Mining the Disclosures 2018

An Investor Guide to Conflict Minerals Reporting in Year Five

RESPONSIBLE **sourcing** network

Authors

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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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A special thanks to our Sponsors

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Executive Summary

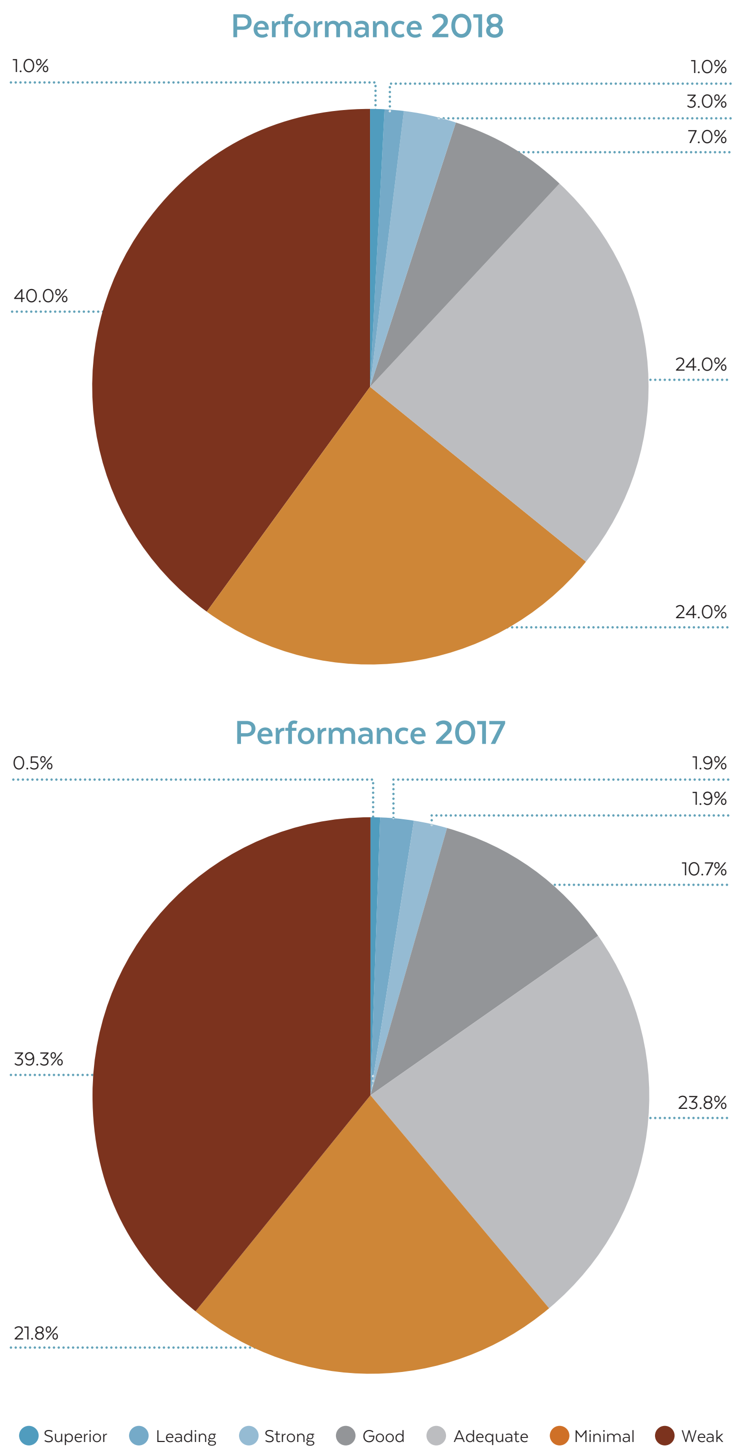
In the fifth consecutive year of analyzing companies' conflict minerals compliance and reporting, and in a time marked by uncertainty regarding the future of the conflict minerals rule, RSN's research unveils different strategies used by companies and industries. The comparison between 2017 and 2018 scores regrettably shows a decline in due diligence efforts of a large number of companies. This likely follows an indication by the Security and Exchange Commission's Division of Corporation Finance that it would not recommend enforcement action for failure to comply with the requirements of [Section 1502 of the Dodd-Frank Act](). However, the actions of a few leading companies, pursuing constant improvement of their monitoring efforts and due diligence practices, illustrate the value and necessity for increased attention to human rights abuses in global supply chains. The uncertainty brought by the Trump administration and its rejection of regulatory frameworks in every sector is crucial when analyzing companies' limited efforts to improve the quality of their disclosures. In this anti-regulation climate, leading companies' risk mitigation practices are highlighted and stand out from the crowd.

Traditional leaders dominate the ranking, with the Technology sector surpassing every other. Innovative companies, achieving scores of 70 or more in 2017, continued to demonstrate improvements this year. Unfortunately, the Oil, Building Materials, and Aerospace industries had the largest number of laggards, and several companies failed to file disclosures as required by the law. While low scores reflect a compliance-only focus, the absence of several Forms Special Disclosure (Form SD) and Conflict Minerals Reports (CMR), is a consequence of the U.S administration's disregard for human rights standards and companies' lack of corporate social responsibility (CSR) awareness. Despite this regrettable trend, proactive, due-diligence-based strategies, including strong multi-stakeholder and on-the-ground support, have been implemented by the five leading companies: **Intel**, **Microsoft**, **Apple**, **Qualcomm**, and **Ford**.

The overall stability of industry sectors benefited in 2018 from the good performance of some companies, compensating for the decline of others. However, a majority of companies' scores declined slightly compared to the 2017 report, but generally remained in the same performance categories, as best illustrated in the category rating pie charts. In 2018, the lowest categories (Adequate, Minimal and Weak) account for 88% of the sample group, while in 2017 it was 85%. The most significant change from 2017 is the loss of 7 companies in the Strong category (one performed positively, six negatively and one not subjected to the rule anymore was replaced).

This relative decline is reflected at the indicator level for which primarily minor changes have been measured. The uncertainty created by political decisions impacts companies' long-term visions, which is demonstrated with the decrease of Continuous Improvement (- 11 points) and Membership in Multi-stakeholder Initiatives (- 13 points). The results show a global lack of desire to improve due diligence practices over the last few years. While the 9 key performance indicators representing compliance-only strategies reach an average score of over 50%, the 15, due diligence-oriented, indicators remain below 50%, illustrating the absence of continuous improvement. This year-on-year trend demonstrates the need for the majority of companies to continue to prioritize and invest in their supply chain due diligence efforts. The issues surrounding conflict

Figure 1: Companies' Comparative Performance Rating by Category between 2017 and 2018.



minerals supply chains, complicated by the recurring instability of the DRC (Democratic Republic of Congo) region, can only be tackled using proactive and innovative due diligence programs, such as those implemented by a handful of leading companies.

While the lack of continuously improving due diligence systems has slowed the momentum of making the minerals industry in the DRC region less violent, leading companies like **Intel**, **Microsoft**, **Apple**, **Qualcomm**, **Ford**, **Royal Philips**, and **HP** have demonstrated that implementing measures to reduce risk and harm in all levels of their supply chains is not only necessary, but possible. Ford, in particular, has improved its scores significantly and in 2018 reintegrates into the Leading group in conflict minerals reporting. However, to have significant and lasting effects, the majority of all industries that use tin, tantalum, tungsten, and gold (known as conflict minerals and referred to as 3TG), must embrace and integrate due diligence measures.

Companies involved in mineral supply chains, from upstream to downstream, now face additional risks that must be integrated into corporate risk mitigation frameworks. As such, *Mining the Disclosures 2018*, while largely focusing on 3TG, also provides indications on supplementary minerals. The increasing importance of cobalt, lithium, and nickel in the automotive and technology sectors should trigger red flags in compliance departments on broader risks, including environmental degradation, organizational health and safety (OHS), human rights, and community impacts. Similarly, the upcoming EU Regulation will necessitate increased due diligence from importers of 3TG, not only from the Congo region, but from all conflict-affected and high-risks areas (CAHRAs).

Staying in alignment with the previous year's approach of measurement, *Mining the Disclosures 2018* provides data on the same indicators, uses the same score weighting, and calculates the scores in the same manner. In addition, the same lead author scored companies' activities, which also contributes to the consistency in the year-on-year score comparisons. The only addition to this year's report is an analysis of how companies are addressing human rights risks in their cobalt supply chains, if applicable. However, to maintain uniformity in score comparisons between 2017 and 2018, this indicator is not weighted.

