Mining the Disclosures 2017

An Investor Guide to Conflict Minerals Reporting in Year Four

RESPONSIBLE sourcing network

Authors

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The authors would like to thank Sarah Bird for her constant positivity and voluntary efforts of computer-based analysis to address the issue of conflict minerals.

Responsible Sourcing Network (RSN) (www.sourcingnetwork.org), a project of the non-profit organization *As You Sow* (www.asyousow.org), is dedicated to ending human rights abuses and forced labor associated with the raw materials found in products we use every day. RSN builds responsible supply chain coalitions of diverse stakeholders including investors, companies, and human rights advocates. Currently, RSN works with network participants to leverage their influence in the areas of conflict minerals from the DRC and forced labor in the cotton fields of Uzbekistan and Turkmenistan to create positive change for brands, consumers, and the impacted communities. For more information, contact: info@sourcingnetwork.org.

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Executive Summary

In the fourth consecutive year of analyzing companies' conflict minerals compliance and reporting, Responsible Sourcing Network's (RSN) research unveils a troubling trend widely spread among companies and industries. For the 2017 *Mining the Disclosures* report, RSN performed a year-on-year comparison between the scores achieved in 2016 and 2017. Regrettably, the disclosures and other publicly available information illustrate a decrease in companies' efforts to provide strong supply chain due diligence regarding their use of conflict minerals. With the Trump administration questioning the value of Section 1502 of the Dodd-Frank Act,[1] and adding unhelpful uncertainty to its corresponding final rule developed by the Securities and Exchange Commission (SEC), the majority of companies appear to be losing momentum acquired in previous reporting years to improve the quality of their disclosures. Encouragingly, high performers keep pushing for more transparency to mitigate risks in global supply chains and have committed to pursue the application of the rule regardless of future political decisions.

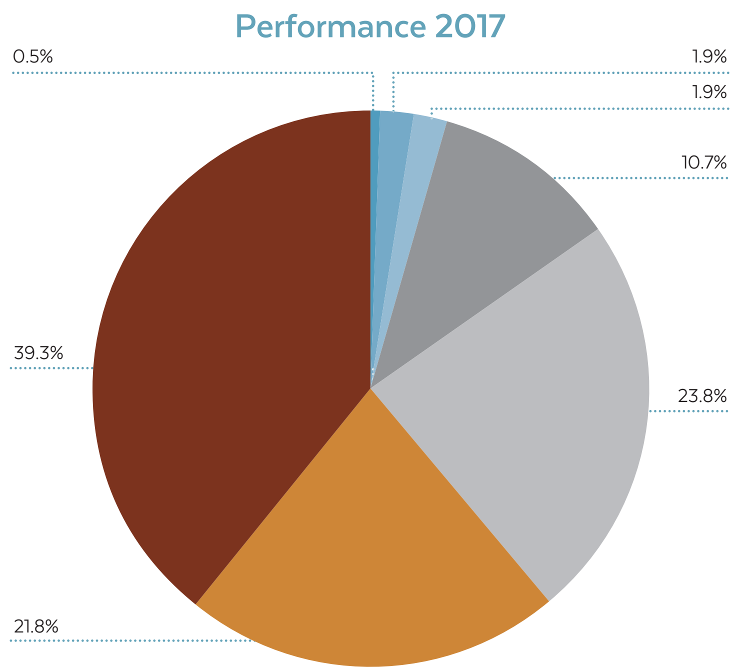
This year again, the technology sector dominates the ranking with the majority of innovative leaders achieving scores above 70 points. Laggards are still to be found in a range of industry groups including those in Aerospace, Oil, and Building Materials. The low scores of these groups reflect a compliance-only focus instead of the proactive, due-diligence-based strategies implemented by the top five leading companies: Intel, Microsoft, Qualcomm, Apple, Royal Philips. A new industry group is introduced in 2017, the Solar industry, which scores fairly well. Three solar companies out of four achieve scores above 55 but the industry group's average score is only considered "Minimal" due to Canadian Solar's dismal conflict minerals program and disclosure.

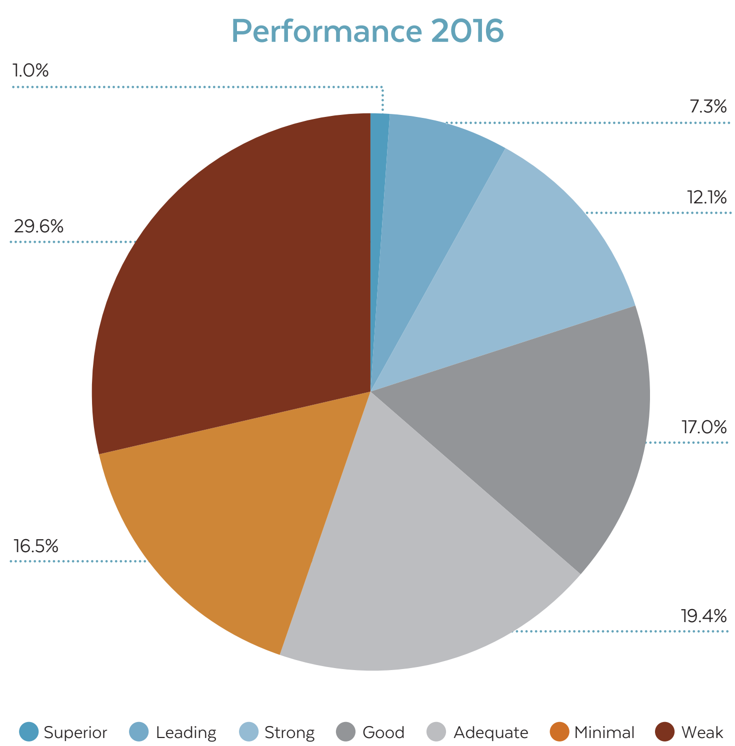
The overall decline in scores is best demonstrated by the 2017 and 2016 pie charts of company ratings by category. In the 2017 rating, 85% of the sample group is in the three lowest categories (Adequate, Minimal, and Weak), while in 2016, it was only 64% of the sample group.

On an indicator level, dramatic score changes occur regarding the capacity of companies to identify and manage their risks. The average score for the in-scope determination indicator, or a company's efforts to identify products containing 3TG, drops by over a third (-36 points) between 2016 and 2017. This decrease in the ability of companies to identify an existing risk inside their supply chains is a point of concern. Similarly, a poor showing of verification of suppliers' responses, which loses 26 points, diminishes the quality of the disclosures. These declining trends appear to be widespread throughout the report's indicators, industry groups, and companies. In contrast, there was improvement with the adoption of conflict minerals policies and response strategies with smelters or refiners (SORs). However, these are only two aspects of a very complex due diligence process and cannot, by themselves, effectively reduce all the risks in downstream companies' supply chains.

The overall lower scores between 2016 and 2017 illustrate the need for companies to continue to prioritize and invest in their supply chain due diligence efforts. Despite the decreasing score trend, leading companies have continued to demonstrate that implementing measures to reduce risk and harm in the downstream, midstream, and upstream levels of their supply chains is not only needed, but is entirely possible.

Figure 1: Companies' Comparative Performance Rating by Category between 2016 and 2017





Introduction

Staying in alignment with last year's approach to measurement, *Mining the Disclosures 2017* provides data on the same indicators evaluating the actions of downstream companies to address human rights abuses linked to their mineral supply chains located in the conflict-affected area of the Democratic Republic of the Congo (DRC) and neighboring countries (DRC region).

In-Region Impact

Section 1502 of the Dodd-Frank Act is aimed at responding to one aspect of the conflict: to break the link between mining and violence. It has not been conceived as a response to all the issues affecting the DRC and will not solve the conflict by itself. However, mandatory reporting and collaboration among a wide range of stakeholders has spurred greater corporate due diligence efforts, increased companies' understanding of the responsibilities regarding their supply chains, and brought more transparency to the tin, tantalum, and tungsten (3Ts) mining industries.

Mining the Disclosures 2017 aims to provide investors and other stakeholders with a comparative analysis of the largest companies' efforts to disclose and address their use and risk of 3Ts and gold (3TG) from the DRC region (described as conflict minerals in this report), and to encourage improved corporate practices in the areas of risk management, human rights impact, and effective reporting.

While the governance and accountability of the DRC region's mining industry, including the traceability of 3Ts, has been strengthened, progress remains fragile. The current political situation, marked by President Kabila's refusal to step down from power, has threatened the stability of the country and spurred violence in the streets of the capital, Kinshasa, along with a resurgence of fighting in the eastern provinces of North Kivu, South Kivu, and Tanganyika. Conducting a national presidential election before the end of 2017 is highly unlikely according to president of the electoral commission.[2] Postponing this election sparks fears of renewed unrest. As an example, in the Kasai Province, the deadly events following the killing of traditional chief, Kamuina Nsapu, during the army's assault on his house, sparked the displacement of more than a million people.[3]

Despite political unrest, mining certification has made considerable progress, such as the implementation of the Bilateral German Congolese Cooperation Project aimed at developing the Certified Trading Chains[4] scheme focused on 3TG. By the end of 2017, it is expected that 20% of the mines, representing 60% of the mining production, will be certified through governmental organizations and third-party auditors.[5] Similar efforts have been led by the tin industry's iTSCi program[6] with significant results in the production and exports from certified "conflict-free" mines, especially regarding cassiterite (tin ore).[7] The International Conference of the Great Lakes Region's (ICGLR) Regional Certification Mechanism[8] (RCM) also provides a certification mechanism for exports of conflict minerals. These efforts have led the United Nations' Group of Experts on the DRC to acknowledge the positive results of mine certification in the DRC region in its most recent report.[9]

The improvements achieved with 3Ts mine certification have been more challenging for gold. The difficulty in certifying small-scale mines and the ease of smuggling small quantities of gold representing substantial amounts of money make gold an extremely challenging mineral to trace. However, some schemes are under development to address this issue. The Just Gold Project[10] of Partnership Africa Canada implements a certification process by using legal exporters to buy gold at a competitive price from the miners. USAID supports a Capacity Building Program for a Responsible Minerals Trade[11] (CBRMT), which aims at improving the traceability of legal small scale and artisanal gold.

Stability of 1502

Casting doubt on the 3TG due diligence process and declining momentum of downstream companies' actions in this crucial moment can have negative lasting effects on the efforts to build clean supply chains. Section 1502 has spurred change and the United States is now followed by the European Union in implementing conflict minerals legislation. The binding European law, which focuses on importers of conflict minerals inside the union complements the American approach that focuses on downstream companies. More than ever, governments and companies need to step up to support conflict minerals laws and their enforcement, which will ensure that the use of these materials does not finance armed groups and continue to destabilize the DRC region.

At the end of January 2017, the SEC and its then-acting chairman, Michael Piwowar, opened a 45-day period for reconsideration of the conflict minerals rule implementation.[12] An impressive 642 comments were submitted to the SEC with a vast majority in support of the current implementation of the 1502 rule. Despite this, the SEC's public statement on April 7, 2017, declared, "the Division of Corporation Finance has determined that it will not recommend enforcement action to the Commission if companies, including those that are subject to paragraph (c) of Item 1.01 of Form SD, only file disclosure under the provisions of paragraphs (a) and (b) of Item 1.01 of Form SD."[13] By refusing to enforce the due diligence requirement, the SEC negated the incentive component of the law which has likely contributed to the declining momentum that had been observed. Investors[14] representing more than $4.8 trillion in assets under management have declared their support of the rule and some companies like Signet Jewelers[15] have reaffirmed their commitments to keep following the rule even if the SEC doesn't enforce it. This position of the Division of Corporate Finance — to refuse the enforcement of a law passed by Congress — creates an environment of corporate impunity and encourages companies not to fulfill their legal obligations, as the results in this 2017 report illustrate.

