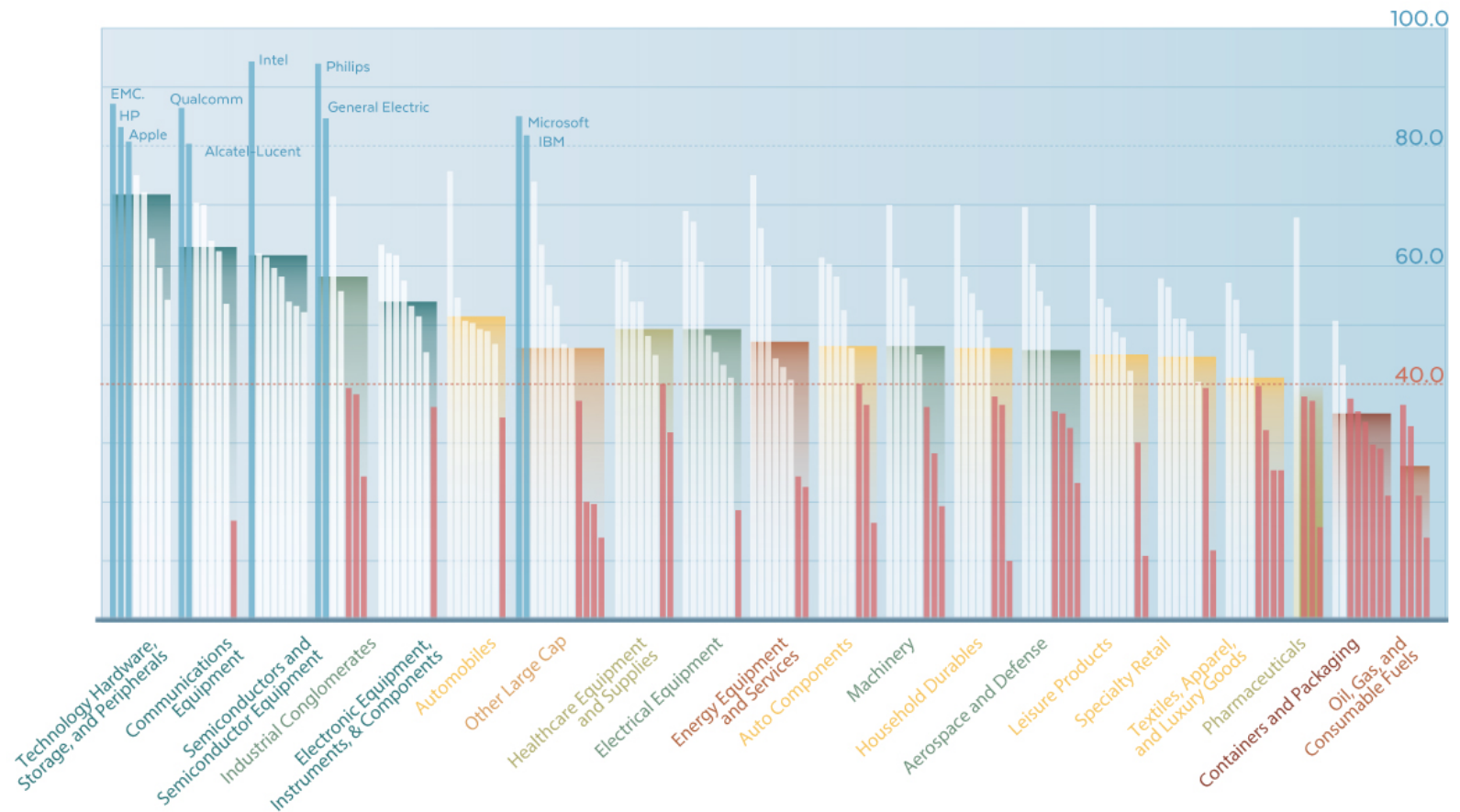
We are committed to the responsible sourcing of raw materials and components necessary to the production or functionality of our products for sale, and we have publicly posted this policy. The policy, including the commitment to establishing a conflict-free supply chain, may be found at: <http://www.bakerhughes.com/company/corporate-social-responsibility/human-rights-and-security/conflict-minerals>.