Introduction

Background Information and In-Region Impact

Mineral wealth in African countries has often been described as a 'resource curse' due to the likelihood of violence associated with who controls these resources. The goal of the conflict minerals rule of the Dodd Frank Act is to respond to this issue by breaking the link between mining and violence. The conflict in the DRC is complex and multi-faceted, and cannot be solved using a single approach. However, promoting due diligence efforts through mandatory reporting has spurred a better understanding of the impacts of global supply chains on the livelihoods of millions of people, and has increased corporate awareness and action in the 3TG mining industries. The conflict minerals rule has received criticism from business, academic, and political actors, particularly focusing on the unintended on-the-ground consequences of the law for local communities. While legitimate at the beginning of the implementation of Section 1502, Congolese support for the law[1] and academic research[2] has shown the limitations of such criticism, generally based on outdated data.

Mining the Disclosures 2018 aims to provide investors and other stakeholders with a comparative year-on-year analysis of the largest companies' efforts to disclose and address their use, and associated risks, linked to conflict minerals in the DRC region. It encourages improved corporate practices in the areas of risk management, human rights impact, and effective reporting.

While a wide variety of programs exist to address the issue of 3TG traceability, the region's current political instability and lack of accountability systems threaten the sustainability of the progress made in the extractive industries. Despite the international community's increasing pressure to hold presidential elections, President Kabila's refusal to step down has weakened the country's social, economic, and political institutions. In June 2018, Human Rights Watch warned about the risk of violence resulting from the collusion of the ruling Parti du Peuple pour la Reconstruction et la Démocratie (PPRD) and military forces[3]. Cultivating uncertainty around the upcoming December 2018 elections, the regime faces a security crisis in the Kasai and Tanganyika provinces, while North and South Kivu endure regular spikes of violence. In August 2018, the nomination of Emmanuel Ramazani Shadary to replace President Kabila was followed by the exclusion of every strong opposition candidate, raising concerns of legitimacy of the ballot. In this context, following the U.S. administration efforts to cut the cost of peacekeeping operations, the UN-led mission in DRC (MONUSCO) saw its budget decrease by 8%, limiting its capacity to properly operate[4]. Furthermore, the current Ebola virus disease (EVD) outbreak in the North Kivu province further threatens the social, political and economic stability of the region[5].

Despite these limitations, sustainable supply chain initiatives in the DRC have flourished in recent years. Conflict-free mine certifications of 3Ts allowed for a sharp increase in the number of mines free of armed groups, reaching 80% of the Congolese mining sites in 2017[6]. Today, projects covering the upstream supply-chain are implemented from the mines to the points of exportation, following international standards of transparency and traceability. The German Institute for Geosciences and Natural Resources (BGR), in partnership with the Congolese Ministry of Mines, developed the Certified Trading Chains (CTC) model at mine level, impacting more than 25,000 people. This program is run in parallel with the Regional Certification Mechanism (RCM) of the International Conference of the Great Lakes Region (ICGLR), which provides an assessment of the mine and the local traders' responsible practices using third-party audits. On the other hand, the certification of the supply chains for gold mining remains challenging. The substantial number of gold mining sites, and the ability to smuggle small quantities with great value out of the country, impede the development of certification schemes[7]. However, initiatives focusing on responsible gold production have benefited from support from the European Partnership for Responsible Minerals (EPRM).

The EPRM funded the development by Resolve and Alliance for Responsible Mining (ARM) of the Code of Risk mitigation for Artisanal and small-scale miners engaging in Formal Trade (CRAFT). Promising pilot projects are currently underway in the Ituri and South Kivu provinces. Partly funded by Apple, the closed-piped supply-chain implemented by the IMPACT's Just Gold Project (formerly Partnership Africa Canada, PAC) allowed for the first fully traceable export of gold in June 2017. USAID, in partnership with Tetra Tech, Better Sourcing Program (BSP) and the Responsible Artisanal Gold Solutions Forum (RAGS Forum) also developed the Capacity Building for Responsible Minerals Trade (CBRMT) pilot project to certify gold products from mine to export in Nyamurhale.

Sustainable mineral supply chains are now at the center of corporate responsible practices for electronics companies and others that use 3TG in their products. The increasing attention to and the diversification of traceability schemes, favors the integration of additional minerals in companies' due diligence efforts in the coming years. The recent focus on cobalt, linked to the growth of the electric vehicle (EV) market, exemplifies why companies must adopt proactive policies for responsible sourcing of this mineral given its links to human rights abuses. In addition, initiatives are being developed to reduce the human rights risks in mica, lithium, and several other mineral supply-chains. RCS Global's Better Cobalt project is developing certification tools from the upstream mines to end-user companies, while the Responsible Mica Initiative launched new programs in India. It will be easier and more cost-efficient for companies to address the numerous issues in the extraction of minerals if they fully embrace and integrate due diligence systems within their own procurement strategies and encourage their peers and industry associations to do the same.

Increased scrutiny of mineral supply chains

Mineral supply chains due diligence, and 3TGs in particular have benefited from the development by the Organisation for Economic Co-operation and Development (OECD) of the *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, 3rd Edition*.[8] The document was created by member governments and companies, with the support of civil society organizations, to identify, respond to, and mitigate 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.

Despite the uncertainty created by the Trump administration around the Dodd-Frank 1502 Conflict Minerals Rule, regulations on these issues have been spurred around the world. On May 17, 2017, the European Parliament voted in the Regulation (EU) 2017/821, which lays down supply chain due diligence obligations for EU importers of tin, tantalum, and tungsten, their ores, and gold originating from conflict-affected and high-risk areas. The global scope of this law—which is not limited to the DRC region—and its focus on importers, broadens corporate due diligence efforts on mineral supply chains. Based on the OECD 5-step guidance, the EU law places specific obligations on companies depending on whether they are importers of minerals or metal and has received inputs from non-profits for developing accompanying measures[9]. Implemented at the States level, by the competent authority (ministry of foreign affairs, ministry of finance, financial regulator, etc.), the EU regulation is expected to positively impact due diligence practices starting in 2021, the first year of its implementation.

China is also developing strong due diligence guidelines regarding conflict minerals. The General Administration of Quality, Supervision, Inspection and Quarantine (AQSIQ) is increasingly focusing on incorporating responsible minerals guidance on 3Ts into a national standard, which will soon be legally binding.[10] This work occurs while the China Chamber of Commerce for Metals, Minerals and Chemical Importers & Exporters (CCCMC) has already implemented voluntary guidelines on the topic of 3TGs. The country is also a pioneer on cobalt traceability initiatives, with the launch of the Responsible Cobalt Initiative (RCI)[11] which, despites recent drawbacks, still illustrates the increasing scrutiny around cobalt supply chain risks. This effort is to be commended by downstream companies and investors, particularly considering that Chinese-based corporations plan massive investments making the country the first battery producer and by 2025, tripling the rest of the world's cobalt battery production.[12]

In June 2018, the Initiative for Responsible Mining Assurance (IRMA) launched its own standard covering business integrity, social and environmental responsibility, and ensuring the positive legacy of mining industries. With its global approach, the initiative certifies any minerals extracted from industrial-scale mines anywhere in the world. Additional industry certifications currently under development, like the Responsible Steel Standard or the Cobalt Responsible Assessment Framework (CIRAF), demonstrate the momentum to develop systems to ensure ethical mineral sourcing. Similarly, the London Platinum and Palladium Market (LPPM), in partnership with the London Bullion Market Association (LBMA), developed the Responsible Platinum/Palladium Guidance, which will become mandatory in January 2019 for refiners to remain on the approved Good Delivery List. New mineral' supply chains, including steel, cobalt, lithium, copper, nickel and aluminum, are now under scrutiny and new, responsible extractive-oriented tools are under development. One such tool is the Responsible Mining Index 2018, which assesses mining companies' policies and practices on economic, environmental, social, and governance issues.

Although the policies of the current U.S. Government have fostered uncertainty around the enforcement of Section 1502, pressure on companies to act on their minerals sourcing has continued, benefiting from legislations and regulations in other countries around the world. These improvements, combined with demonstrated best practices by industry leaders and multi-stakeholder initiatives, show promise for a global, sustainable, secure, and ethical minerals industry.

Findings in 2018

Company Performance Trends

As of June 4, 2018, 1,098 companies had filed a Form Special Disclosure (Form SD) with the SEC, and 871 of them included a Conflict Minerals Report.[13] Spread across 26 industry groups, RSN analyzed 206 of the disclosures (Form SDs and CMRs), along with reviewing companies' public reports and websites. Consistent with the previous *Mining the Disclosures* rankings, the industries in the Technology sector outperformed other industry groups while laggard industries included Integrated Oil & Gas, Steel, Business Services, and Building Materials.