This comparative report provides valuable information to all investors that have committed to seek disclosures on environmental, social, and governance (ESG) issues.[16] Rating companies' efforts to increase the quality of their due diligence actions and disclosures, or their failure to do so, provides insights for sustainable, responsible, and impact (SRI) investing firms. This comprehensive approach adopted by RSN is one of the few comparative studies looking at specific companies' evolution of conflict minerals' actions and disclosures over multiple years.

Findings in 2017

Company Performance Trends

As of July 10, 2017, 1,153 companies had filed with the SEC a Form Special Disclosure (Form SD), and 911 included Conflict Minerals Reports (CMR).[17] RSN analyzed 206 of the disclosures along with public reports and companies' websites, all spread among 26 industry groups. Consistent with the previous *Mining the Disclosures'* rankings, the industries in the Technology sector outperformed other sectors, while laggard industries included Integrated Oil & Gas, Steel, Business Services, and Building Materials. RSN observed three general trends with the 2017 analysis.

1: A general decrease in the quality of corporate activities and investigations

- Following increased political threats to Section 1502 since the transition to the Trump administration, many companies appear to be minimizing the robustness of their conflict minerals due diligence responsibilities. Compared to 2016, all of the average industry group scores decreased except for one, and 80% of the 206 companies in the sample pool received lower scores. The only industry group progressing is the Packaging Industry Group, which had two companies significantly increase their scores: Aptar Group and Crown Holdings.
- The lower quality of the filings is exemplified by the general decrease in the total number of companies filing Form SD and CMR and the increase of Form SD-only filers. The total number of SD and CMR filers dropped from 985 to 911 from 2016 to 2017, while the number of Form SD-only filers increased from 235 in 2016 to 241 in 2017.[18] While some companies, like Wal-Mart, failed to report on their efforts and did not file a Form SD or a CMR; others, like General Dynamics, only filed a Form SD without a CMR..
- An increasing number of companies are implementing a compliance-only strategy instead of on-going, proactive risk-based due diligence. About half of the companies analyzed fail at determining in-scope products and properly verifying suppliers' responses. The weakness of this year's risk assessments in minerals supply chains may lead to inappropriate mitigation measures, impairing the entire process of supply chain due diligence.

2: A general decrease in transparency

- As the fifth step of the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas,[19] public reporting and transparency are central to the disclosure process under Section 1502. However, fewer than half of the companies in the sample pool are taking adequate measures to provide information to the public that goes beyond simple compliance.
- While conflict minerals reporting has been a constantly improving process in place for the past four years, the percentage of companies currently aligned with the OECD Guidance remains the same in 2017 as in 2016. This illustrates reticence from some companies to improve the quality of their disclosures.
- Only eight of the 206 companies (less than 4%) conduct an Independent Private Sector Audit (IPSA), which denotes general reluctance to go beyond the rule and to independently improve supply chain risk management. Although this result is an increase from six in the 2016 sample group, it remains very low. Development International notes a 15.8% decrease of IPSAs for the total number of 1502 filers between 2016 and 2017.[20]

3: Leaders in 3TG due diligence continue to push forward

- In contrast to the general decline in the due-diligence disclosures, leaders maintain a very high quality in their conflict minerals supply chain investigations and activities. Participation in a variety of multi-stakeholder efforts and support of on-the-ground conflict-free sourcing projects is a common trend among some of the higher-scoring companies such as Intel, Apple, HP, Microsoft, and Royal Philips. Intel publicizes the importance of artisanal mining for the local communities and Alphabet supports multiple on-the-ground initiatives, including Solutions for Hope's Gold Project[21] and PACT.[22]
- The leading companies' risk mitigation processes go beyond compliance and are proactive, innovative, cooperative, and multi-sectorial. Apple identified risks using publicly available information from a wide range of sources, including Conflict-Free Sourcing Initiative (CFSI), non-profits' reports, or on-the-ground research, which led to the removal of noncompliant SORs. Apple developed the Risk Readiness Assessment[23] (RRA) as a self-assessment tool and donated its methodology to the Electronic Industry Citizen Coalition (EICC) and CFSI to promote best practices and assess risk in the conflict minerals supply.
- Companies like Hewlett Packard Enterprise, HP, and Intel provide websites with extensive information valuable to the public and investors, complementing their disclosures. However, approximately 5% of the companies RSN analyzed only publish their risk assessment on dedicated conflict minerals websites outside the disclosures, failing to fulfill the important aspect of due diligence.

KPI Performance Trends

Regarding the key performance indicators (KPIs) for the sample group, only a few indicators improve in 2017. This year conflict minerals policies are more common than in 2016, which denotes an effort from companies to provide rules governing conflict minerals inside their companies. However, the adoption of a conflict minerals policy is not synonymous with strong implementation of this policy. Progress with the implementation indicator should be praised, since it demonstrates that companies are integrating due diligence into their procurement and data tracking procedures. Conversely, there is a general trend of decreasing quality with almost every other KPI; for example, in-scope determination loses 36 points.

While the average KPI scores of all three themes decrease (risk mitigation by -7 points, human rights impact by -7 points, and reporting by -5 points), the dramatic decreases of *these* specific indicators: risk assessment (-15 points), engagement (-19 points), and transparency (-22 points), all point to the minimization in quality of companies' due diligence efforts. They illustrate the orientation of companies toward compliance-only strategies; they are avoiding efforts to join on-the-ground programs and multi-stakeholder' initiatives, and to publicly provide due diligence updates.

While over 70% of companies in the sample group follow the OECD Guidance, most do so superficially, and only a handful of companies utilize the guidance to its full extent. A lack of understanding of the differences between Step 2 (identify and assess risk in the supply chain) and Step 3 (design and implement a strategy to respond to identified risks) of the guidance lead many companies to repeat the same process for both steps.

Table 1: Overview of 2016 and 2017 Mining the Disclosures Sample Group

	Mining the Disclosures 2016	Mining the Disclosures 2017
Number of Companies	202	206
Number of SD and CMR filers	178	177
Number of SD-only filers	24	29
Number of IPSA filers	6	8

Resources for Improvement

Risk Management

In *Mining the Disclosures*, Risk Management is divided into three areas: management (20 points), assessment (20 points), and response (20 points).

The *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*[24] has been developed by governments and companies to identify, respond to, and reduce risks. The framework comprises five steps:

- Establish strong company management systems.
- Identify and assess risk in the supply chain.
- Design and implement a strategy to respond to identified risks.
- Carry out independent third-party audits of supply chain due diligence at identified points in the supply chain.
- Report on supply chain due diligence.

As an ongoing and proactive process, due diligence is understood to be a global effort implemented in good faith. Since 2012, the SEC has recognized the OECD due diligence framework and the U.S. State Department has endorsed it.[25] From an international view, the guidance is supported by the United Nations Security Council[26] (resolution 1952), the International Conference on the Great Lakes Region[27] (ICGLR), and the G8.[28]

CFSI has multiple tools to assist companies in determining their exposure to risk. The Risk Readiness Assessment[29] (RRA) tool, designed to address a variety of ESG issues but aligned with the OECD framework, allows companies to assess social and environmental risks in raw material extraction and processing. The online Grievance and Complaints Mechanism[30] provides an avenue for individuals (anonymous or not) to raise concerns about CFSI, audit program, or smelter and refiner operations that fall within the scope of the Conflict-Free Smelter Program (CFSP), audit quality and auditor competencies, mineral supply chains, and upstream/downstream initiatives. The Downstream Audit Program[31] is a system for companies in 3TG supply chains between the smelters and brands to have their sourcing practices verified as being aligned with the OECD Guidance.

Any company wishing to follow the clear intent of Section 1502 should be implementing the OECD framework and using available tools so its due diligence is risk-based, not just compliance-focused.

Human Rights Impact

In *Mining the Disclosures*, Human Rights Impact is divided into two categories, outcomes (10 points) and engagement (10 points).

The OECD framework is aligned with the 2011 United Nations Guiding Principles on Business and Human Rights[32] (UNGP), which asserts the corporate responsibility to respect human rights. Principle 18 of this document refers to the responsibility to "identify and assess any actual or potential adverse human rights impacts with which they [business enterprises] may be involved either through their own activities or as a result of their business relationships."[33] Many companies subjected to Section 1502 are far removed from the source of minerals; however it is their duty to assess human rights outcomes and to join initiatives to respond to the identified risks. The UNGP provides answers to commonly held questions companies may have regarding their human rights impact.

Mining the Disclosures encourages alignment with international human rights standards to assess and report human rights issues related to conflict minerals in the DRC and its neighboring countries.

Developed by investors, the Corporate Human Rights Benchmark[34] uses 100 indicators distributed in six categories to analyze 98 companies' efforts to prevent adverse impacts on communities. Companies can use these indicators to improve their own internal procedures to address any human rights abuses they may have a connection to, including conflict minerals.

Strong conflict minerals reporting benefits from a human rights approach rather than a compliance-only focus. The role of industry groups or multi stakeholder initiatives[35] allows for more proactive identification and response to risks further upstream in a company's supply chain. Coordinating efforts with peers and stakeholders will allow a company to have a greater impact in-region than if it tries to accomplish something on its own.

Effective Reporting

In *Mining the Disclosures*, Effective Reporting is divided into two categories: alignment with frameworks (10 points) and transparency (10 points).

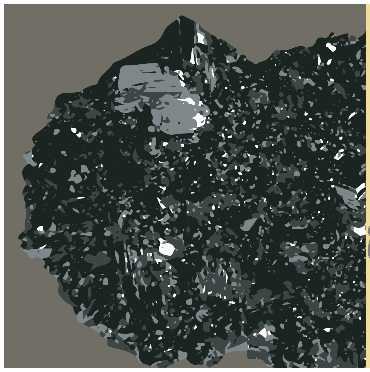
Effective public reporting, the fifth step in the OECD framework, is the backbone of a strong due diligence program regarding conflict minerals. It allows investors, analysts, and the public to evaluate a company's efforts to identify and mitigate the risks in its supply chain. Aligning the reporting process with existing frameworks, and in particular the OECD Guidance and the SEC final rule, ensure consistency and readability of a disclosure. This framework should be supported by complimentary guidelines and standards. A wide range of resources and frameworks are available to companies to help them report on human rights issues.

- The Universal Declaration of Human Rights[36] (UDHR) is referenced by a few companies in the sample group.
- The International Labor Organization Standards[37] (ILO), particularly the Abolition of Forced Labour Convention[38] of 1957 (ILO 105), have been integrated by many companies in their purchasing and corporate responsibility charter.
- In 2011, the United Nations Guiding Principles on Business and Human Rights[39] (UNGPs) were released and in 2015, the UNGP Reporting Framework[40] introduced the distinction between material risks, risks to the business and salient risks based on severity of the human rights risks.
- The OECD Guidelines for Multinational Enterprises[41] provide the basis for all the OECD industry-specific guidance and are linked to the UNGPs.
- Companies can apply a number of standards to address their exposure to labor and human rights abuses, such as the SA 8000® Standard[42] and the ETI Base Code,[43] to name a couple.

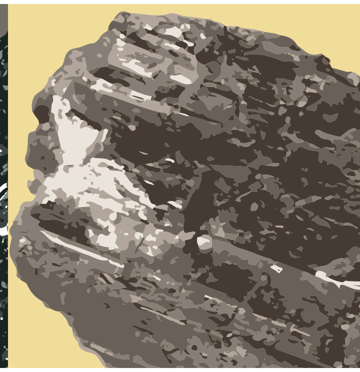
Transparency measures the extent to which a company is communicating critical information publicly. In the case of conflict minerals reporting, the SEC disclosures should be complemented by strong conflict minerals websites. This step is crucial for the development of a strong traceability model, which includes data sharing, clear expectations, and accountability from upstream to downstream actors.