Sector Averages

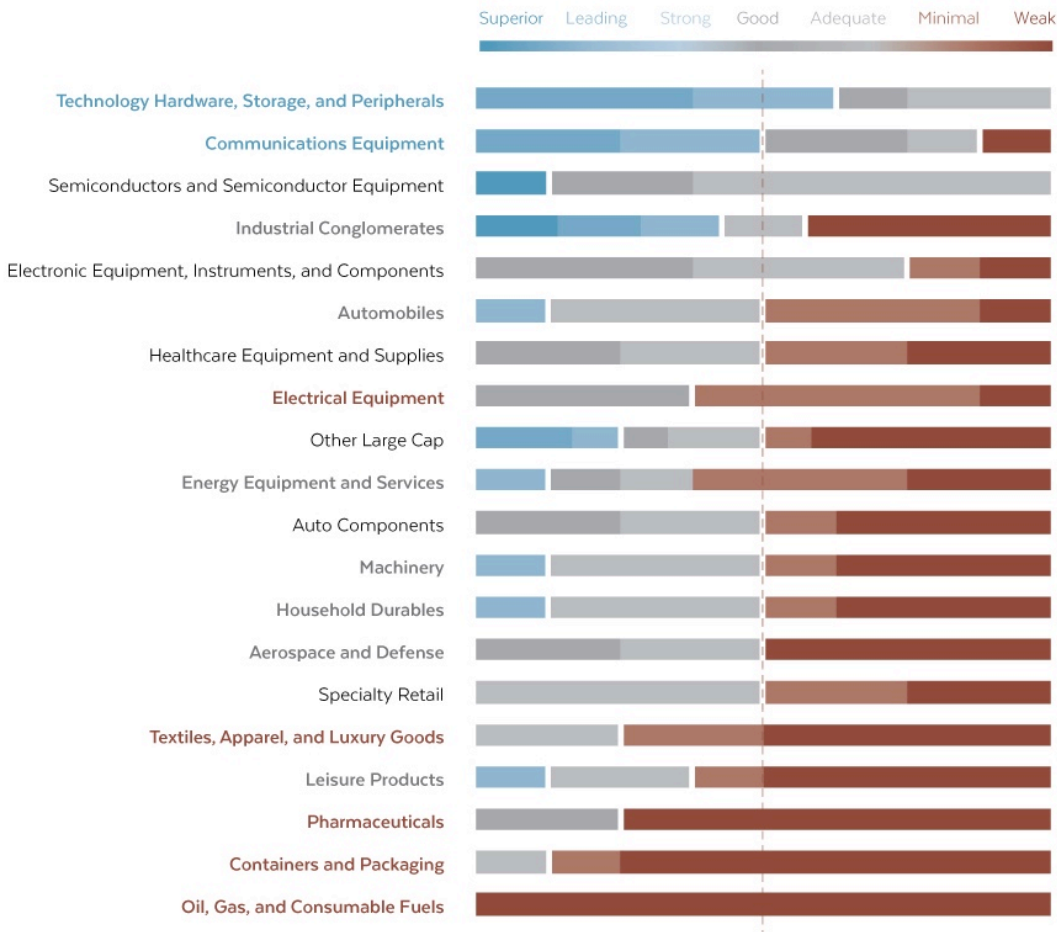
Sector Average Scores Shows relative size of sector in sample group



Company Rankings by Industry



Performance Ratings per Industry



- **Leaders:** Set the pace
- **Laggards:** Need scrutiny
- **Split Industries:** Potential for collaboration

Performance Rating

Superior (90+)

1. Intel
2. Koninklijke Philips N.V. (Philips)

Leading (80+)

3. EMC
4. QUALCOMM
5. Microsoft
6. General Electric

7. Hewlett-Packard
8. International Business Machines
9. Apple
10. Alcatel-Lucent

Strong (70+)

Subsequent categories are arranged alphabetically

3M Co.
Baker Hughes
Boeing Co. (The)
Ford Motor Co.

Google
Juniper Networks
Mattel
Motorola Solutions

Nokia
Sony
Stanley Black & Decker
Western Digital

Performance Rating

Good (60+)

ABB LTD	Eaton	NXP Semiconductors
Abbott Laboratories	Ericsson	Rockwell Automation
Becton, Dickinson and Co.	Illinois Tool Works	Schlumberger
Broadcom	Johnson & Johnson	Seagate Technology
Cameron International	Kyocer	TE Connectivity
Canon	LG Display Co.	United Technologies
Cisco Systems	Magna International	Verizon Communications
Delphi Automotive plc		

Adequate (50+)

ASML Holding NV	General Motors Co.	Procter & Gamble Co. (The)
Avago Technologies	Goodyear Tire & Rubber Co. (The)	Raytheon Co.
Baxter International	Harman International Industries	Roper Industries
Bed Bath & Beyond	Hasbro	SanDisk
Callaway Golf, Co.	Home Depot (The)	Sonoco Products Co.
Caterpillar	Honda Motor Co.	Taiwan Semiconductor Mfg. Co.
Corning	Icahn Enterprises	Tesla Motors
Cummins	Leggett & Platt	Texas Instruments
F5 Networks	Lockheed Martin	Tiffany & Co.
Flextronics International	Medtronic	Trimble Navigation
Gap Inc.	Micron Technology	V.F.
Garmin	Nike	Walt Disney, Co.

Performance Rating

Minimal (40+)

Acuity Brands	Deere & Co.	Lear	
Amphenol	Emerson Electric Co.	Lowe's Companies	St. Jude Medical
Autoliv	FMC Technologies	Michael Kors Holdings	Stryker
Ball	Halliburton Co.	National Oilwell Varco	Tata Motors
Boston Scientific	Hanesbrands	Newell Rubbermaid	Toyota Motor Corp.
Brunswick	Harley-Davidson	Nidec Corp.	Wal-Mart Stores
Coach	L Brands	Sensata Technologies Holding	

Weak (<40)

Amazon.com	Exxon Mobil	Novartis AG	Royal Dutch Shell
Ametek	General Dynamics	Novo Nordisk A/S	Sanofi
Avery Dennison	Graphic Packaging Holding Co.	PACCAR	Sealed Air
Avnet	Honeywell International	Palo Alto Networks	Smith & Wesson Holding
Berkshire Hathaway	Ingersoll-Rand	Parker Hannifin Corp.	Sturm, Ruger & Co.
BorgWarner	Jarden	Philip Morris International	Tenaris SA
BP	Johnson Controls	Polaris Industries	Thor Industries
Carlisle Companies	Luxottica Group SpA	Precision Castparts	TJX Companies (The)
Chevron	MeadWestvaco	Ralph Lauren	Under Armour
China Mobile	Mohawk Industries	Raven Industries	Unilever
Crown Holdings	Nautilus	Rock-Tenn CO	Weatherford International
Danaher	Northrop Grumman	Ross Stores	Whirlpool
			Zimmer Holdings

Measurement Areas

MA1: Commit

Have a strong policy and an effective system to implement it.