Table 1: Overview of 2016, 2017, and 2018 Mining the Disclosures (MtD) Sample Groups

	MtD 2016	MtD 2017	MtD 2018
Total number of companies filling	1,230	1,153	1,098
Number of companies in MtD's sample	202	206	206
Number of MtD SD and CMR filers	178	177	178
Number of MtD SD-only filers	24	29	28
Number of MtD IPSA filers	6	8	4

1: A general downgrading of corporate investigation

Even after five years of corporate reporting required by Section 1502, the quality of companies' disclosures is well below expectations. Compared to 2017, the average industry group scores remain relatively stable, with minor changes due to variation in performance from a handful of companies. *Mining the Disclosures 2017* portrayed a lack of effort from companies to produce high-quality disclosures. The 2018 edition reaffirms this troubling trend, with only five of the 26 industry groups receiving a score of 50 or higher.

The auto industry in general, including auto manufacturers and auto parts producers, increased its score thanks to the good performance of some companies, including **Ford** (which gained 12.5 points) and **Tesla** (which gained 7.2 points). This year, the Auto Manufacturers industry group is second, behind the Communication Equipment industry group. The Industrial Products, Chemicals and Aerospace industry groups also improved, gaining 2.3, 7.8 and 1.6 points respectively. Unfortunately, the year-on-year comparison also shows important score decreases, particularly for the Oil & Gas – Services or the Other Auto industry groups, dropping by 9.4 and 6.8 points respectively, and a general decrease in the other industry groups.

The generally poor quality of the filings should be analyzed in the context of the absence of corporate accountability given the SEC's refusal to enforce the law. Additionally, the number of companies in the sample failing to file a Form SD and a CMR is concerning. In 2018, Autodesk, Adobe, Magna International, SS&C Technologies Holdings, Wal-Mart and Canadian Solar declined to provide conflict minerals disclosures. For the first time since the bill became law, the number of companies filing fell below 1,100[14] while in 2014, 1,321 companies filed disclosures. The steady decline in the number of companies providing disclosures since 2014 brings into question corporate compliance with the law.

On the indicator level, the minimization of corporate efforts is best exemplified by the continued decrease of due diligence processes. For example, the In-Scope Determination of Products indicator dropped below a score of 50. The trend is typical from the implementation of compliance-only strategies instead of on-going, proactive and risk-based due diligence programs. As a certain number of filers are also suppliers to other companies subjected to Section 1502, these weaknesses are unsettling considering the risk of a snowball effect throughout the supply chain.

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

In contrast with the limited corporate performance of the majority of companies in this study, the leading companies maintain a very high quality in their conflict minerals supply chain investigations and activities. Recognizing the moving perimeter of responsible sourcing, which will likely integrate additional raw commodities in the coming years, the higher-scoring companies have adopted innovative and proactive due diligence programs, and anticipate future ethical requirements. As founding members of multi-stakeholder initiatives such as the Responsible Minerals Initiative (RMI), the Cobalt Institute (CI) or the Public Private Alliance for Responsible Minerals Trade (PPA), companies such as **Intel**, **Microsoft**, **Apple**, **Qualcomm**, **Ford**, **Royal Philips**, and **HP** advance mineral supply chain risk management for their industries. Apple's Risk Readiness Assessment, given by the company to the Responsible Business Alliance (RBA), has been adopted by 60 downstream companies and 151 smelters or refiners (SORs), illustrating the impact one company can have. Apple's funding of the Just Gold pilot project by IMPACT, Microsoft's sourcing for the Alliance for Responsible Mining (ARM), and Intel's involvement in the European Partnership for Responsible Mining (EPRM), are a few of the actions taken by leading companies to support artisanal and small-scale mining (ASM) communities that are to be commended.

Based on strong internal mechanisms, leaders show their commitments to responsible sourcing by requiring additional steps in their due diligence processes. For example, Apple monitored 1,240 incidents reported by ITRI [now the International Tin Association, (ITA) Tin Supply Chain Initiative (iTSCI) to mitigate the risk of supply chain contamination with conflict-affected minerals. In addition, Apple partnered with the United National International Organization for Migration (IOM) to produce guidelines for business actors to identify allegations of human rights abuses in their supply chains[15].

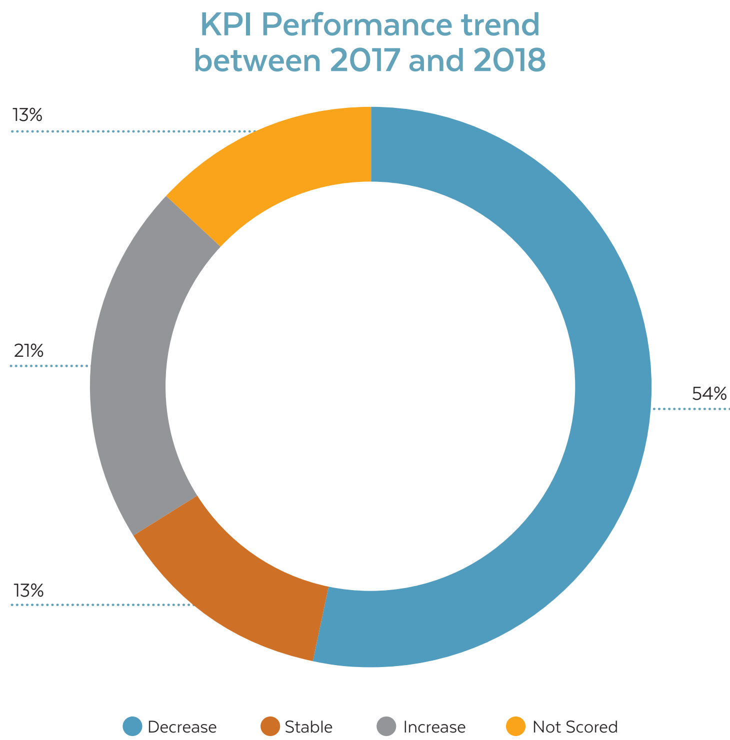
Complementing their disclosures, companies like HP and Intel developed their own websites with extensive conflict minerals information valuable to the public and investors. However, only 5% of the companies analyzed for this study publish their risk assessments on dedicated conflict minerals websites outside the required disclosures. This limited sample weakens the reporting process by making disclosures and their results difficult for the general public to access and review.

KPI Performance Trends

Regarding the key performance indicators (KPIs) for the sample group, scores decreased relatively. Similar to 2017, companies perform well on the first step of the OECD 5-step framework. The implementation of strong management systems, including conflict minerals policies and dedicated teams, remains high and denotes an effort to frame corporate compliance in line with the company culture. However, the adoption of a conflict minerals policy is not synonymous with strong implementation of the policy. The decreasing score of the In-scope Determination indicator illustrates the lack of integration of the policy and additional due diligence practices in companies' procurement and data tracking procedures.

There was a dramatic decrease in the long-term vision indictors, such as Participation in a Multi-stakeholder Initiative (-13 points), Continuous Improvement (-11 points), and Response to Risk at SOR Level (-8 points). The poor performance of these KPIs demonstrate companies' reticence to adopt long-term cooperative approaches, and represent the need for greater industry-wide responses to supply chain risks. The decreasing number of Independent Private Sector Audit (IPSA) filers, dropping from 8 to 4 between 2017 and 2018, also illustrate the lower resources being put into supply chain sustainability programs. While most of the companies claim alignment with the OECD Guidance, their understanding of the steps remains very limited. As a result, only Step 1 (establish strong company management systems) appears to be properly implemented.

Figure 2: KPI performance trend between 2017 and 2018.



Alignment with International Responsible Business Norms

Risk Management

In *Mining the Disclosures*, the Risk Management indicators are divided into three areas: Strategy (20 points), Assessment (20 points), and Mitigation (20 points).