The four conflict minerals: Tin, Tungsten, Tantalum, and Gold (3TG)

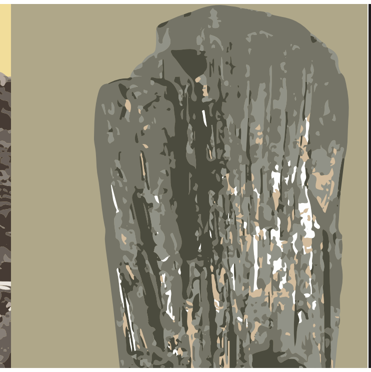
Sn Tin
(Cassiterite)



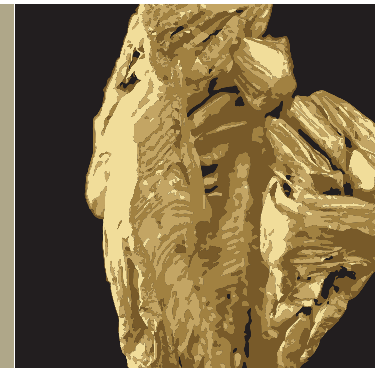
W Tungsten
(Wolframite)



Ta Tantalum
(Colombite-Tantalite)



Au Gold



The Case of Cobalt:

Cobalt is used in lithium-ion batteries that form an integral part of mobile phones, laptops, and electric vehicles, and the DRC is the largest producer and holds more than 50% of the world reserves. In 2016, Amnesty International[44] described human rights abuses related to the cobalt mining industry in the DRC, mainly regarding child labor, and the failure of companies using cobalt in their products to properly address these risks. Cobalt is not currently described as a conflict mineral under Section 1502. However, efforts led by CFSI and EICC to create the Responsible Raw Materials Initiative[45] (RRMI) illustrate the need for companies to analyze their exposure to this human rights abuse. This initiative, based on the successful 3TG due diligence process, focuses on cobalt supply chain mapping, risk assessment, and verification. RRMI is working with the Responsible Cobalt Initiative[46] (RCI), a joint project of the Chinese Chamber of Commerce for Metals, Minerals & Chemicals (CCCMC) and the OECD, to build a cobalt refiner audit program, and is currently developing a Raw Material Reporting Template (RMRT) based on the Conflict Minerals Reporting Template (CMRT) currently widely used by companies for 3TG.

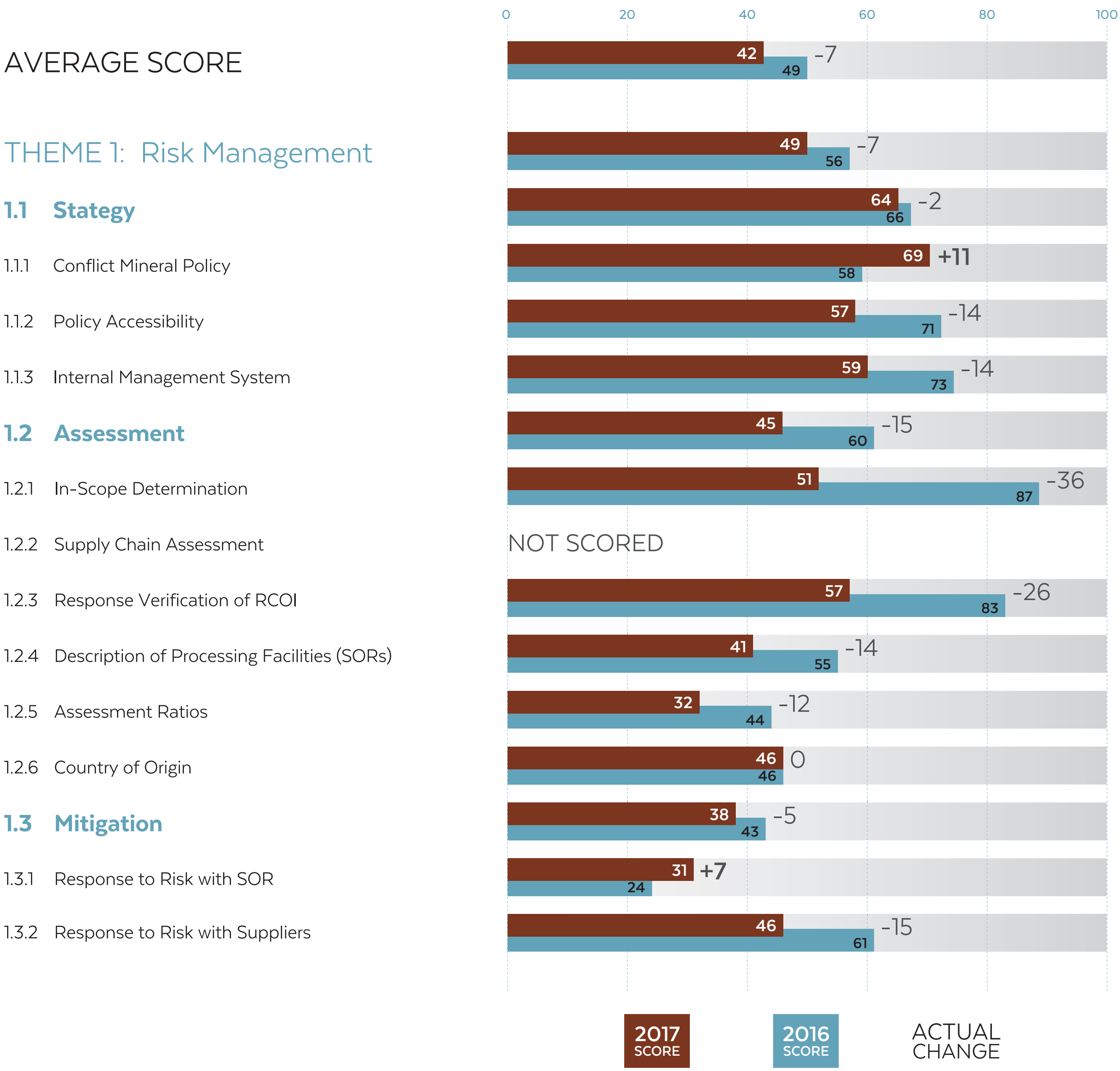
Co Cobalt
(Cobaltite)

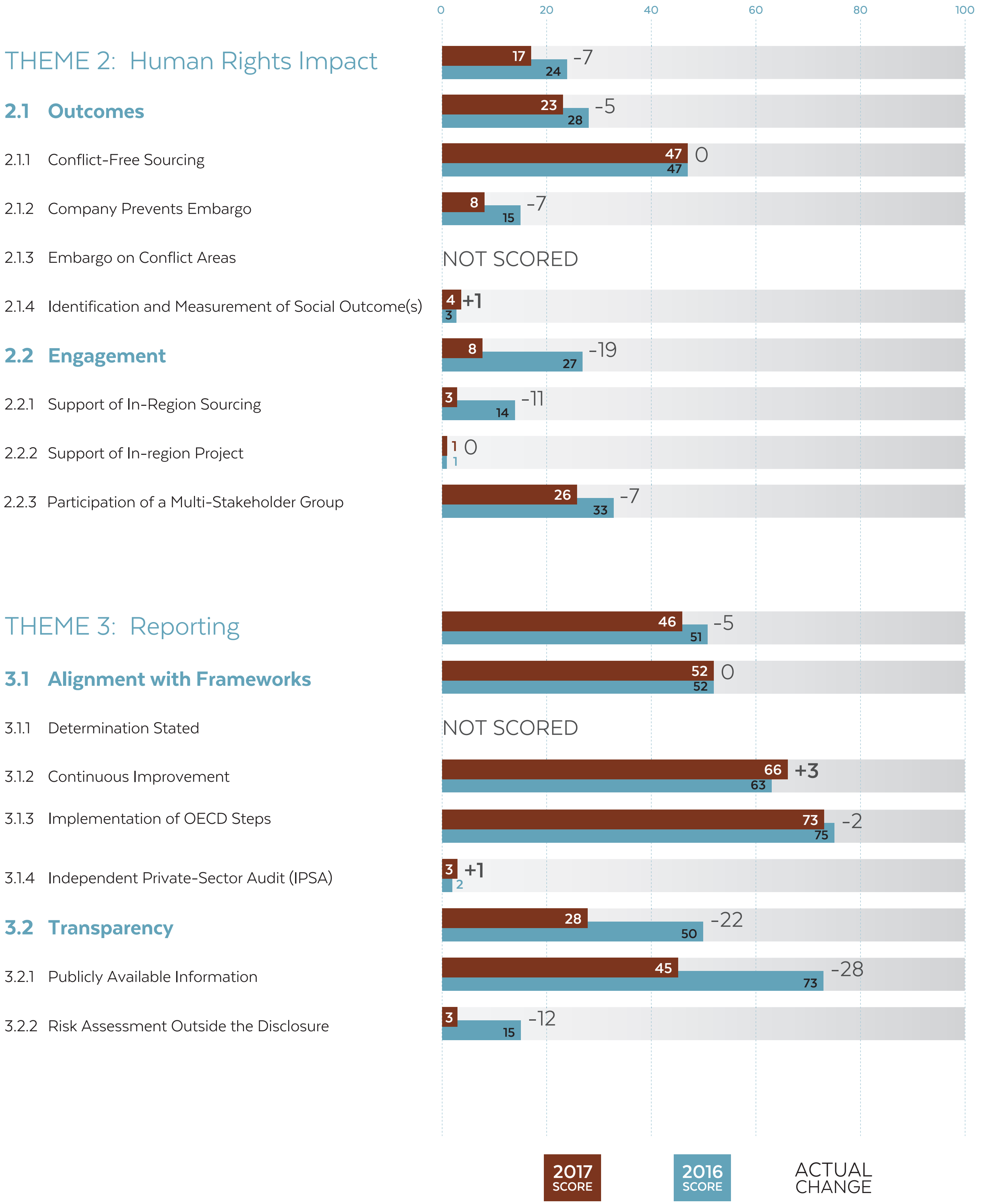
Evaluation Results: Performance Trends

Mining the Disclosures 2017 uses the same key performance indicators (KPIs) as the previous year. This stability in the scoring system allows for a comparative year-on-year analysis following the three theme areas: Risk Management, Human Rights Impact, and Effective Reporting.

In calculating the companies' final scores, each KPI was weighted according it its significance, and its relation to the number of sub-indicators for each KPI. The scores below reflect the average scores per KPI determined by the 206 companies in the 2017 sample group.