MA 2: Assess

Identify and assess risks in the chain of custody of minerals.

MA 3: Respond

Describe the steps taken to manage risk.

MA 4: Report

Comply with reporting requirements and generate public confidence.

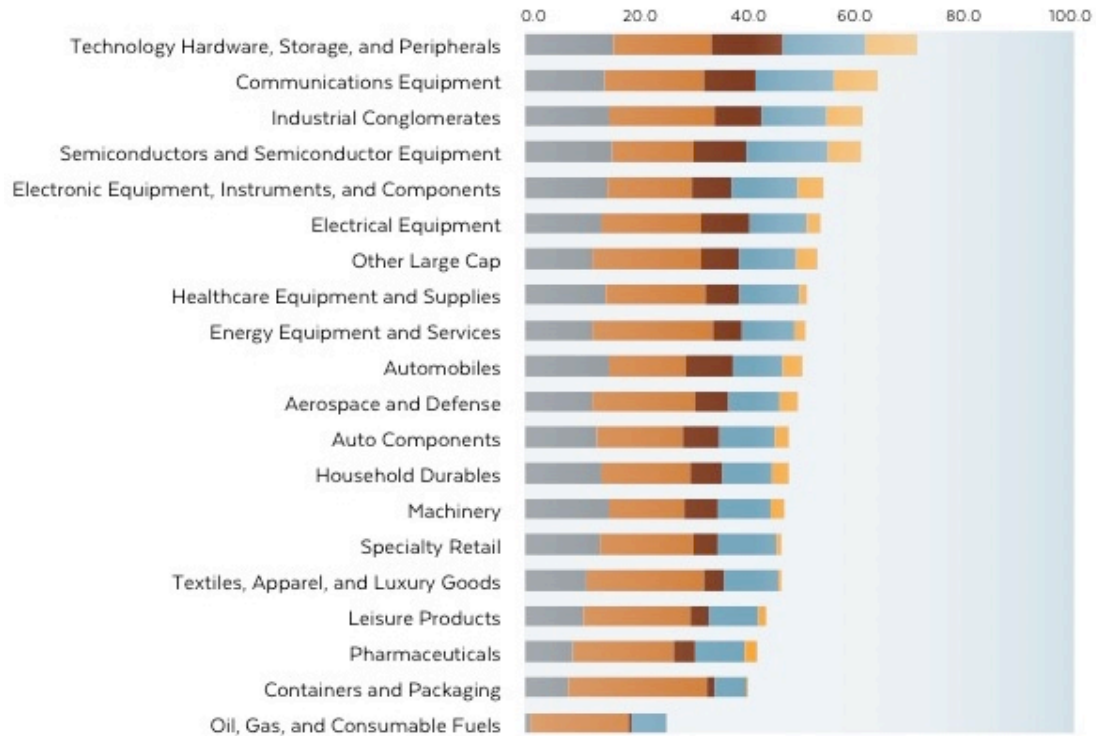
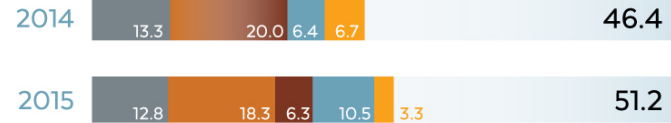
MA 5: Impact

Promote a conflict-free minerals trade.



Measurement Area Performance

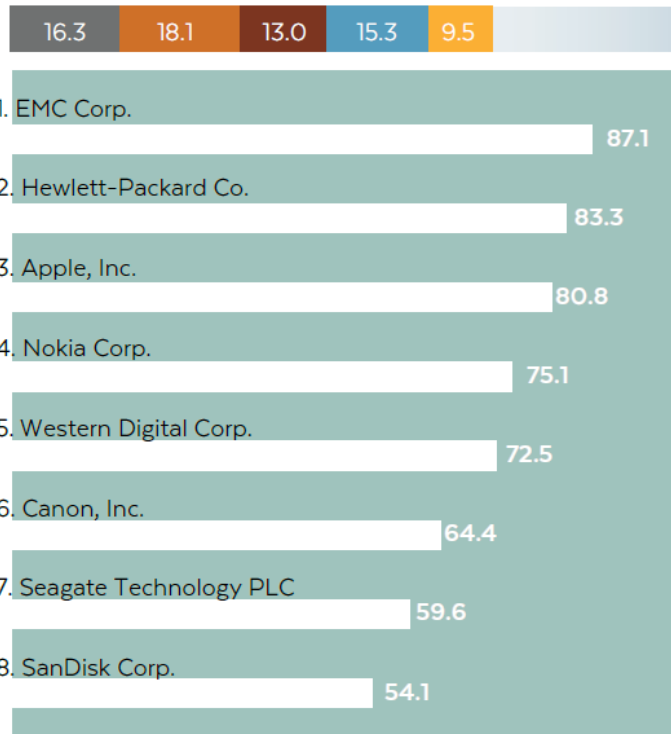
Sample Group Average:



Information Technology

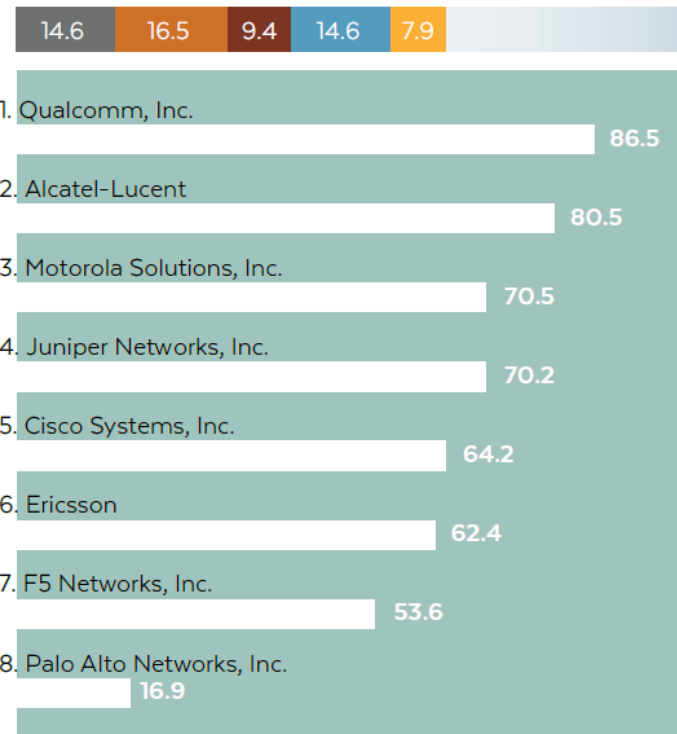
Technology Hardware, Storage, and Peripherals