The OECD guidance is the backbone of most of the existing and in-development initiatives in the field of responsible mineral supply chains. Since 2012, the SEC and the U.S. State Department have recognized the OECD framework as the leading guidance for the implementation of Section 1502 of the Dodd-Frank Act. The European Union's Resolution 2017/821 also adopted the OECD Guidance as its global framework, while the United Nations Security Council (resolution 1952),[16] The International Conference on the Great Lakes Region[17] (ICGLR), and The G8[18] recognize its value. Today, while new tools are being developed, aligning to the OECD Guidance provides structure and consistency. To ensure this consistency, the OECD released a comprehensive study in 2018 assessing industry programs' alignment with its guidance, including the Dubai Multi-Commodities Center (DMCC), the International Tin Supply Chain Initiative (ITSCI), the London Bullion Market Association (LBMA), the Responsible Jewelry Council (RJC), and the Responsible Minerals Initiative (RMI).[19]

The increased scope of supply chain due diligence--in particular regarding additional minerals—spurred the creation of new risk assessment tools. The Cobalt Industry Responsible Assessment Framework (CIRAF), currently in development by RCS Global and the Cobalt Institute, will provide a good practices-based framework to orient companies' responses to the material risks described in the OECD Guidance Annex II. The increased demand for battery production will drive the creation of similar tools to address lithium, manganese and other minerals. Companies will also be increasingly required to adopt standards of good practices to answer investors and customers concerns. In this context, the London Metals Exchange recently disclosed its project to include forced labor standards and delist companies in breach of the requirements.[20]

Going further than Section 1502 risk identification and mitigation, companies should proactively adopt the EU Handbook on CAHRAs determination[21], providing them with the necessary tools to assess the risk status of a region. Similarly, to address child labor and Worst Forms of Child Labor (WFCL) risks in their supply chains, companies should integrate the OECD Guidance for *Practical actions for companies to identify and address the worst forms of child labour in mineral supply chains*[22] and familiarize themselves with the US Labor Department ***2018 List of Goods Produced By Child Labor or Forced Labor***[23].

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 (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"[24]. Many companies governed by Section 1502 are far removed from the source of minerals; however, it is their duty to assess human rights outcomes and join initiatives to address identified risks. The UNGP provides answers to commonly held questions companies may have regarding their human rights impact, but is not the only tool at their disposition.

Focusing more on the upstream sector, the Voluntary Principles on Security and Human Rights allows companies to align their efforts with internationally recognized frameworks, including the United Nations Global Compact. Similarly, the Corporate Human Rights Benchmark uses 100 indicators, distributed in six categories, to analyze 100 of the largest publicly traded 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. Resources are also available at the management level like the B Team Eradicating Modern Slavery's guide for CEOs, which offers broad guidance to ensure slavery-related risks are considered in companies decision structures. Acknowledging the malleable nature of supply chains, due diligence should also push companies to adopt broader Corporate Social Responsibility (CSR) standards, including labor, environmental and social risks. The International Finance Corporation (IFC) Performance Standards provide a comprehensive 8 pillars approach to address corporate risks and ensure companies' sustainability in their supply chains. Specific to conflict minerals, the Risk Readiness Assessment (RRA) of the RMI constitutes the basis for corporate self-assessment of material risks in 3TGs supply chains, particularly regarding human rights. Standards should be adopted by upstream companies to address material risks at the root. The International Council on Mining and Metals (ICMM)'s 10 Principles provide an overview of risk assessment at the LSM level while the Toward Sustainable Mining (TSM) Assessment Protocols by the Mining Association of Canada extensively address seven risk categories.

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 1502 final rule, ensure consistency and readability of a disclosure. This framework should be supported by complementary guidelines and standards. A wide range of resources and frameworks are available to companies to help them report on human rights issues.

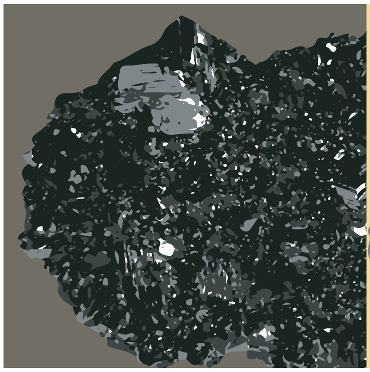
The Universal Declaration of Human Rights (UDHR) is referenced by a few companies in the sample group.

The International Labor Organization Standards (ILO), particularly the Abolition of Forced Labour Convention of 1957 (ILO 105), have been integrated by many companies into their purchasing and corporate responsibility charters. Similarly, the OECD Guidelines for Multinational Enterprises provide the basis for all the OECD industry-specific guidance and are linked to the UNGPs.

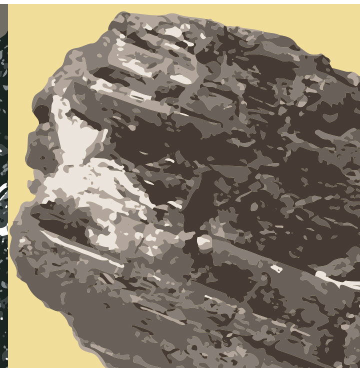
Focusing on reporting, the Global Reporting Initiative's (GRI) standards provide a comprehensive framework for companies to develop a strong transparency process and the latest Integrating the SDGs into Corporate Reporting report advises companies on how to produce stronger public reporting aligned with the UN Global Compact. GRI also collaborates with RMI to produce a standardized reporting tool for conflict minerals' requirements[25]. Similarly, the Integrated Reporting (IR) framework provides a strong communication tool for corporate compliance under Section 1502.

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

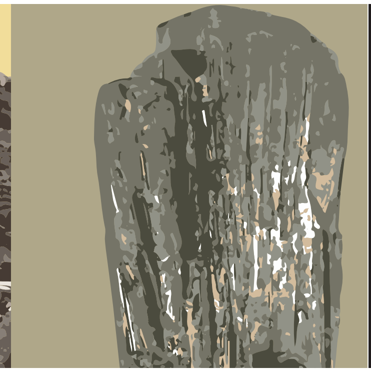
Sn Tin
(Cassiterite)



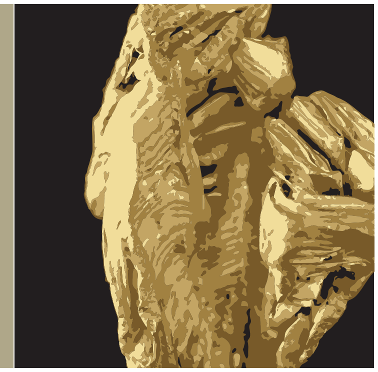
W Tungsten
(Wolframite)



Ta Tantalum
(Colombite-Tantalite)



Au Gold



The Case of Cobalt

The International Energy Agency estimates that with the current increase in Electric Vehicle (EV) production, 125 million electric cars will be on the road by 2030. This estimate nearly doubles to 230 million if demand for electric cars increases in an effort to meet reduced emissions goals connected to global warming. In this context, cobalt supply for battery production is emerging as a strategic prize for countries and companies from upstream to downstream sectors.

Co Cobalt
(Cobaltite)

The new use of cobalt as a crucial mineral for cathode production is increasing global demand for the raw material. The expanding battery production, symbolized by the construction of giga factories by Tesla/Panasonic, CATL, BYD, LG Chem and other major players, should not hide the crucial role of cobalt for more traditional industries such as defense and aerospace. While the cobalt market is sustained by EV vehicles production, jet engine manufacturers, such as Rolls Royce, Pratt Whitney and CFM International, still rely on cobalt to produce alloys that are necessary to the production of engines for Airbus and Boeing among others[26].

Since the 2016 publication of Amnesty International's report *This is What We Die For* on child labor in the Congolese cobalt industry, there has been increased scrutiny of supply chain due diligence and a push for companies to adopt specific frameworks to answer material risks. The downstream sector, along with the support of the Cobalt Institute (CI) and RCS Global, is currently developing the CIRAF aligned with the OECD Guidance, while companies are also mapping their cobalt supply chains[27]. Blockchain initiatives to support cobalt traceability are also flourishing. Some of these blockchain-based pilots include RCS Global's partnership with IBM, using Hyperledger Fabric, Circulor's work with American Maganese, and Cobalt Blockchain's commercialization of Mintrax in partnership with DLT Lab[28]. In parallel with these efforts, the London Metal Exchange is increasing its scrutiny and is considering implementing regulations on companies that source cobalt from the DRC. RSN and other NGOs are now asking companies involved in cobalt sourcing to publicly report on their efforts to identify and mitigate risks, including child labor, OHS and environmental impacts.

The DRC supplies roughly 60% of the world's cobalt[29], primarily extracted from large-scale mining (LSM) operations (80%) and artisanal and small-scale mining (ASM) (20%).[30] According to the U.S. Geological Survey, more than half of the world's reserves are situated in the DRC[31]. With a base price 10% cheaper than industrially-extracted cobalt, artisanal mines constitute an attractive source of the mineral for trading companies[32], but salient risks are associated with these mines[33].

The RMI Cobalt Due Diligence project, focused on auditing smelters and refiners, developed tools like the Cobalt Reporting Template (CRT) and the OECD+ auditing questionnaire (OECD and RMI aligned) to provide downstream companies with strong assessment mechanisms similar to the ones used in the 3TG sphere. However, divergence between RMI and the Responsible Cobalt Initiative, which is run by the China Chamber of Commerce of Metals, Minerals and Chemicals Importers & Exporters, is now threatening the ability to conduct RMI audits at Chinese companies. This is concerning since battery production in China represents three times the production of all other nations combined.