Figure 2: KPI Average Results for the Sample Group




0 20 40 60 80 100
THEME 2: Human Rights Impact 17 24 -7
2.1 Outcomes 23 28 -5
2.1.1 Conflict-Free Sourcing 47 47 0
2.1.2 Company Prevents Embargo 8 15 -7
2.1.3 Embargo on Conflict Areas NOT SCORED
2.1.4 Identification and Measurement of Social Outcome(s) 4 3 +1
2.2 Engagement 8 27 -19
2.2.1 Support of In-Region Sourcing 3 14 -11
2.2.2 Support of In-region Project 1 1 0
2.2.3 Participation of a Multi-Stakeholder Group 26 33 -7
THEME 3: Reporting 46 51 -5
3.1 Alignment with Frameworks 52 52 0
3.1.1 Determination Stated NOT SCORED
3.1.2 Continuous Improvement 66 63 +3
3.1.3 Implementation of OECD Steps 73 75 -2
3.1.4 Independent Private-Sector Audit (IPSA) 3 2 +1
3.2 Transparency 28 50 -22
3.2.1 Publicly Available Information 45 73 -28
3.2.2 Risk Assessment Outside the Disclosure 3 15 -12
2017 SCORE
2016 SCORE
ACTUAL CHANGE

Conflict Free Ranking

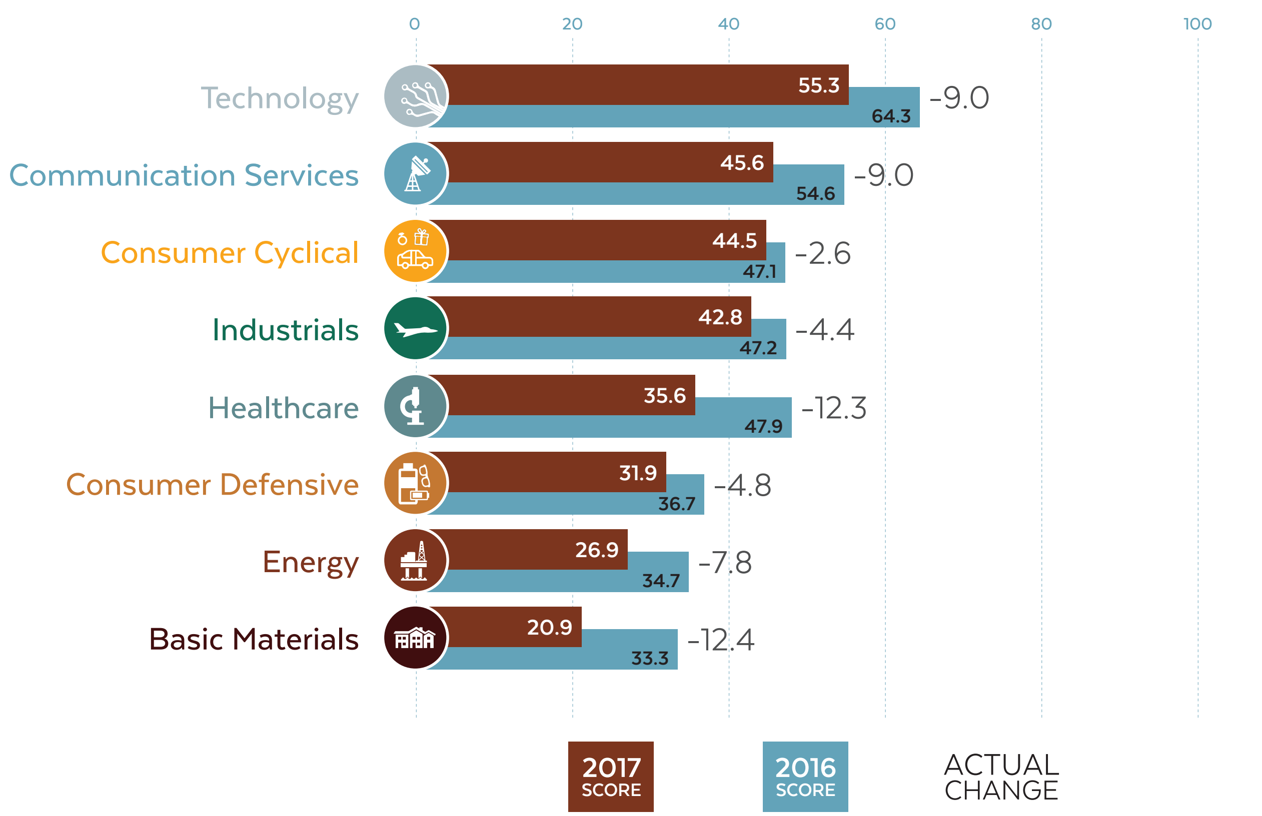
Conflict-Free is not a status or a label. The OECD states that risk management is an ongoing, proactive, and continuously improving process. Following the letter but not the spirit of risk guidance means a company's reporting is simply a checked box, not genuine risk reduction, which may indicate weakness in other core business areas. Due to the overall decrease in scores, some companies have risen or dropped in rank to peer companies in the 2017 ranking. For example, General Dynamic loses two places between 2016 and 2017 due to the poor quality of its due diligence. This assertion is also true at the industry level where some industry groups have been outperformed by others. For example, the auto manufacturer industry has been outperformed by the application software industry.

Regarding the performance rating, many companies are in a lower category than they were last year. This year, 81 companies' overall due diligence efforts are classified as "Weak" compared to 61 last year. In the 2017 rating, 85% of the sample group is in the three lowest categories while it was 64% in 2016.

Sector | *Industry Group* | *Company*

Sectors' Comparative Rankings and Symbols

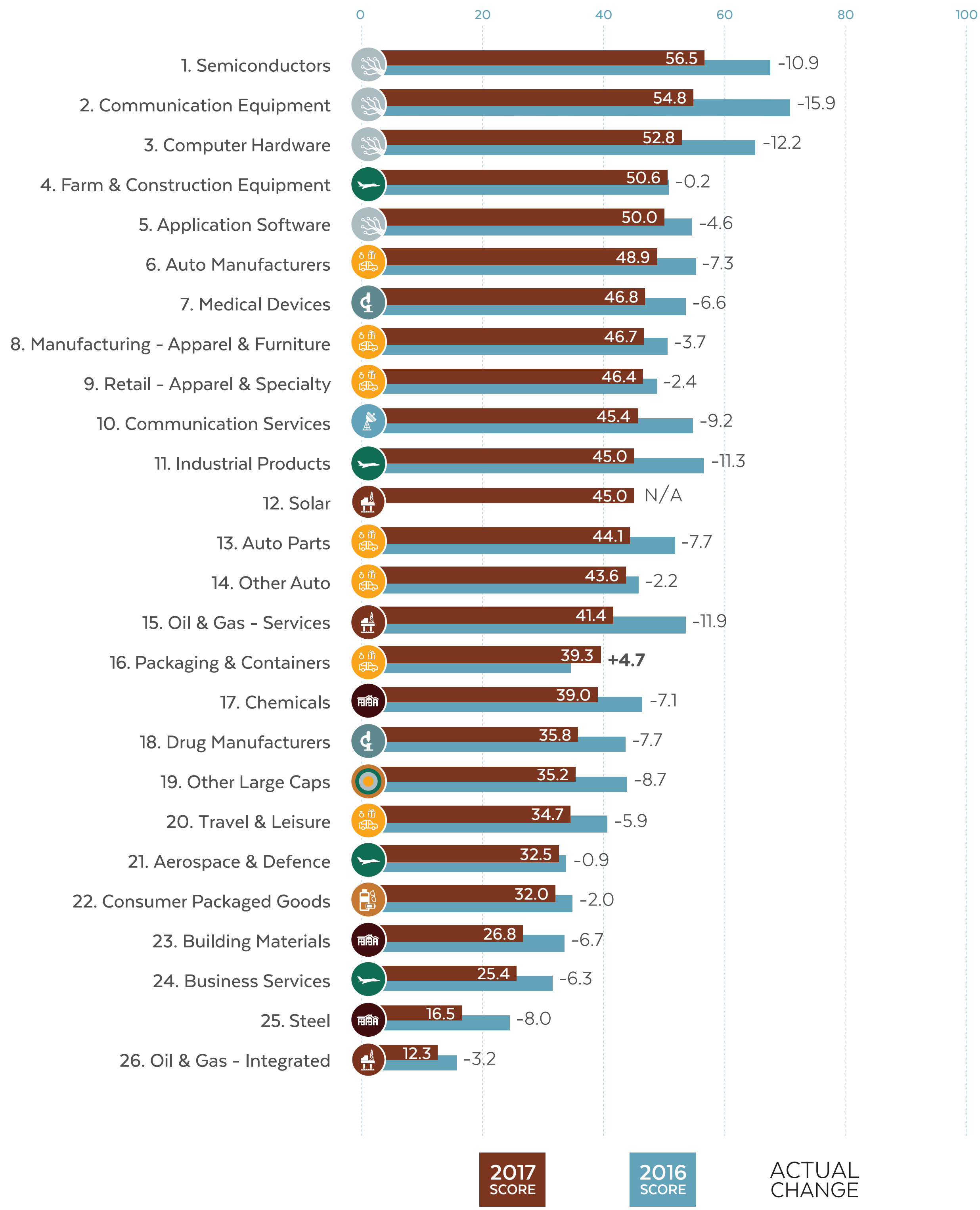
Figure 3: Comparative Ranking per Sector between 2016 and 2017