Average Score: 72.1



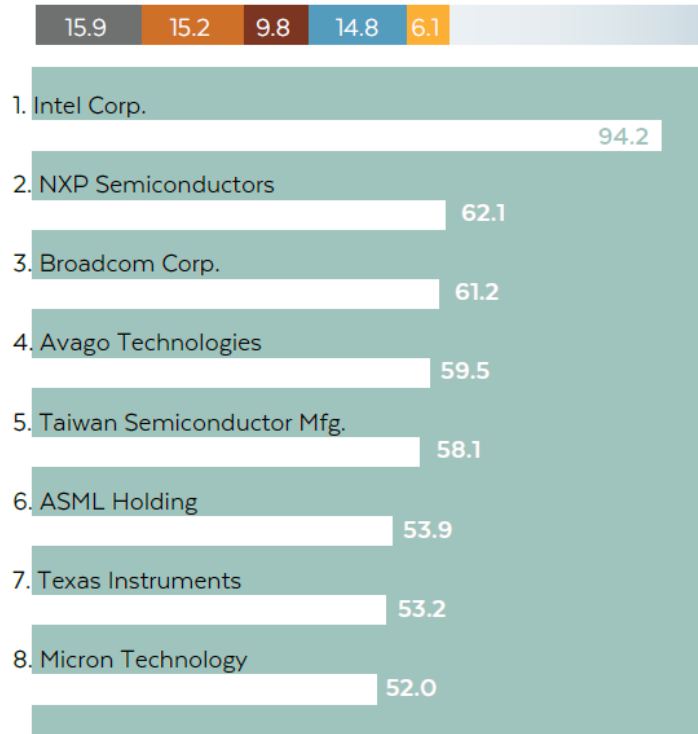
Communications Equipment

Average Score: 63.1



Semiconductors and Semiconductor Equipment

Average Score: 61.8



Electronic Equipment, Instruments, and Components

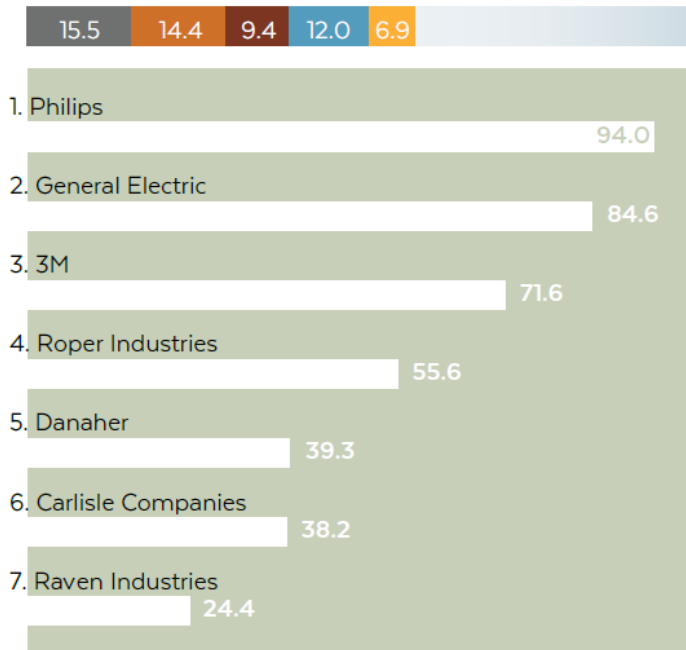
Average Score: 53.8



Industrials

Industrial Conglomerates

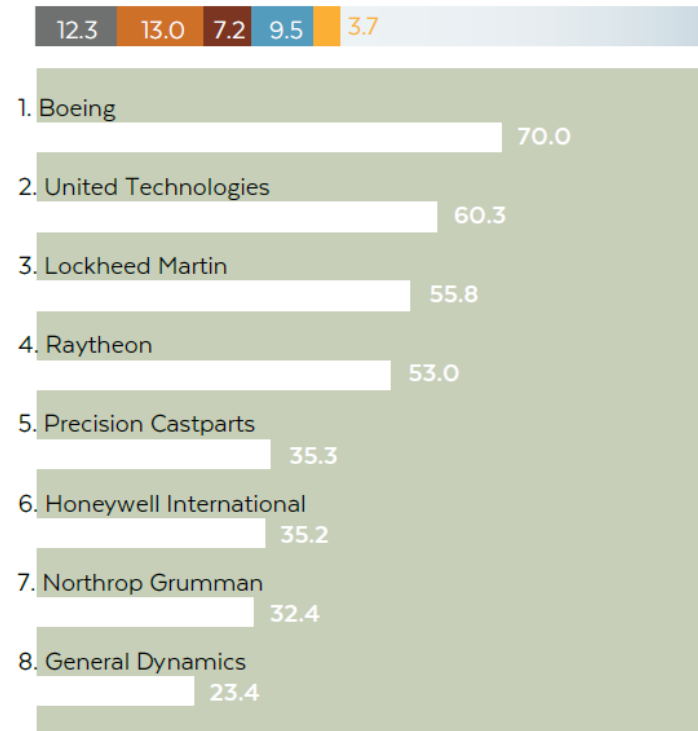
Average Score: 58.2



Only seven total industries filed from this industry.

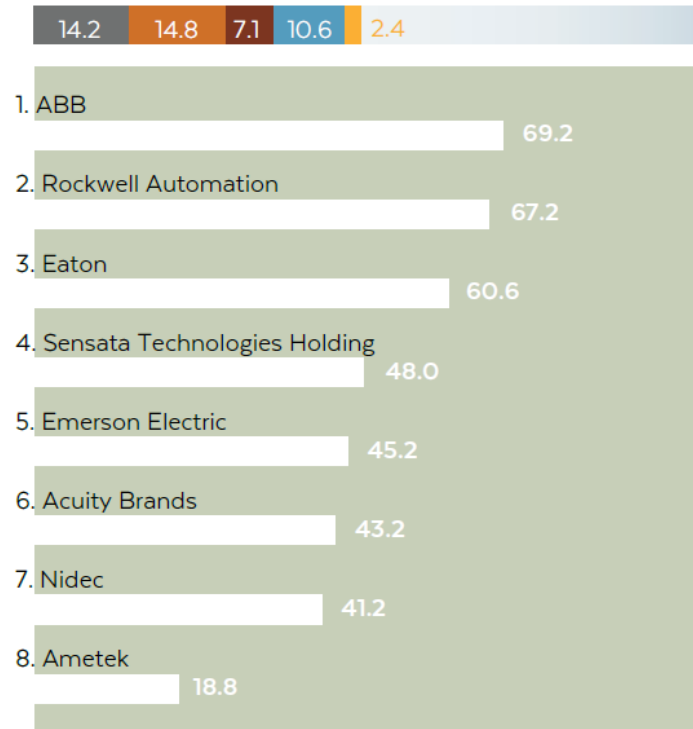
Aerospace and Defense

Average Score: 45.7



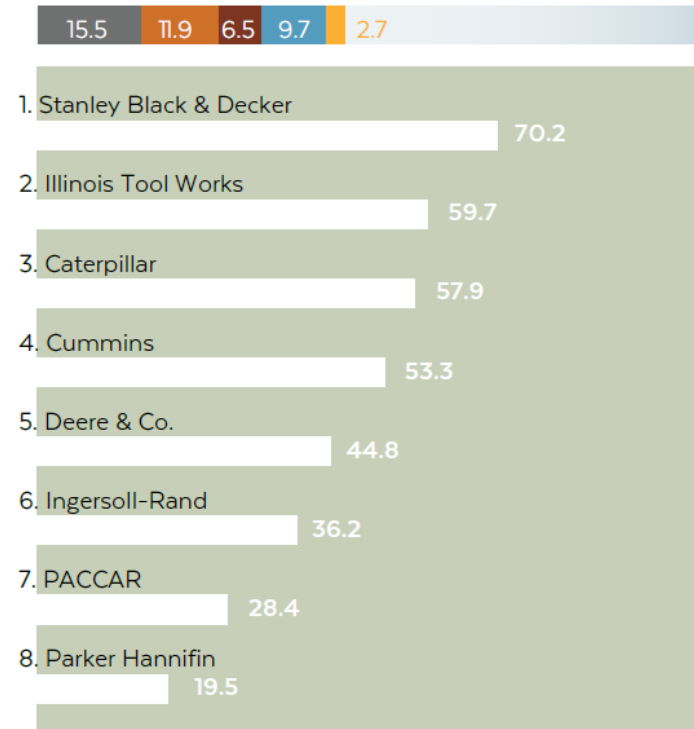
Electrical Equipment

Average Score: 49.2



Machinery

Average Score: 46.2



Healthcare

Healthcare Equipment and Supplies

Average Score: 49.3



1. Abbott Laboratories	60.8
2. Becton, Dickinson, and Co.	60.5
3. Baxter International	54.0
4. Medtronic	53.9
5. Stryker	48.2
6. Boston Scientific	45.1
7. St. Jude Medical	39.9
8. Zimmer Holdings	31.9