To answer this increasing interest in cobalt traceability, *Mining the Disclosures 2018* included an additional, unscored, indicator assessing companies' efforts in cobalt due diligence. This indicator assessed if the company has a cobalt-specific due diligence program in place, its level of involvement in cobalt multi-stakeholder initiatives and its efforts to provide publicly available information on its cobalt uses and sourcing. However, only 2 companies in the sample, **Tesla** and **HP**, publicly reported on their efforts to trace cobalt throughout their supply chains. This limited transparency is a major concern in an environment where the public demands companies disclose material risks in their supply chains. Surprisingly, corporations already subjected to Section 1502 appear less inclined to provide public information than their European counterparts like Daimler[34], BMW[35] and to a lesser extend Renault[36].

Initiatives are being developed by upstream, midstream and downstream actors all along the cobalt supply chain. From the Better Cobalt pilot scheme, which focuses on artisanally mined cobalt,[37] to the CIRAF tool, which enables companies to conduct risk management in line with global standards and industry good practices[38], a response to significant risks with regard to this mineral is slowly taking shape. As miners like Belgian-based Umicore develop sustainable procurement frameworks, brand companies are increasingly asking for auditing services to assess the risks in their battery-specific supply chains. These encouraging steps should be commended by investors and customers, but should not hide the many remaining issues including disorganization within the sector, particularly in China following the collapse of RCI, and the risks associated with other battery minerals, such as lithium and nickel.

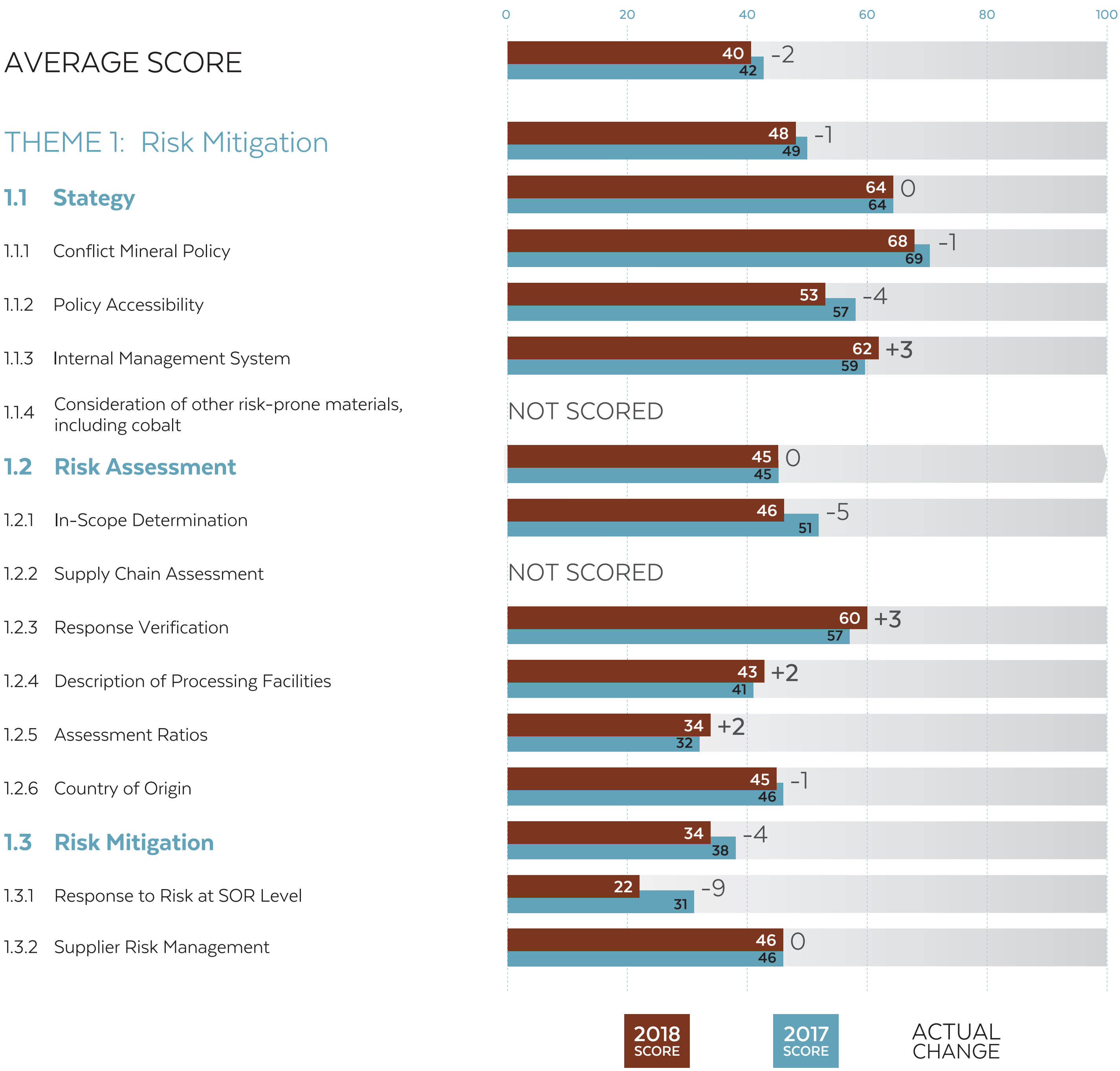
Copper and cobalt artisanal mining in the Katanga Province, Fairphone/Bas Van Abel, Flickr

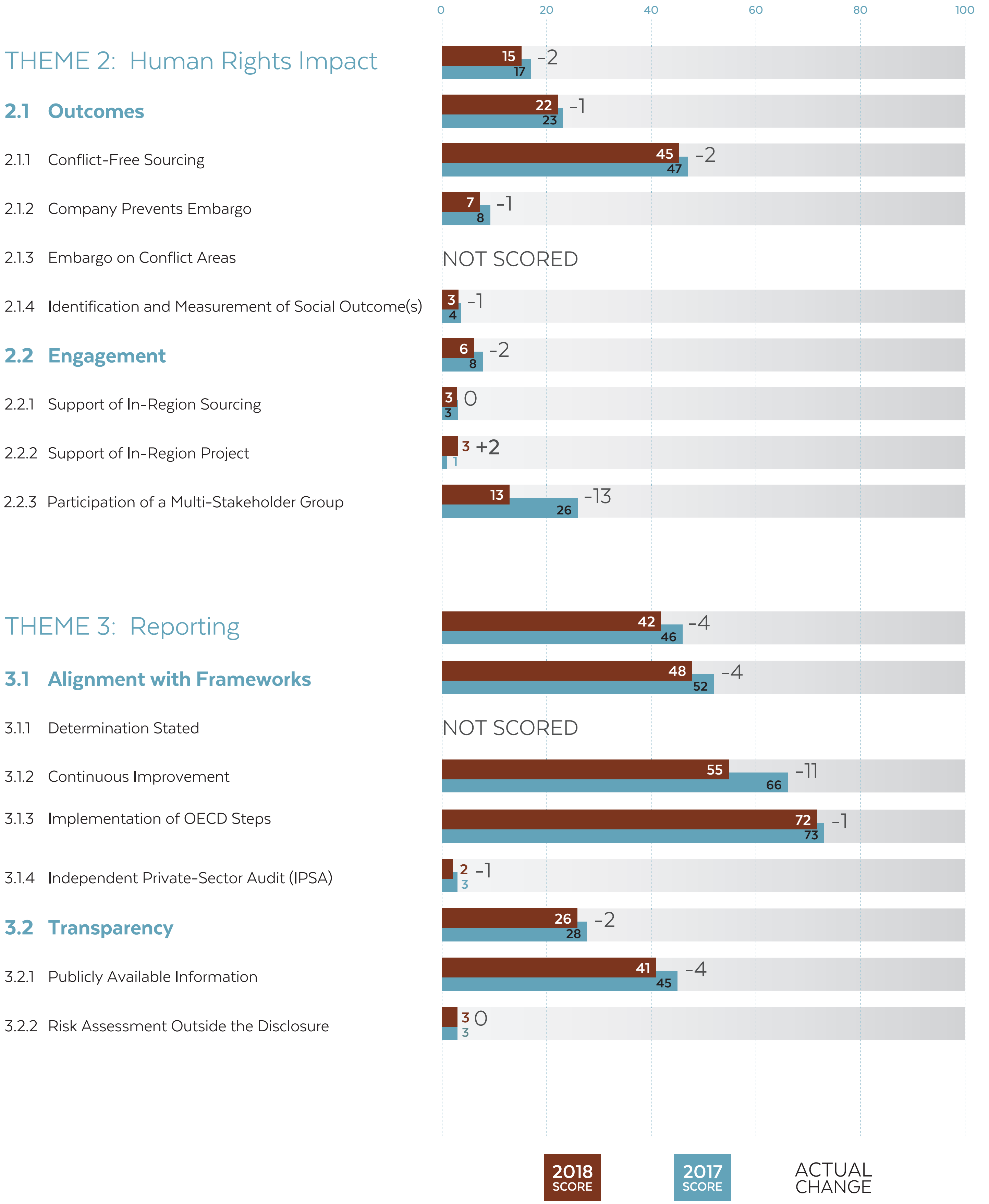
Evaluation Results: Performance Trends

Mining the Disclosures 2018 uses the same key performance indicators (KPIs) as the prior two years. 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 to 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 2018 sample group.