Sector Industry Group Company

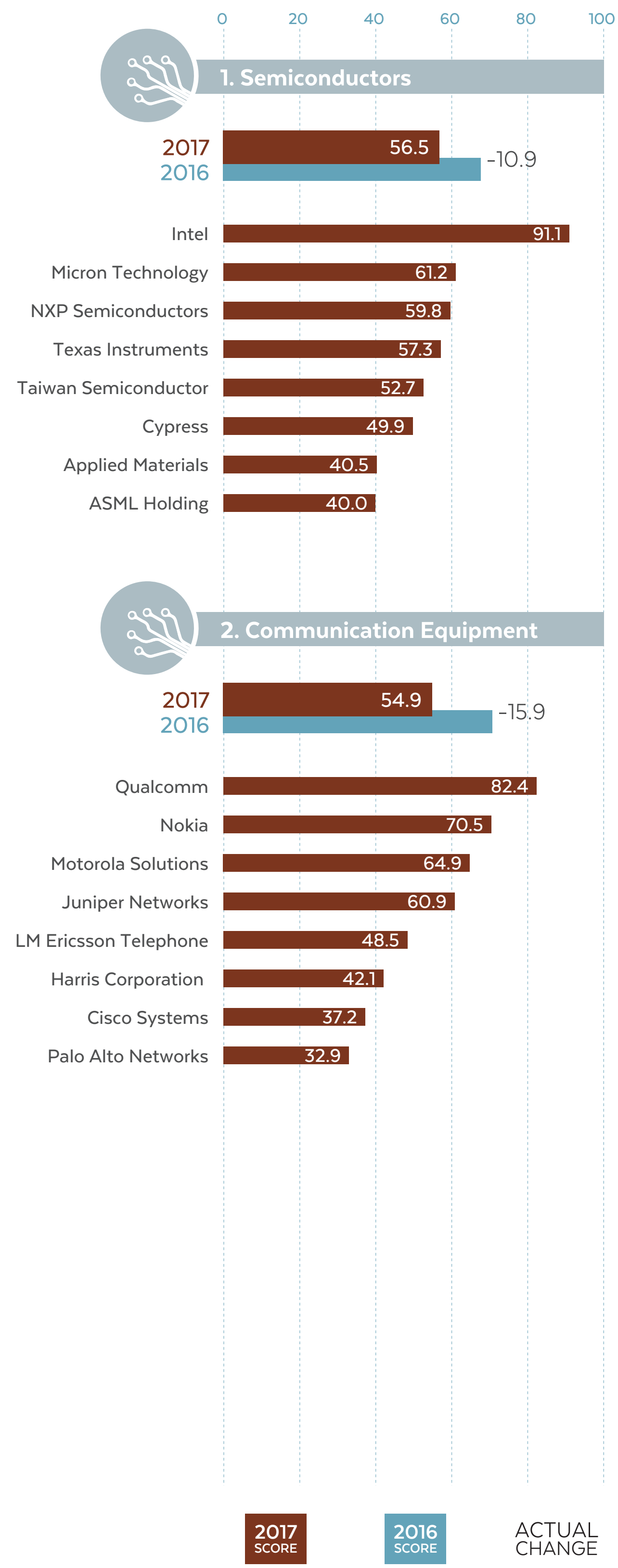
Industry Groups' Comparative Rankings

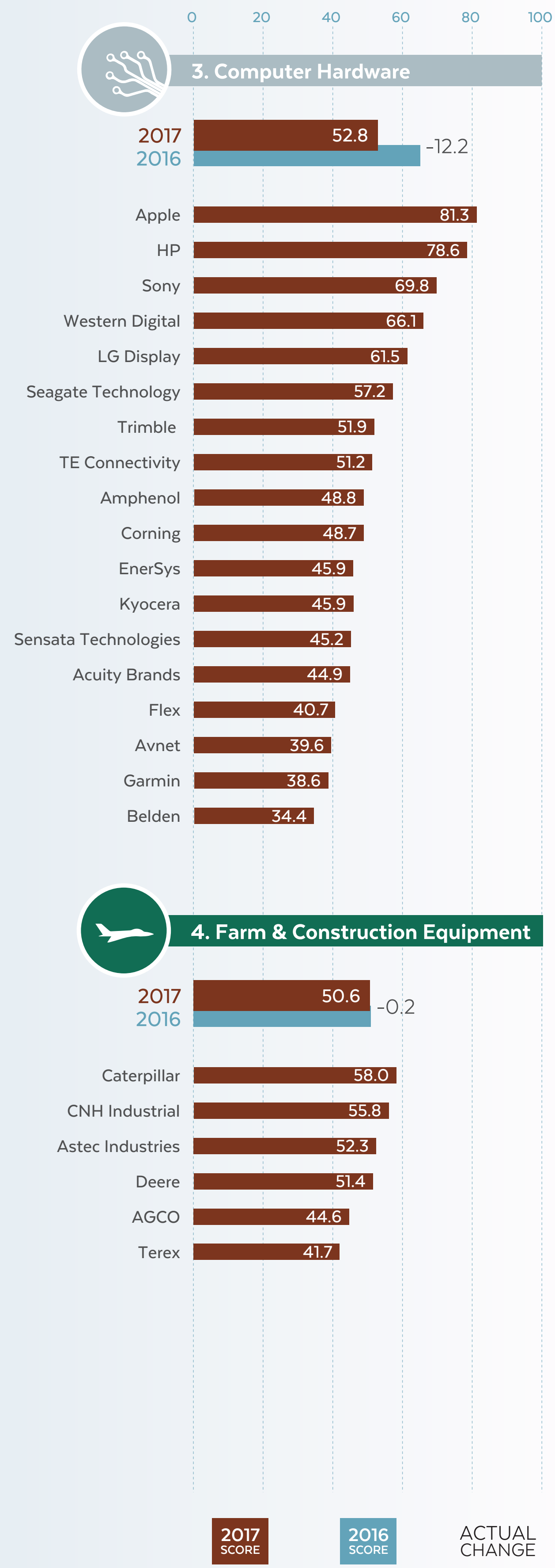
Figure 4: Comparative Ranking per Industry Group between 2016 and 2017



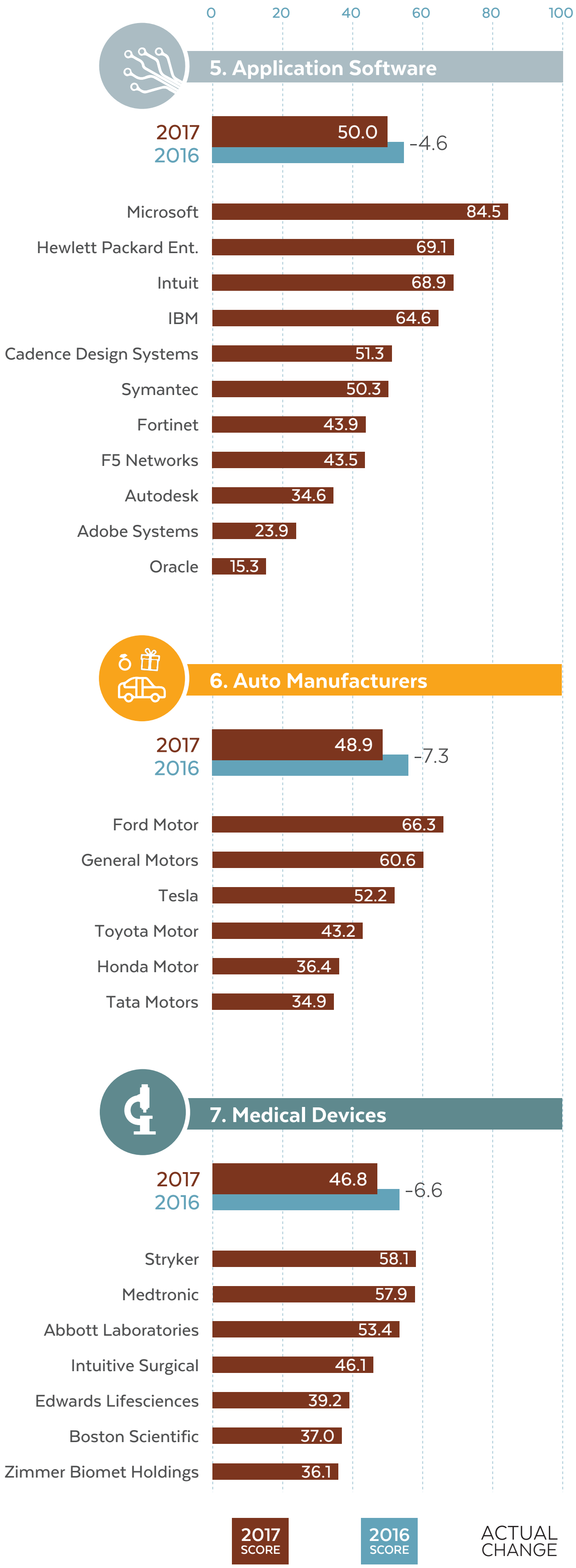
Companies' Comparative Rankings

Figure 5: Comparative Ranking per Company by Industry Group between 2016 and 2017