Pharmaceutical

Average Score: 39.7

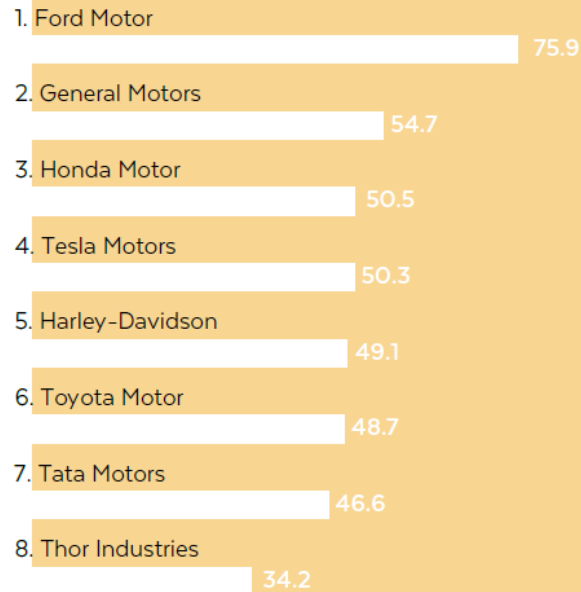


1. Johnson & Johnson	68.0
2. Novartis AG	37.9
3. Novo Nordisk	37.0
4. Sanofi	16.0

Consumer Discretionary

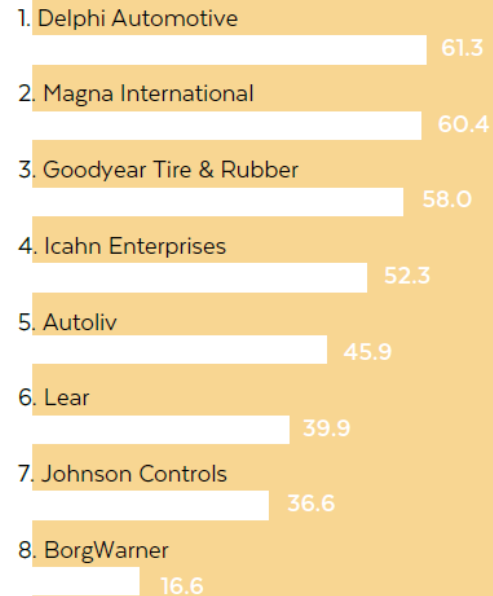
Automobiles

Average Score: 51.2



Auto Components

Average Score: 46.4



Household Durables

Average Score: 46.0



1. Sony 70.3
2. Garmin 58.1
3. Leggett & Platt 55.3
4. Harman International Industries 52.6
5. Newell Rubbermaid 47.8
6. Whirlpool 37.8
7. Jarden 36.4
8. Mohawk Industries 10.0

Leisure Products

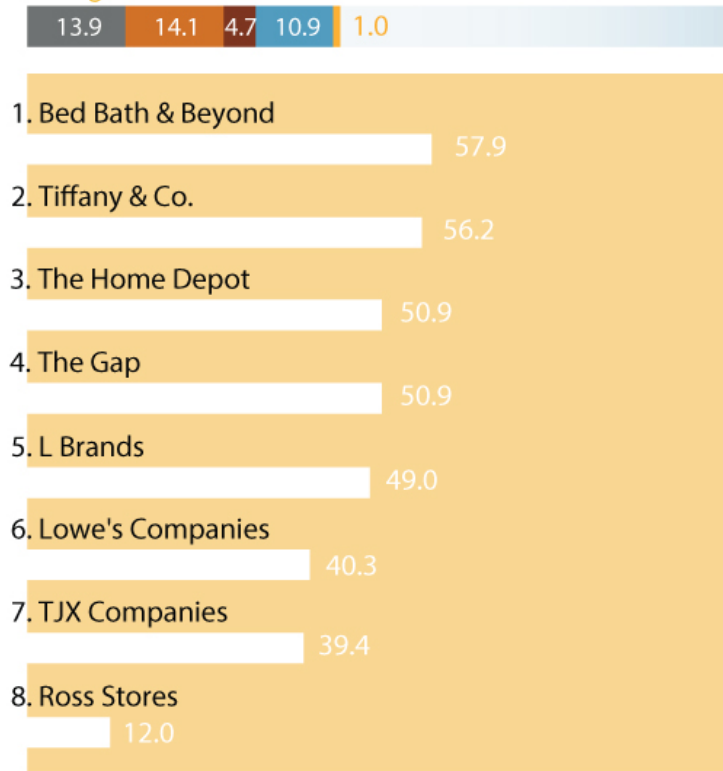
Average Score: 45.1



1. Mattel 70.1
2. Hasbro 54.1
3. Callaway Golf 52.8
4. Brunswick 47.5
5. Polaris Industries 37.5
6. Nautilus 32.9
7. Sturm, Ruger & Co. 20.6
8. Smith & Wesson 6.5