Figure 3: KPI Average Results for the Sample Group





0
20
40
60
80
100
THEME 2: Human Rights Impact
15
17
-2
2.1 Outcomes
22
23
-1
2.1.1 Conflict-Free Sourcing
45
47
-2
2.1.2 Company Prevents Embargo
7
8
-1
2.1.3 Embargo on Conflict Areas
NOT SCORED
2.1.4 Identification and Measurement of Social Outcome(s)
3
4
-1
2.2 Engagement
6
8
-2
2.2.1 Support of In-Region Sourcing
3
3
0
2.2.2 Support of In-Region Project
3
1
+2
2.2.3 Participation of a Multi-Stakeholder Group
13
26
-13
THEME 3: Reporting
42
46
-4
3.1 Alignment with Frameworks
48
52
-4
3.1.1 Determination Stated
NOT SCORED
3.1.2 Continuous Improvement
55
66
-11
3.1.3 Implementation of OECD Steps
72
73
-1
3.1.4 Independent Private-Sector Audit (IPSA)
2
3
-1
3.2 Transparency
26
28
-2
3.2.1 Publicly Available Information
41
45
-4
3.2.2 Risk Assessment Outside the Disclosure
3
3
0
2018 SCORE
2017 SCORE
ACTUAL CHANGE

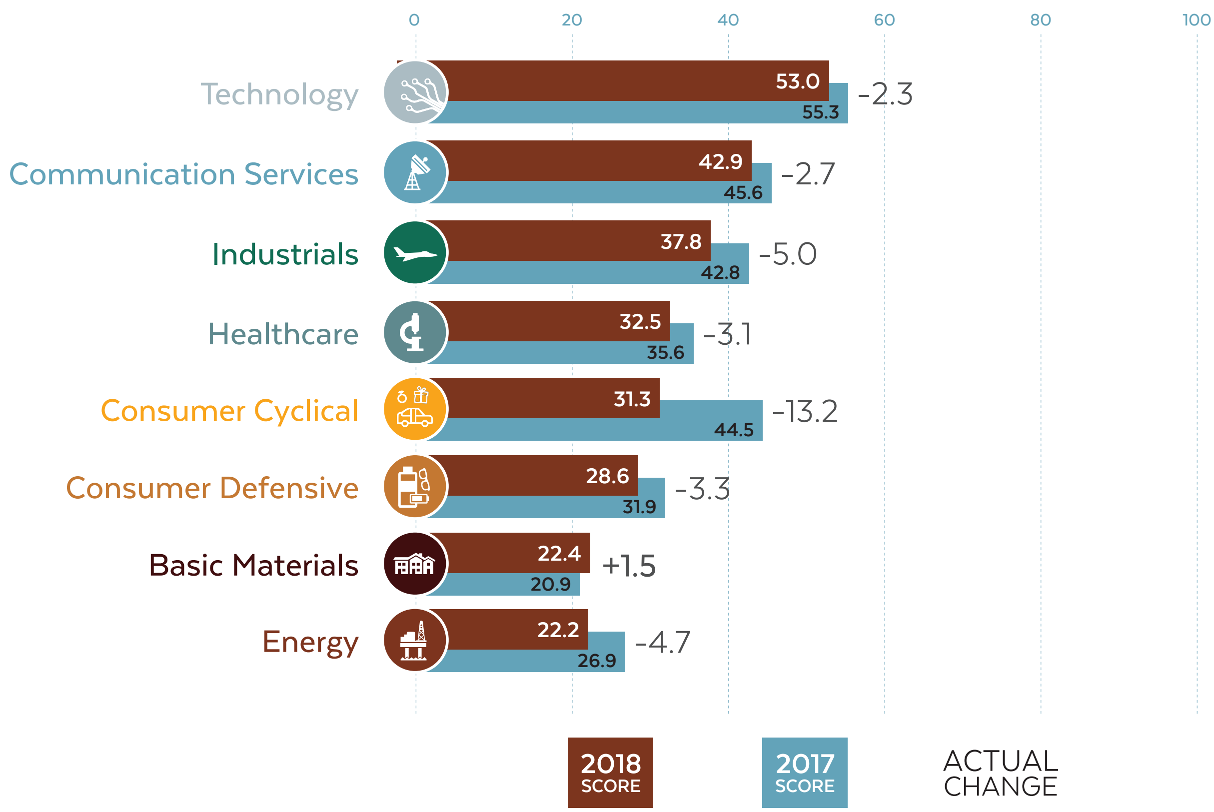
Conflict Free Ranking

Conflict-Free is not a status or a vanity 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, indicates a company's reporting is simply checking a box, not engaging in genuine risk reduction, which may indicate weakness in other core business areas.

Sector 〉 Industry Group 〉 Company

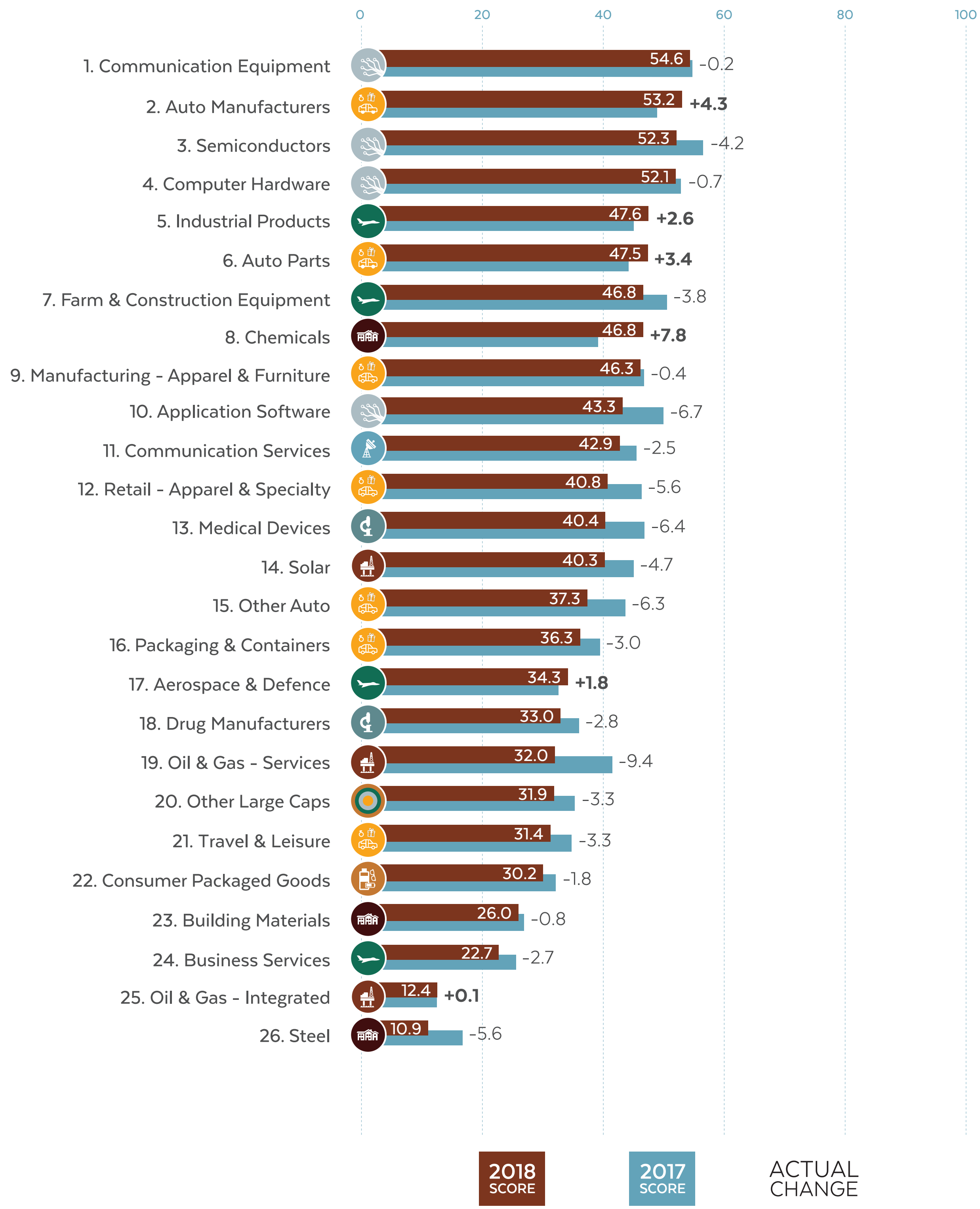
Sectors' Comparative Rankings and Symbols