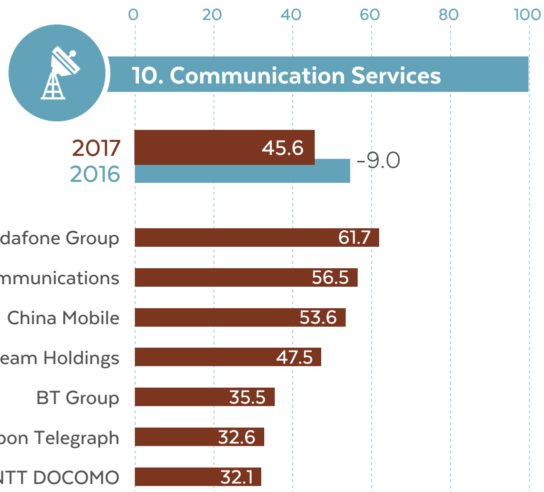


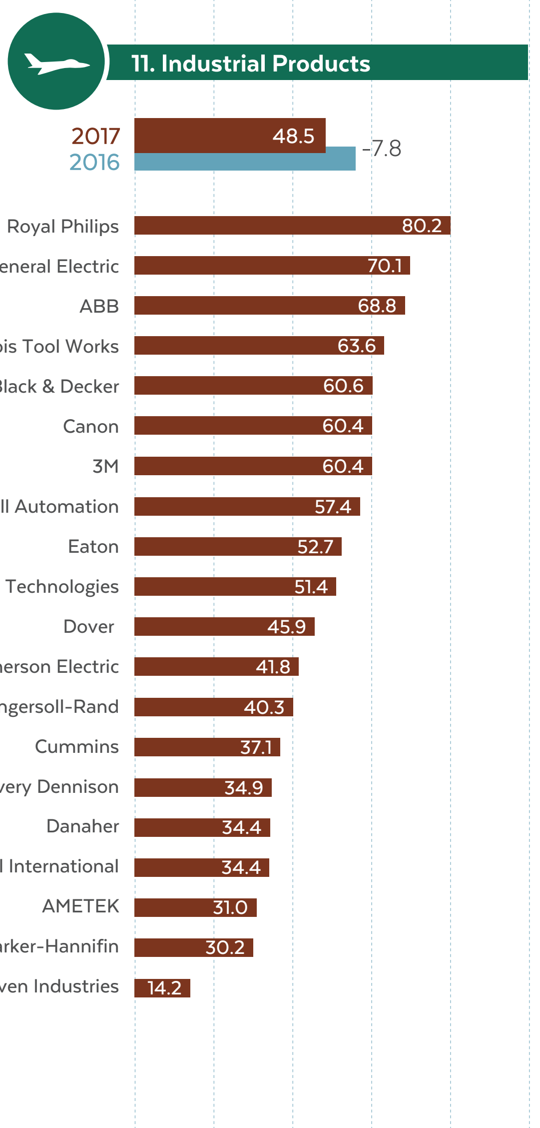


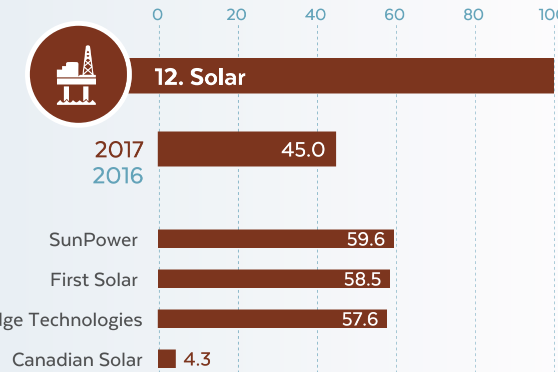
Sector | Industry Group | **Company**

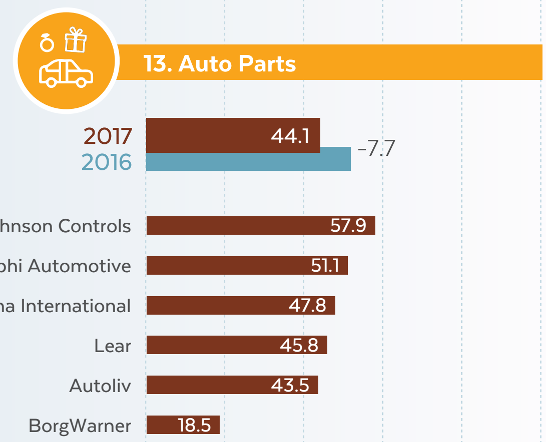


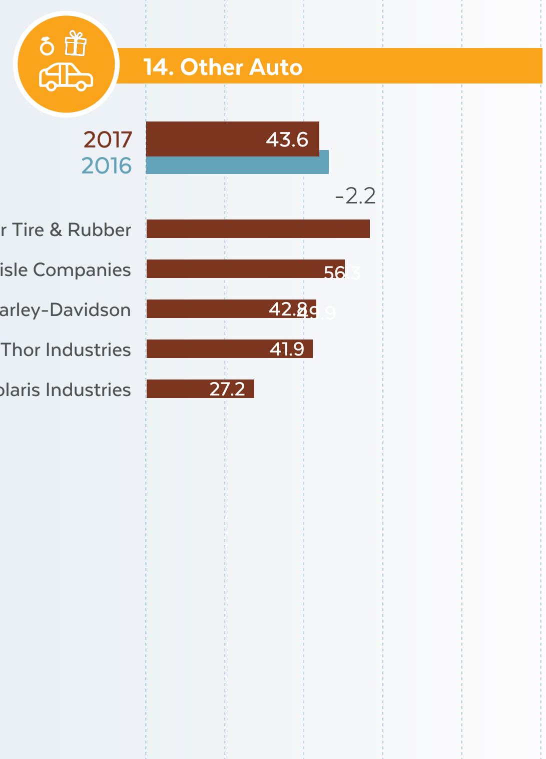
Sector | Industry Group | Company





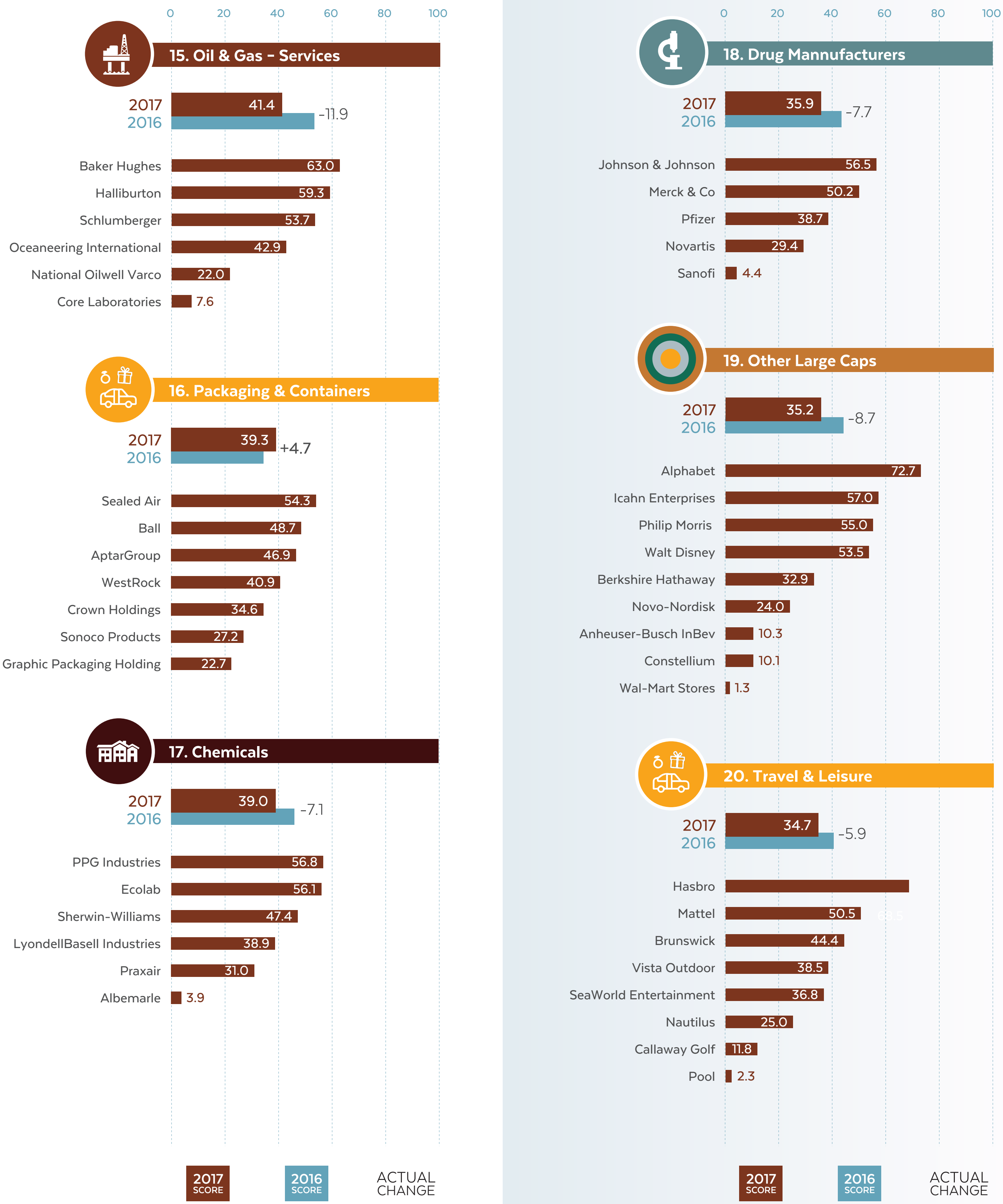


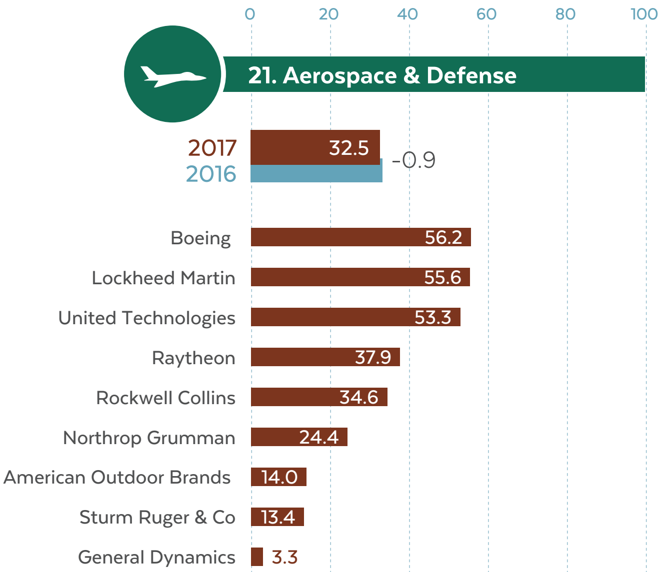


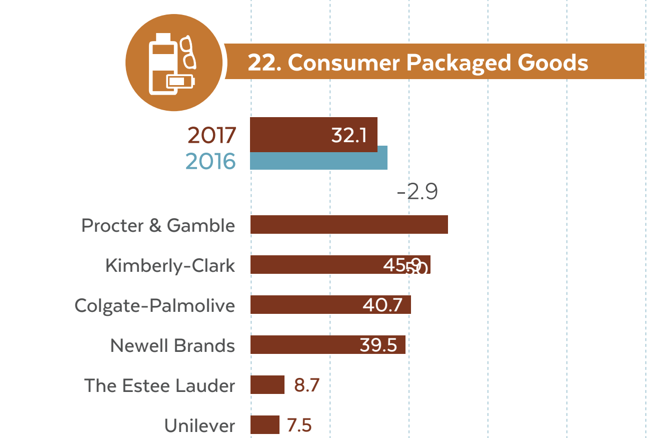


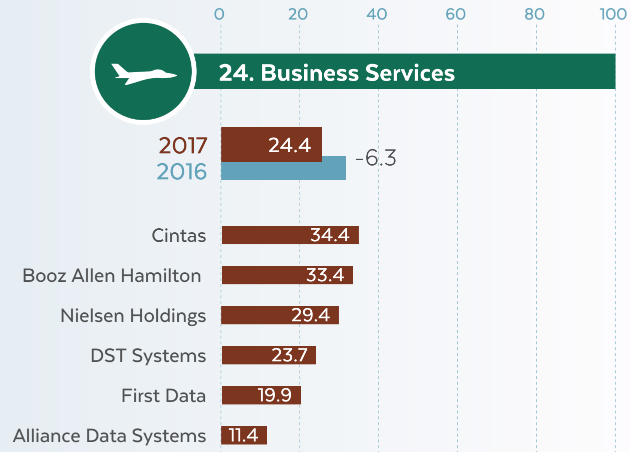
2017 SCORE | 2016 SCORE | ACTUAL CHANGE

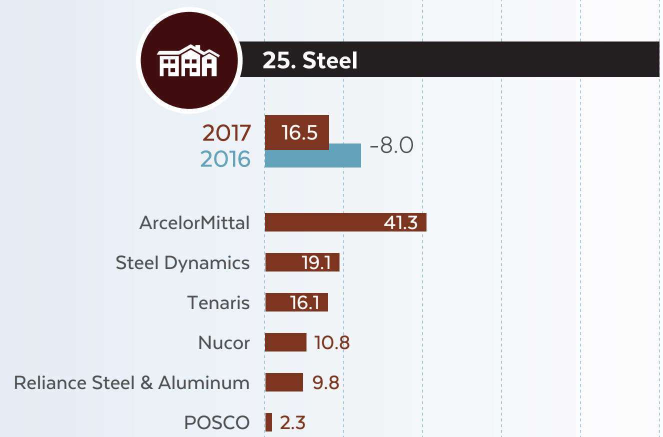
Sector > Industry Group > Company

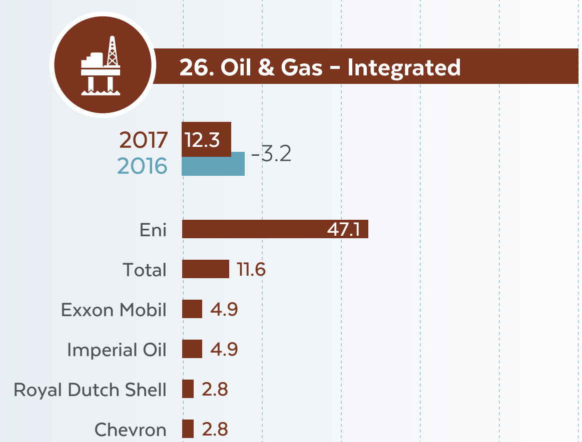












2017 SCORE | 2016 SCORE | ACTUAL CHANGE

2017 SCORE | 2016 SCORE | ACTUAL CHANGE

Performance Ratings

Table 2: Performance Ratings by Category of the Sample Group Companies

Superior (90+)
Intel

Leading (80+)			
Apple	Microsoft	Qualcomm	Royal Philips

Strong (70+)			
Alphabet	General Electric	HP	Nokia

Good (60+)				
3M	Ford Motor	Illinois Tool Works	Motorola Solutions	Vodafone Group
ABB	General Motors	Intuit	Sony	Western Digital
Baker Hughes	Hasbro	Juniper Networks	Stanley Black & Decker	
Bed Bath & Beyond	Hewlett Packard Ent.	LG Display	Tiffany	
Canon	IBM	Micron Technology	VF	

Adequate (50+)				
Abbott Laboratories	Eaton	Lowe's Companies	Rockwell Automation	TE Connectivity
Astec Ind.	Ecolab	Masco	Roper Technologies	Tesla
Boeing	First Solar	Mattel	Schlumberger	Texas Instruments
Cadence Design Sys.	Goodyear	Medtronic	Seagate Technology	TJX Companies
Caterpillar	Halliburton	Merck & Co	Sealed Air	Trimble
China Mobile	Icahn Enterprises	Michael Kors Hldgs.	SolarEdge Technologies	Under Armour
CNH Industrial	Johnson & Johnson	NXP Semiconductors	Stryker	United Technologies
Coach	Johnson Controls	Philip Morris	SunPower	Verizon Communications
Deere	Leggett & Platt	PPG Ind.	Symantec	Walt Disney
Delphi Automotive	Lockheed Martin	Procter & Gamble	Taiwan Semiconductor	

Minimal (40+)				
Acuity Brands	Brunswick	F5 Networks	Kimberly-Clark	Ralph Lauren
AGCO	Carlisle Companies	Flex	Kyocera	Sensata Technologies
Amphenol	Colgate-Palmolive	Fortinet	L Brands	Sherwin-Williams
Applied Materials	Corning	Hanesbrands	Lear	Terex
AptarGroup	Cypress	Harley-Davidson	LM Ericsson Telephone	Thor Ind.
ArcelorMittal	Dover	Harris Corporation	Magna International	Toyota Motor
ASML Hldgs.	Emerson Electric	Home Depot	MDU Resources Grp.	WestRock
Autoliv	EnerSys	Ingersoll-Rand	Nike	Whirlpool
Ball	Eni	Intuitive Surgical	Oceaneering Intl.	Windstream Hldgs.

Weak (<40)				
Adobe Systems	Canadian Solar	Graphic Packaging Hldgs.	Nucor	SeaWorld Entmt.
Albemarle	Chevron	Honda Motor	Oracle	Sonoco Products
Alliance Data Systems	Cintas	Honeywell Intl.	Owens Corning	Steel Dynamics
Amazon.com	Cisco Systems	Imperial Oil	Palo Alto Networks	Sturm Ruger & Co
American Outdoor Brands	Constellium	James Hardie Ind.	Parker-Hannifin	Tata Motors
AMETEK	Core Laboratories	Luxottica Grp.	Pfizer	Tenaris
Anheuser-Busch InBev	CRH	LyondellBasell Ind.	Polaris Ind.	The Estee Lauder
Autodesk	Crown Hldgs.	Mohawk Ind.	Pool	Total
Avery Dennison	Cummins	National Oilwell Varco	POSCO	Unilever
Avnet	Danaher	Nautilus	Praxair	USG
Belden	DST Systems	Newell Brands	Raven Ind.	Vista Outdoor
Berkshire Hathaway	Edwards Lifesciences	Nielsen Hldgs.	Raytheon	Wal-Mart Stores
Booz Allen Hamilton	Exxon Mobil	Nippon Telegraph	Reliance Steel & Alum.	Zimmer Biomet Hldgs
BorgWarner	First Data	Northrop Grumman	Rockwell Collins	
Boston Scientific	Gap Inc.	Novartis	Ross Stores	
BT Group	Garmin	Novo-Nordisk	Royal Dutch Shell	
Callaway Golf	General Dynamics	NTT DOCOMO	Sanofi	

Action Steps for Stakeholders

As a proactive, collaborative, and multisector effort, conflict minerals due diligence is influenced by different stakeholders. Investors, business managers, and policymakers are on the forefront of the efforts to respond to conflicts minerals risks. While investors have a prominent role in advocating for risk management, each stakeholder can exert its influence over certain aspects of the supply chain. As stated in the introduction of this report, policymakers have a responsibility to provide legal tools to ensure that products consumed by the public are not contributing to human rights abuses.