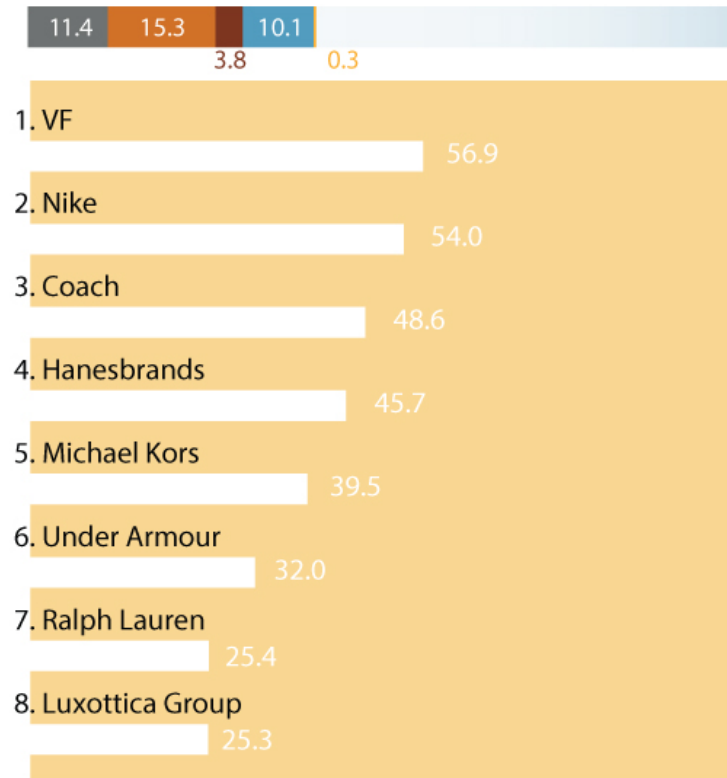
Specialty Retail

Average Score: 44.6



Textiles, Apparel, and Luxury Goods

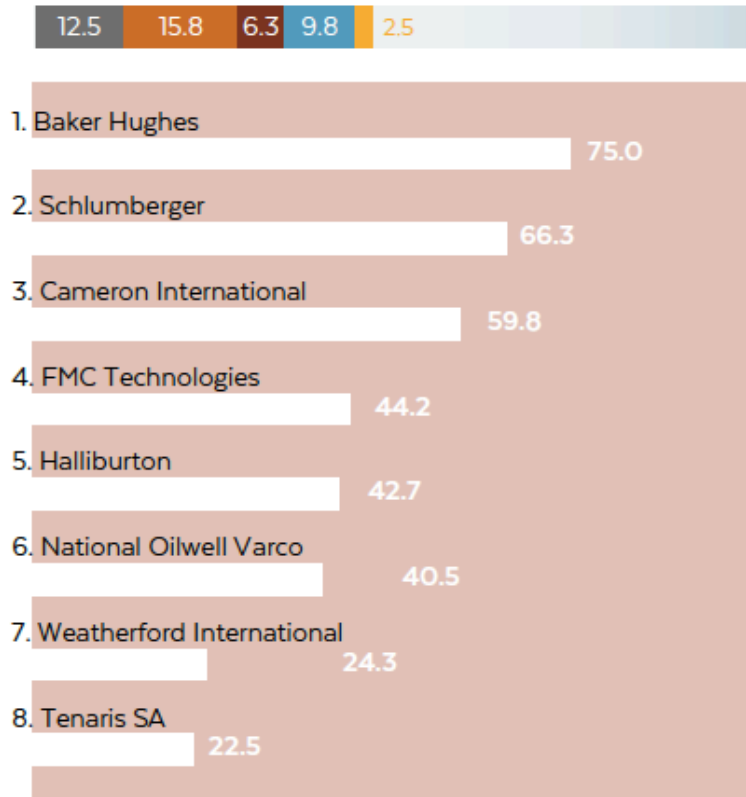
Average Score: 40.9



Energy

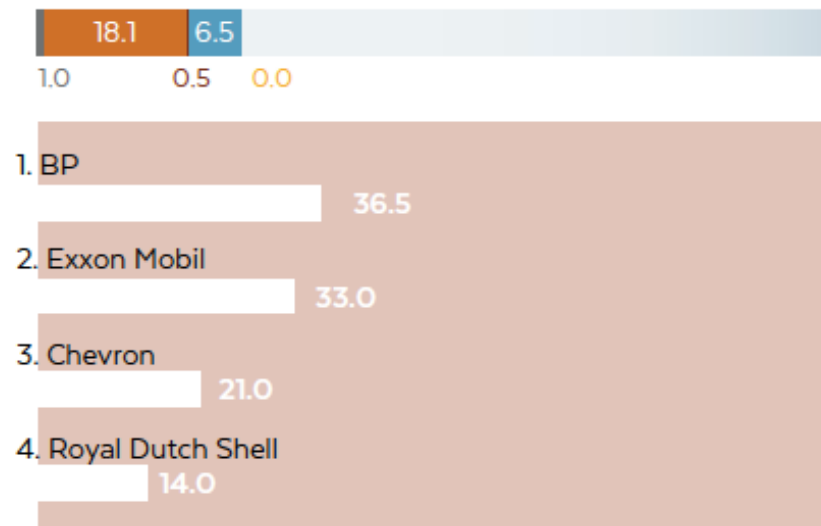
Energy Equipment and Services

Average Score: 46,9



Oil, Gas, and Consumable Fuels

Average Score: 26.1

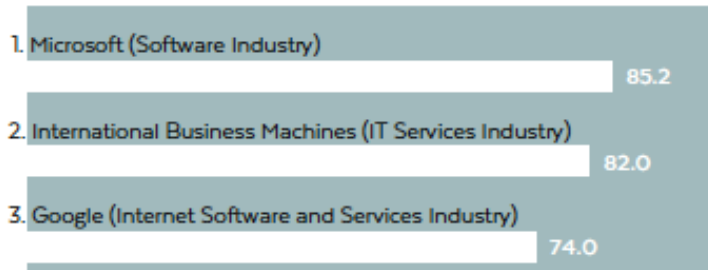


Other Sectors

Other Large Cap (Industry Group)

This industry group falls across more than one sector. Together with four companies in Pharmaceuticals and four in Oil, Gas, and Consumable Fuels, the 12 companies below make up the 20 companies that were selected from outside the 17 high exposure industries.