Figure 4: Comparative Ranking per Sector between 2017 and 2018



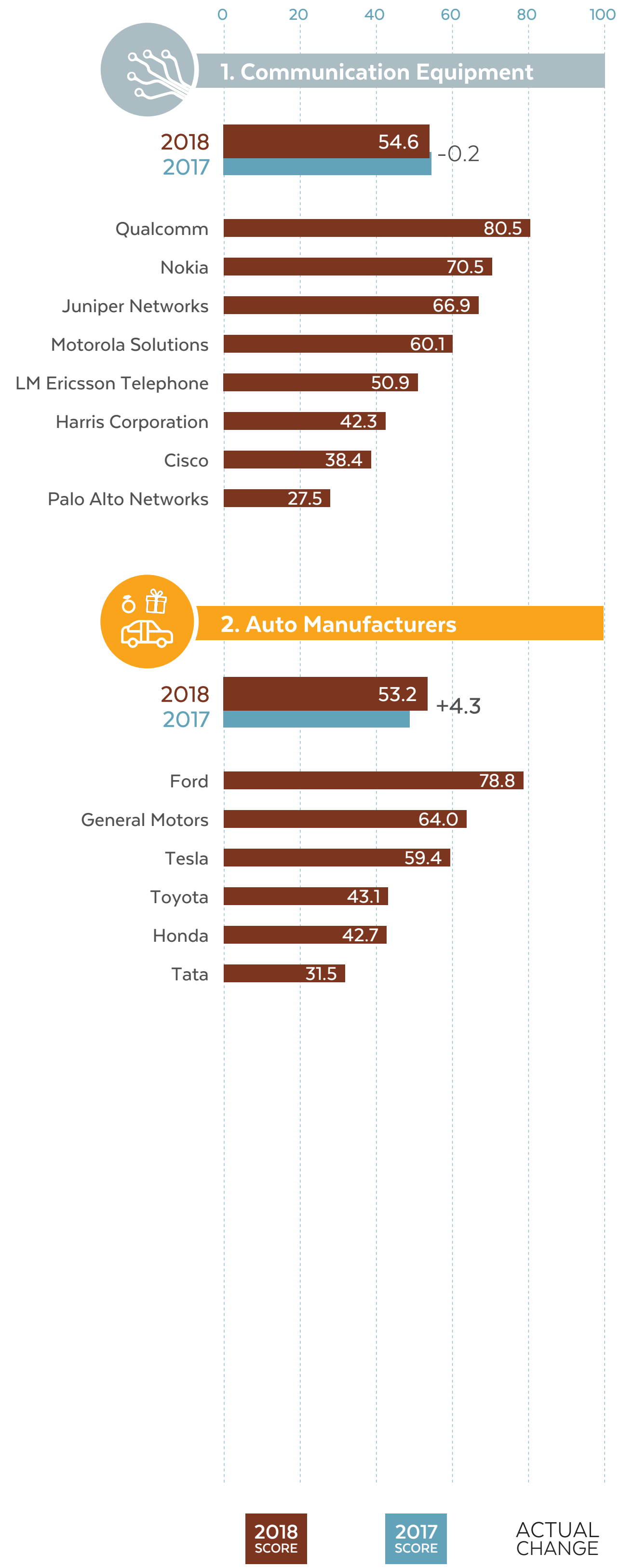
Industry Groups' Comparative Rankings

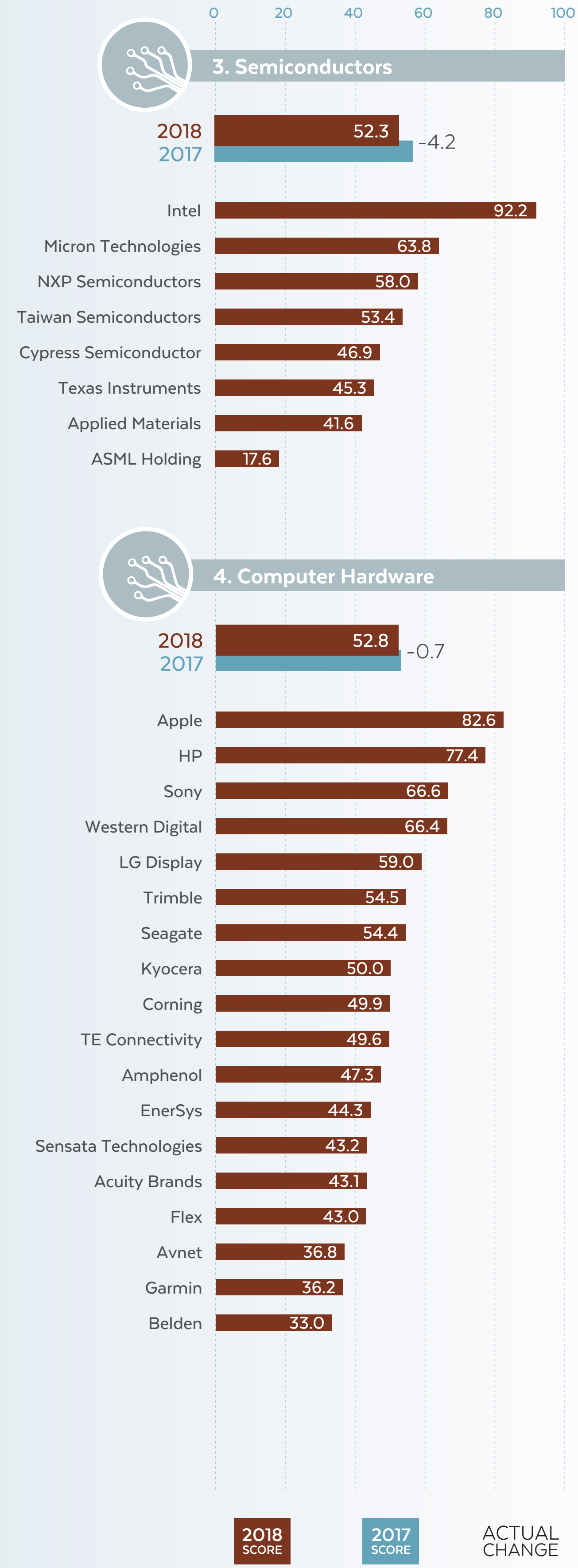
Figure 5: Comparative Ranking per Industry Group between 2017 and 2018