Action Steps for Investors

Investors can require quality due diligence for conflict-free supply chains.

- Ask the SEC and the State Department to effectively implement the conflict minerals rule for more transparency in companies' supply chains.
- Assess a company's understanding of the "conflict-free" requirement by promoting long-term supply chain engagement and improvement rather than a compliance-only approach. This effort will lead to a better identification of supply chain risks.
- Ensure that "conflict-free" is understood as a global and inclusive process in which the supply chains from downstream companies to the mine are involved. It is much more than a label and it requires a comprehensive and holistic strategy.
- Ask to know more than whether the company is "conflict-free". More accurate questions include whether a company:
    - ✓ Knows what minerals it purchases, their origin, and their risk exposure for the business
    - ✓ Adopts a strong, OECD-aligned strategy to tackle risks of human rights abuses in the DRC region and globally
    - ✓ Implements an improvement-based policy to address potential flaws in its conflict minerals due diligence design
    - ✓ Discloses a full list of smelters or refiners (SORs), the number of facilities that may source from the DRC, and the ratio of SORs certified compliant by a third-party audit program
    - ✓ Encourages its suppliers to adopt conflict minerals policies and works with them to avoid an embargo of the DRC region

Investors can encourage competition for "conflict-free" supply chains.

- Identify good practices within an industry and encourage its leaders to engage with its laggards.
- Encourage companies not legally required to file disclosures under 1502 to publicly report on conflict minerals due diligence. For example, Acer provides a very complete conflict minerals report[47] despite not being required to do so.
- Reward companies that have strong and transparent programs, and avoid companies claiming "conflict-free" status without adequate disclosures.
- Reach out to companies providing disclosures of declining quality to insist on the importance of risk identification and mitigation.

Investors can support increased human rights reporting.

- Ask companies to include an array of environmental, social, and governance (ESG) issues in their Investor Relations webpages and sustainability/citizenship reports.
- Adopt and comply with the UNGP Reporting Framework and the UNGC to respond to salient and material risks appropriately.
- Stress to companies the need to mitigate reputational risks from increased consumer awareness of human rights violations by businesses.

Action Steps for Business Managers

Business managers should improve risk-based due diligence.

- Follow the first step of the OECD Guidance by establishing a strong conflict minerals policy and company management systems. These organizational strategies are crucial to effectively identifying risks in the supply chain.
- Implement an incremental, improvement-based policy and implementation procedures with the flexibility to introduce innovations or new multi-stakeholder initiatives as they develop.
- Consider the Reasonable Country of Origin Inquiry (RCOI) as part of the second step of the OECD Guidance. While most companies consider the RCOI as the beginning point of the reporting process, this step cannot be fully achieved without previously establishing a strong policy and company management systems.

- Train conflict minerals teams in OECD-based reporting to adequately differentiate between Step 2 and Step 3 of the OECD Guidance. Many conflict minerals reports suffer from the similarity between these two steps and an apparent misunderstanding of their separate goals.
- Increase the scope of due diligence beyond 3TG and report on the company's entire exposure to high-risk minerals, including cobalt and other conflict-prone minerals. This process includes the minerals part of the manufacturing process in addition to those present in manufactured products.
- Help suppliers develop and improve their own supply chain policies and implementation steps to ensure the quality of their due diligence, and therefore, the reliability of the company's own conflict minerals efforts.
- Support and collaborate with multi-stakeholder initiatives such as CFSI to engage with SORs, which are the crucial link between downstream companies and upstream sourcing.

Business managers should address the human rights risk posed by conflict minerals.

- Train managers to understand the UNGP Reporting Framework and the OECD Due Diligence Guidance.
- Don't pressure suppliers to be DRC-free; help them source from DRC conflict-free.
- Help increase local capacity for a conflict-free economy in eastern DRC by supporting in-region initiatives with the Public-Private Alliance[48] (PPA), European Partnership for Responsible Minerals[49] (EPRM), Pact,[50] Partnership Africa Canada[51] (PAC), and other in-region efforts.

Action Steps for Policymakers

Policymakers should improve Section 1502.

- The SEC should provide more guidance for companies to complete successful due diligence of their supply chain. Increasing reporting readability and standardization through engagement with stakeholders will reduce potential human errors and make reports more searchable and comparable.
- The Commerce Department should provide an assessment of the best practices in terms of due diligence audits and implementation. This document should be in addition to the list of approved smelting and refining facilities already published by the department.
- Reform the Reasonable Country of Origin Inquiry (RCOI) exception. The SEC should consider restricting the use of the determination that a company has "no reason to believe" it sources from the DRC region based on an RCOI, which allows an exemption from full due diligence.
- Allowing companies to create their own "reasonable" RCOI methodologies, which are then only required to be briefly described, violates the spirit of OECD risk-based due diligence. The RCOI process may contribute to companies prohibiting suppliers from sourcing from the DRC region.
- Assess 3TG use based on purchase, not final product content. The SEC should consider requiring or encouraging companies that purchase high-risk minerals to conduct OECD due diligence, rather than only companies with final products containing such minerals.
- The Aerospace and Defense, Business Services, and Consulting industry groups sell products to the U.S. federal government but are not implementing leading practices. All federal contractors should be required to follow the spirit and the letter of Section 1502.

Policymakers should defend Section 1502 and ensure its proper implementation.

- Congress should maintain Section 1502 and defend the Dodd Frank Act. The Financial CHOICE Act,[52] introduced in June 2017 in the House of Representatives asks for the repeal of Section 1502, and the House passed an amendment in September to defund the enforcement of 1502.[53] These constant attacks illustrate the need for Congress to support the implementation and the appropriation of the conflict minerals rule.
- The SEC should reverse Acting Chairman Piwowar's Statement on the Effect of the Court of Appeals Decision on the Conflict Minerals Rule[54] in which the Division of Corporate Finance doesn't recommend the enforcement of due diligence on conflict minerals supply chain. This decision violates the spirit of Section 1502 and goes in the opposite direction of global momentum for supply chain due diligence.

Policymakers should follow the global momentum that Section 1502 spurred.

- Policymakers should support the new European Union regulation 2017/821[55] and identify practical, scalable methods to evaluate company reporting. They should continue to oversee and evaluate implementation of the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains,[56] developed by the CCCMC in cooperation with the OECD.
- Countries with a large number of SORs and manufacturers should prevent and punish corporate corrupt practices that fuel conflict, such as the Chinese company Kun Hou Mining, which gave cash and weapons to armed groups in the DRC, documented by Global Witness.[57]

Wolframite miners in the Kailo Mine, Maniema, DRC, Wikimedia Commons

Conclusion

Mining the Disclosures 2017 exemplifies the need for stronger management systems and procedures to implement the conflict minerals rule. The decreasing quality of companies' supply chain due diligence should be addressed by the SEC, and the overall lower scores should be subject to increased attention from all of the stakeholders involved.

Leading companies are now focusing on deepening their comprehensive risk-based due diligence with 3TG from the DRC region and beyond. The examples set by Intel, Apple, Microsoft, Qualcomm, and Royal Philips should push other companies to invest in strong relationships with actors all along their supply chains and to adopt the practices developed by these leaders. To acknowledge their achievements, investors should play an increasing role in promoting companies that implement strong conflict minerals policies and practices.

In the coming year, investors should insist more companies:

- Adopt more comprehensive, proactive, and improvement-based policies. Expanded policies could include risk beyond conflict, the DRC region, or 3TG, and could promote legitimate materials from high-risk areas.
- Integrate conflict minerals reporting and metrics into broader reporting on human rights risk management.
- Offer valuable, clear, and relevant information on conflict minerals and other ESG reporting on Investor Relations webpages, including progress updates on due diligence implementation.
- Educate supply chain actors in responsible sourcing from the DRC region to ensure that suppliers are not discriminating or embargoing the DRC region or any other region.
- Build relationships within industries among sectors and across supply chains to increase leverage, pressure, oversight, and data sharing of high-risk SORs.
- Implement multi-stakeholder initiatives and strengthen the existing ones with increased attention on gold and cobalt. These efforts should be complemented by on-the-ground projects to source from legitimate mines and to support local communities in developing legal mineral trading opportunities.

The general decline in scores in the comparative study between 2016 and 2017 *Mining the Disclosures* data illustrates the need for companies to reprioritize and increase their corporate responsibility efforts. Despite the generally lower scores, leading companies set an example on how to take measures that answer these risks, and to provide strong due diligence processes that reduce harm.

Appendix A: Glossary

§1502 or Section 1502	Specialized Disclosure Section of the Dodd-Frank Act that requires companies publicly traded in the U.S. to report on their use and origination of conflict minerals.
3TG (or 3 T plus G)	Conflict minerals as described by the rule. Tin (Cassiterite), Tantalum (Colombite-Tantalite), Tungsten (Wolframite), and Gold.
CFSI; CFSP	The Conflict-Free Sourcing Initiative (CFSI) was founded by major electronics manufacturers and manages the CFSP (Conflict-Free Smelter Program), a conflict-free auditing scheme for smelters and refiners. The original iteration of CFSI was the EICC (Electronic Industry Citizenship Coalition) and GeSI (Global e-Sustainability Initiative) Extractives Working Group.
Compliant (or non-compliant) SOR	Smelter or refiner that has (or has not) been verified by a third-party audit to be compliant with a conflict minerals due diligence framework. The most widely used SOR audit program is CFSI's Conflict Free Smelter Program (CFSP), but other schemes such as the RJC (Responsible Jewellery Council), and LBMA (London Bullion Market Association Responsible Gold Guidance) are mutually recognized.
Conflict Minerals	The four minerals currently defined in Section 1502 as contributing to conflict in the DRC region. Currently tin, tantalum, tungsten, or gold (3TG). Note that not all 3TG from the DRC region is contributing to conflict.
Conflict-Free	Not having contributed revenue to armed groups.
Conflict-Free from the DRC Region	Sourced from the covered countries but certified as conflict-free.
Covered Countries	As defined by the rule, Democratic Republic of the Congo (DRC) and all adjoining countries: Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia.
DRC Conflict-Free	Official Section 1502 term for 3TG minerals that are conflict-free from the covered countries, are not sourced from the covered countries, or are sourced from scrap or recycled sources.
DRC Region	The Democratic Republic of the Congo and neighboring countries.
ESG	Environmental, Social, and Governance. A categorization for non-financial performance indicators used by investors to evaluate corporate behavior.
ICGLR	International Conference on the Great Lakes Region is an inter-governmental organization of the countries in the African Great Lakes Region established to address region political instability and conflicts, which includes: Angola, Burundi, Central African Republic, Republic of the Congo, Democratic Republic of the Congo, Kenya, Uganda, Rwanda, Republic of South Sudan, Sudan, Tanzania, and Zambia.
In-Region Sourcing or Development Initiatives	Better Sourcing Program CFTI (Conflict-Free Tin Initiative) iTSCi (ITRI Tin Supply Chain Initiative) PAC Just Gold Solutions for Hope KEMET Conflict-Free Tantalum Sourcing Initiative PPA (Public-Private Alliance for Responsible Minerals Trade)
OECD	Organisation for Economic Co-operation and Development is a forum for member governments with input from stakeholders to promote policies that will improve the economic and social well-being of people around the world.
OECD Due Diligence Guidance	OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, (2011).
SEC	United States Securities and Exchange Commission.
SOR	Smelter or Refiner, where raw minerals are processed.
SRI	Sustainable, Responsible, and Impact Investor.