Other Sectors (orange) Average Score: 40.1
 Industry Group Average (orange/green/yellow): 49.8



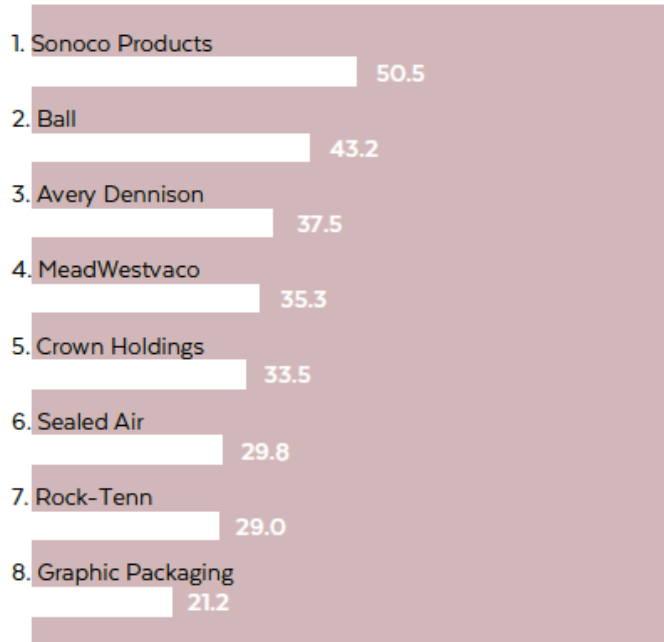
The color of the background shows which SECTOR the company's score was averaged into. All 12 contributed to the Industry Group ranking.

- INFORMATION TECHNOLOGY SECTOR
- CONSUMER DISCRETIONARY SECTOR
- ALL OTHER SECTORS

Materials

Containers and Packaging

Average Score: 35.0



Leading Practices



- ✓ Visit suppliers and SORs to provide training and education independently, through a service provider, or through a collaborative effort like the CFSI.
- ✓ Encourage non-compliant SORs to conduct an audit through the CFSP and help SORs overcome financial obstacles by donating to the CFSI's Initial Audit Fund or by another means.

Leading Practices (continued)



- ✓ Define responsible sourcing as “no embargo.” Make it clear that suppliers are expected to continue to source from the region even as they seek to transition to SORs that are listed as compliant by the CFSI.
- ✓ Prioritize traceability and transparency, which includes conducting an IPSA.

Leading Practices (continued)



- ✓ Steer collaborative, industry-specific approaches to supplier and SOR engagement and verification.
- ✓ Participate in multi-stakeholder efforts to stay abreast of emerging leading practices, different perspectives, and opportunities for advocacy.

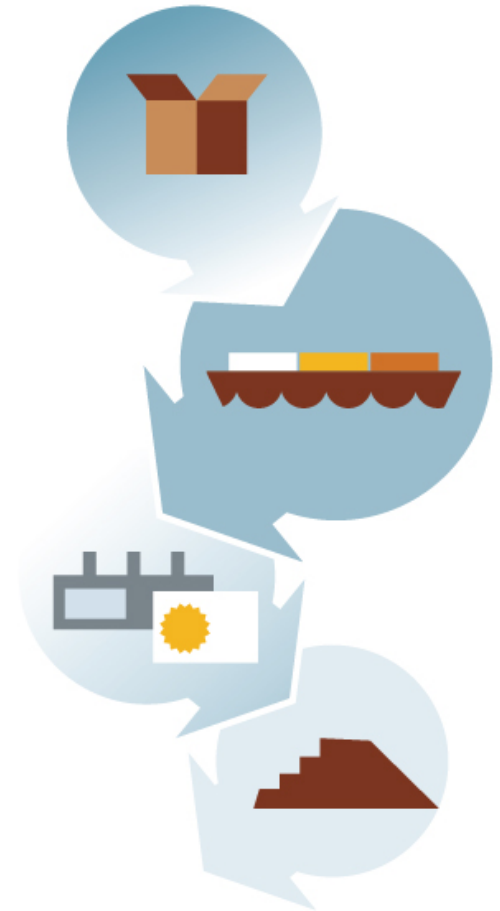
A Strong Conflict-Free Policy



- ✓ 1) Commits to source conflict-free,
- ✓ 2) Promotes in-region trade,
- ✓ 3) Communicates expectations to suppliers, and
- ✓ 4) Commits to ongoing due diligence.

Traceability Links

1. **Control systems.** Know exactly what goes into each product, and where it originates.
2. **Supplier leverage.** Constructive engagement, clear expectations, and consequences.
3. **SOR compliance.** Communicate directly with SORs, visit SOR locations, fund audits, and increase leverage.
4. **In-region impact.** Increase supply of conflict-free materials from the region, and measure outcomes for communities.



Conclusion

- ***Mining the Disclosures*** provides standardized and detailed evaluation of conflict minerals performance.
- **1502 has yielded results**
 - ✓ Panoramic view of 3TG trade.
 - ✓ Unprecedented collaboration.
 - ✓ Broader adoption of responsible supply chain practices.
- **Transparency is key**
 - ✓ Broadens the traceability of 3TG.
 - ✓ Heightens accountability.
 - ✓ Allows a company to be appropriately evaluated against its peers.

*“Highly respected and trusted brands consider responsible sourcing an **irreplaceable part of doing good business.** Companies that invest in conflict-free sourcing will create more value in the long run for shareholders.*

*“For the **people of the DRC** region, the value created by stability, transparency and prosperity is truly **incalculable.**”*

Mining the Disclosures 2015

RSN gratefully acknowledges the Sponsors of *Mining the Disclosures 2015*

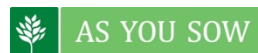
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Tantalum Sponsor



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Connect with Responsible Sourcing Network

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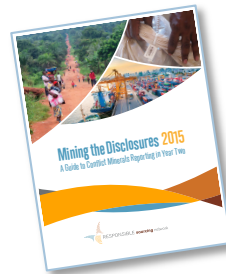
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