Appendix B: Sample Group (Alpha Order) with Scores

Company Name	2017 Score	2016 Score
3M	60.4	69.6
ABB	68.8	83.8
Abbott Laboratories	53.4	57.3
Acuity Brands	44.9	44.3
Adobe Systems	23.9	20.1
AGCO	44.6	41.8
Albemarle	3.9	16.3
Alliance Data Systems	11.4	15.0
Alphabet	72.7	79.6
Amazon.com	36.2	40.8
American Outdoor Brands	14.0	12.5
AMETEK	31.0	38.8
Amphenol	48.8	63.4
Anheuser-Busch InBev	10.3	26.3
Apple	81.3	85.8
Applied Materials	40.5	49.3
AptarGroup	46.9	33.8
ArcelorMittal	41.3	51.2
ASML Holding	40.0	52.8
Astec Industries	52.3	N/A
Autodesk	34.6	25.8
Autoliv	43.5	56.4
Avery Dennison	34.9	25.7
Avnet	39.6	38.8
Baker Hughes	63.0	77.3
Ball	48.7	55.4
Bed Bath & Beyond	62.9	72.1
Belden	34.4	N/A
Berkshire Hathaway	32.9	30.3
Boeing	56.2	66.3
Booz Allen Hamilton	33.4	26.5
BorgWarner	18.5	20.4
Boston Scientific	37.0	45.1
Brunswick	44.4	46.3
BT Group	35.5	43.1
Cadence Design Systems	51.3	52.9
Callaway Golf	11.8	19.0
Canadian Solar	4.3	N/A
Canon	60.4	81.4
Carlisle Companies	49.9	37.0
Caterpillar	58.0	67.0
Chevron	2.8	2.8
China Mobile	53.6	65.1
Cintas	34.4	41.3
Cisco Systems	37.2	56.8
CNH Industrial	55.8	52.3
Coach	53.9	51.6
Colgate-Palmolive	40.7	43.1
Constellium	10.1	8.0
Core Laboratories	7.6	18.5
Corning	48.7	52.2
CRH	37.8	42.0
Crown Holdings	34.6	5.0
Cummins	37.1	53.3
Cypress	49.9	N/A
Danaher	34.4	40.2
Deere	51.4	50.4
Delphi Automotive	51.1	58.9
Dover	45.9	N/A
DST Systems	23.7	34.9
Eaton	52.7	62.9
Ecolab	56.1	54.4
Edwards Lifesciences	39.2	N/A
Emerson Electric	41.8	42.8
EnerSys	45.9	N/A
Eni	47.1	59.8
Exxon Mobil	4.9	6.7
F5 Networks	43.5	60.9
First Data	19.9	42.3
First Solar	58.5	N/A
Flex	40.7	71.1
Ford Motor	66.3	80.5
Fortinet	43.9	53.1
Gap	37.7	40.9
Garmin	38.6	57.3
General Dynamics	3.3	15.8
General Electric	70.1	87.5
General Motors	60.6	56.0
Goodyear Tire & Rubber	56.3	65.6
Graphic Packaging Holding	22.7	7.7
Halliburton	59.3	70.9
Hanesbrands	45.8	59.9
Harley-Davidson	42.8	42.1
Harris Corporation	42.1	N/A
Hasbro	68.5	76.8
Hewlett Packard Enterprise	69.1	83.9
Home Depot	46.4	62.8
Honda Motor	36.4	46.8
Honeywell International	34.4	34.8
HP	78.6	83.9
IBM	64.6	70.6
Icahn Enterprises	57.0	62.3
Illinois Tool Works	63.6	76.2
Imperial Oil	4.9	5.3
Ingersoll-Rand	40.3	58.5
Intel	91.1	96.4
Intuit	68.9	70.3
Intuitive Surgical	46.1	54.8
James Hardie Industries	6.4	4.5
Johnson & Johnson	56.5	73.6
Johnson Controls	57.9	69.9
Juniper Networks	60.9	77.5
Kimberly-Clark	45.9	42.3
Kyocera	45.9	71.4
L Brands	46.4	39.2
Lear	45.8	50.5
Leggett & Platt	53.1	56.3

Appendix B: Sample Group (Alpha Order) with Scores *(continued)*

Company Name	2017 Score	2016 Score
LG Display	61.5	63.8
LM Ericsson Telephone	48.5	49.4
Lockheed Martin	55.6	53.3
Lowe's Companies	50.2	66.9
Luxottica Group	29.2	38.3
LyondellBasell Industries	38.9	44.3
Magna International	47.8	54.9
Masco	58.6	67.5
Mattel	50.5	73.0
MDU Resources Group	41.6	65.1
Medtronic	57.9	57.0
Merck & Co	50.2	56.3
Michael Kors Holdings	58.2	58.8
Micron Technology	61.2	72.1
Microsoft	84.5	87.6
Mohawk Industries	6.9	5.5
Motorola Solutions	64.9	72.3
National Oilwell Varco	22.0	33.0
Nautilus	25.0	33.2
Newell Brands	39.5	43.2
Nielsen Holdings	29.4	30.3
Nike	48.4	59.4
Nippon Telegraph	32.6	40.3
Nokia	70.5	84.7
Northrop Grumman	24.4	24.0
Novartis	29.4	28.3
Novo-Nordisk	24.0	31.8
NTT DOCOMO	32.1	40.3
Nucor	10.8	7.5
NXP Semiconductors	59.8	71.6
Oceaneering International	42.9	N/A
Oracle	15.3	25.5
Owens Corning	6.9	17.9
Palo Alto Networks	32.9	50.6
Parker-Hannifin	30.2	30.4
Pfizer	38.7	54.0
Philip Morris	55.0	60.8
Polaris Industries	27.2	40.8
Pool	2.3	2.8
POSCO	2.3	3.0
PPG Industries	56.8	68.6
Praxair	31.0	33.4
Procter & Gamble	50.1	42.4
Qualcomm	82.4	90.1
Ralph Lauren	43.7	39.2
Raven Industries	14.2	8.6
Raytheon	37.9	38.3
Reliance Steel & Aluminum	9.8	14.8
Rockwell Automation	57.4	69.9
Rockwell Collins	34.6	N/A
Roper Technologies	51.4	62.3
Ross Stores	2.8	2.3
Royal Dutch Shell	2.8	4.8
Royal Philips	80.2	88.5
Sanofi	4.4	5.5
Schlumberger	53.7	70.4
Seagate Technology	57.2	67.7
Sealed Air	54.3	56.2
SeaWorld Entertainment	36.8	33.2
Sensata Technologies	45.2	40.3
Sherwin-Williams	47.4	59.6
SolarEdge Technologies	57.6	N/A
Sonoco Products	27.2	38.4
Sony	69.8	82.1
Stanley Black & Decker	60.6	66.7
Steel Dynamics	19.1	28.3
Stryker	58.1	69.6
Sturm Ruger & Co	13.4	14.5
SunPower	59.6	N/A
Symantec	50.3	50.1
Taiwan Semiconductor	52.7	68.2
Tata Motors	34.9	45.3
TE Connectivity	51.2	66.4
Tenaris	16.1	42.6
Terex	41.7	37.8
Tesla	52.2	63.2
Texas Instruments	57.3	65.0
The Estée Lauder	8.7	10.2
Thor Industries	41.9	43.5
Tiffany	62.3	64.9
TJX Companies	55.1	57.1
Total	11.6	14.1
Toyota Motor	43.2	45.7
Trimble	51.9	58.3
Under Armour	51.9	52.9
Unilever	7.5	28.1
United Technologies	53.3	51.8
USG	9.6	3.8
Verizon Communications	56.5	82.6
VF	62.3	65.8
Vista Outdoor	38.5	40.3
Vodafone Group	61.7	61.6
Wal-Mart Stores	1.3	33.9
Walt Disney	53.5	61.9
Western Digital	66.1	78.9
WestRock	40.9	45.9
Whirlpool	49.8	56.3
Windstream Holdings	47.5	49.0
Zimmer Biomet Holdings	36.1	40.2

Methodology

Sample Group

Mining the Disclosures 2017 analyzes a sample group of 206 companies out of the 1,153 total filers. For the sake of comparison and continuity, RSN chose to replicate the 2016 sample group as much as possible. The industry classification is based on the Morningstar Global Equity Class Structure[58] and companies' July 21, 2017 market cap was informed by Yahoo! Finance.[59] The industries in the sample group are selected based on the absolute number of filers per industry, ratio of filers in an industry to total companies per industry in the Morningstar database, and significance to investors and the general public. Companies within each industry group are selected by largest market capitalization of the filers in each industry.

Additional industry group

The solar industry is newly included since it is a promising clean technology industry with an important growth prospect. RSN is including all of the solar companies (four) that submitted SEC disclosures.

Merged and bankrupted companies

Some differences appear in the 2017 report regarding the sample group, including the absence of companies that had merged or declared bankruptcy. To replace these companies, RSN is selecting the next-highest market cap company in the same industry group. Eight companies are being added to replace bankrupted and merged companies: Rockwell Collins (replaces Erickson), Harris Corporation (replaces Alcatel-Lucent), EnerSys (replaces EMC), Belden (replaces Harman International Industries), Astec Industries (replaces Joy Global), Edwards Lifesciences (replaces St. Jude Medical), Oceaneering International (replaces FMC Technologies), and Cypress (replaces Broadcom).

Non-filing companies

In addition, the issue came up of companies that filed under Section 1502 in 2016 but didn't in 2017. Nidec Corporation delisted from the New York Stock Exchange (NYSE) in 2016 and filed a termination of its American Depository Shares (ADSs) under the SEC. In this case, RSN replaces Nidec with the next largest market cap of its industry, Dover Corporation. Wal-Mart did not file in 2017 despite its filing during the three prior years. RSN considers that the lack of explanation for not filing under Section 1502, and potential exposure to risk of conflict minerals, justify keeping it included in the 2017 report.

Luwowo Coltan mine near Rubaya, North Kivu, DRC, MONUSCO/Sylvain Liechti, Flickr

Scoring

Mining the Disclosures 2017 stays in alignment with the same approach to scoring as the 2016 report. This allows for a strong comparative analysis of the quality of companies' disclosures and other conflict minerals activities over time.

The rating system is based on 21 KPIs (which includes three not included in the overall scores) divided across three themes, which analyze SEC disclosures, conflict minerals policies, and any other conflict-minerals-related documents or descriptions of activities on the companies' websites. Each KPI is weighted according to its significance, and in relation to the number of sub-indicators for each theme. For points to contribute to a KPI score, the corresponding information must be found in a specific document/location (disclosure only, website only, disclosure and/or website, disclosure first and website if linked from the disclosure). The KPIs are divided across three themes, which are divided into sub-categories as follows:

- Risk Management Program (60 points)
  - ✓ Strategy (20 points)
  - ✓ Assessment (20 points)
  - ✓ Mitigation (20 points)
- Human Rights Impact (20 points)
  - ✓ Outcomes (10 points)
  - ✓ Engagement (10 points)
- Reporting (20 points)
  - ✓ Alignment with Frameworks (10 points)
  - ✓ Transparency (10 points)

Figure 6: KPI Scoring Structure

After four years of reporting, RSN is increasing its expectations of the quality of companies' disclosures. Therefore for 2017, the document/location expectation, where information for each indicator is to be found, is being strictly enforced. Similarly, some indicators like the *response verification*, the *in-scope determination*, and others, are being weighted with higher expectations. Last, RSN is being meticulous with KPI score determinations to stay aligned with the proactive and improvement-based due diligence process. This rigorous approach likely contributed to the general decrease in the majority of companies' and industries' 2017 scores.

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