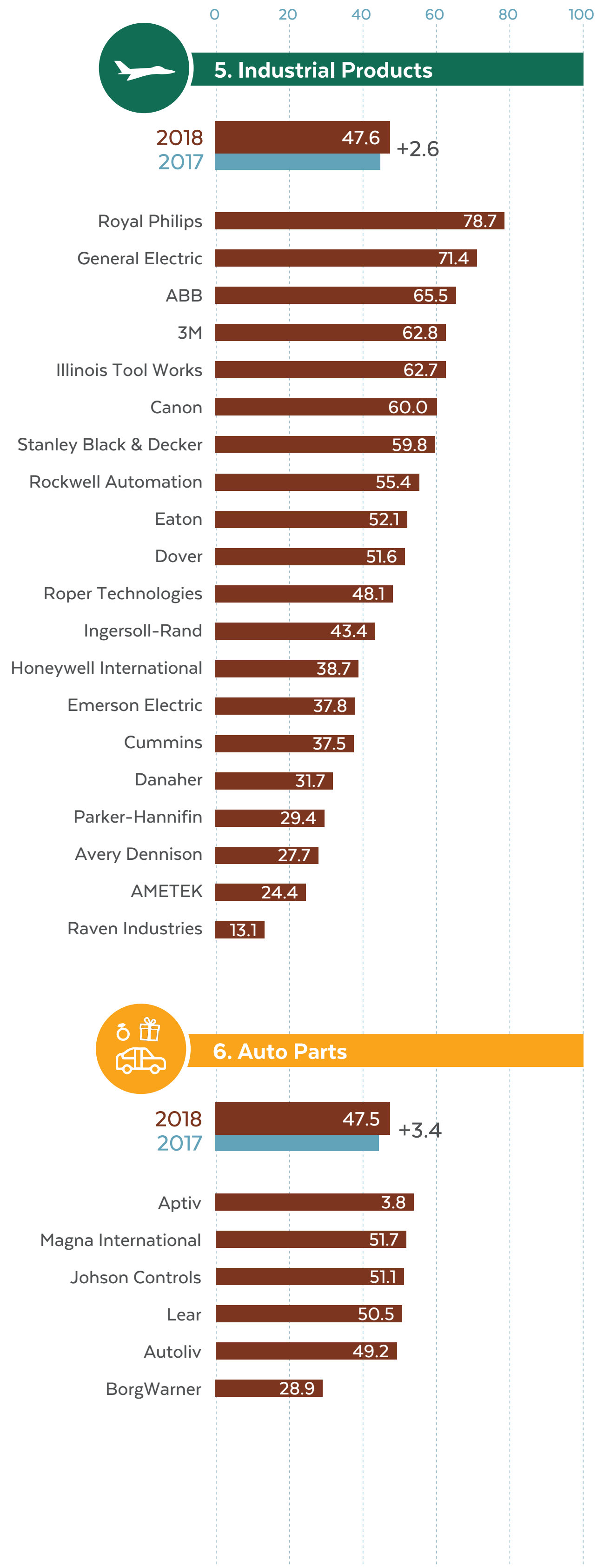
Companies' Comparative Rankings

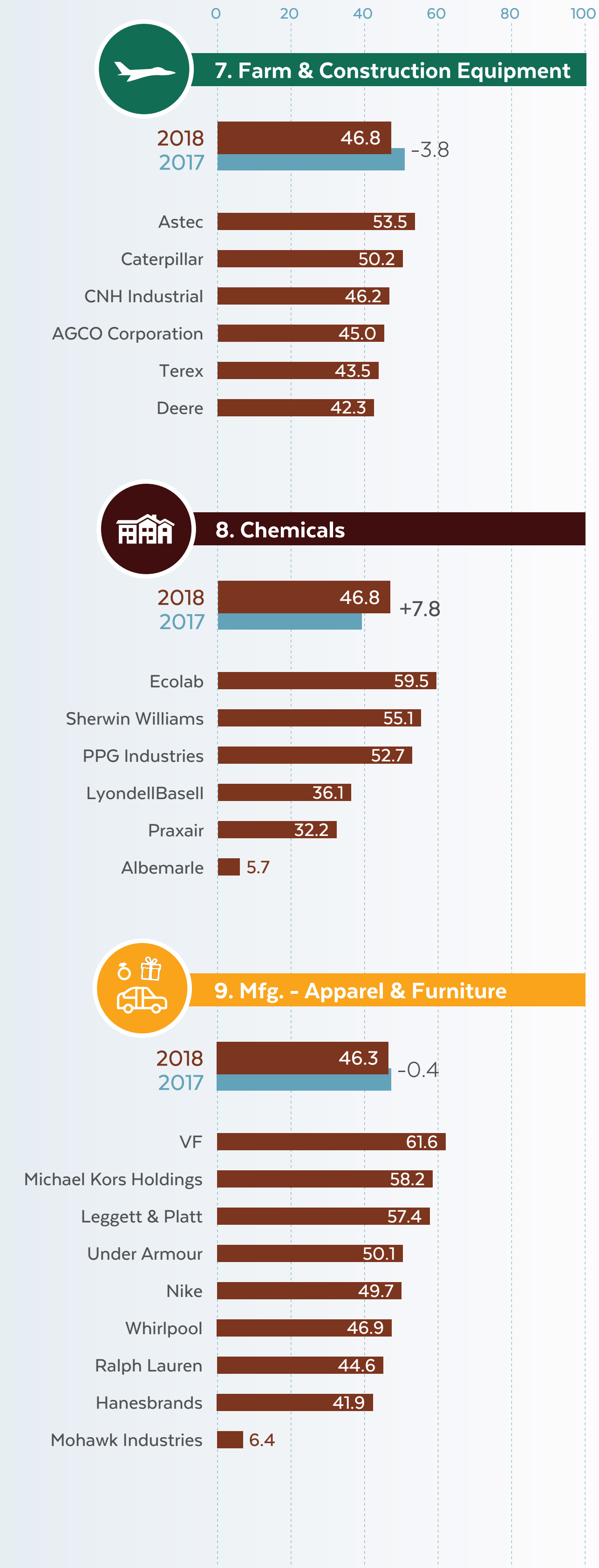
Figure 6: Comparative Ranking per Company by Industry Group between 2017 and 2018





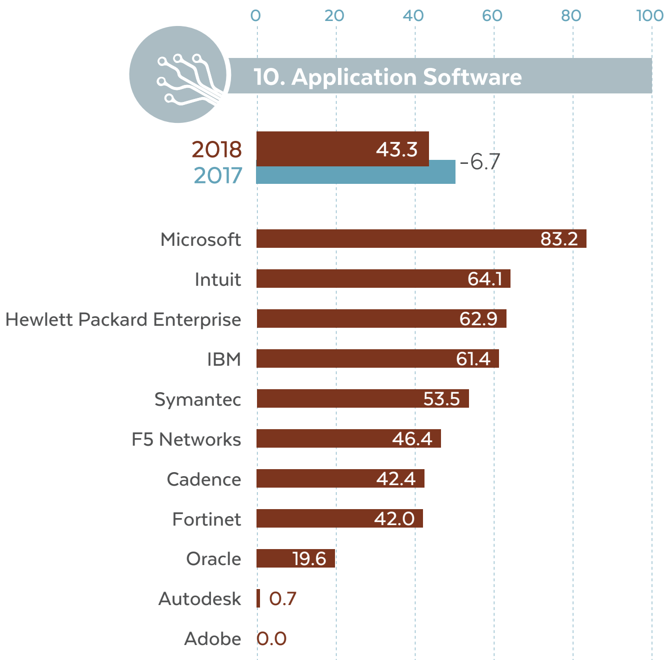
Sector › Industry Group › Company

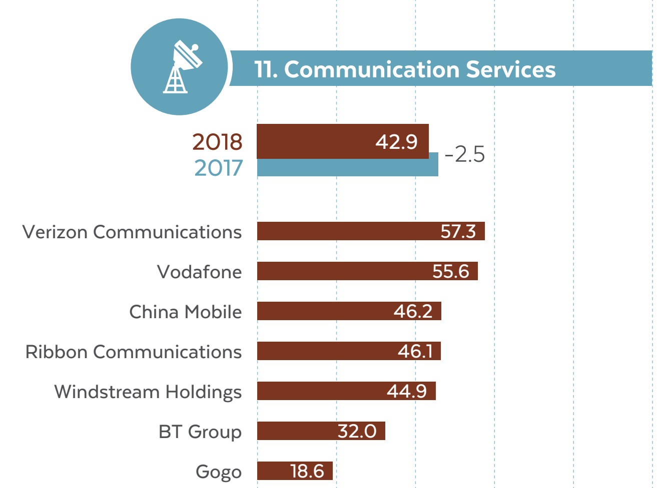


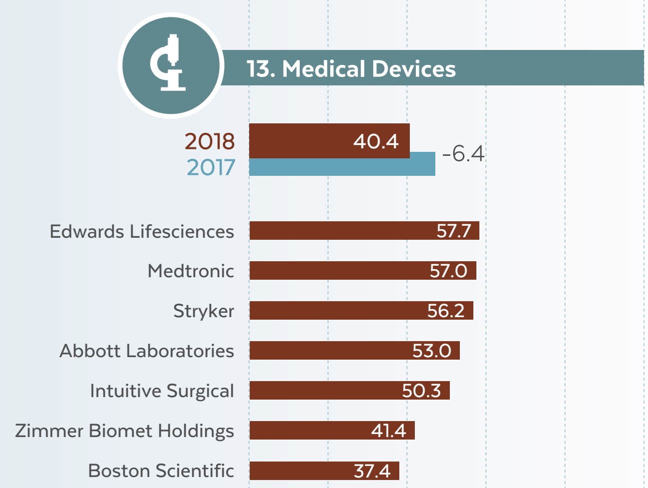


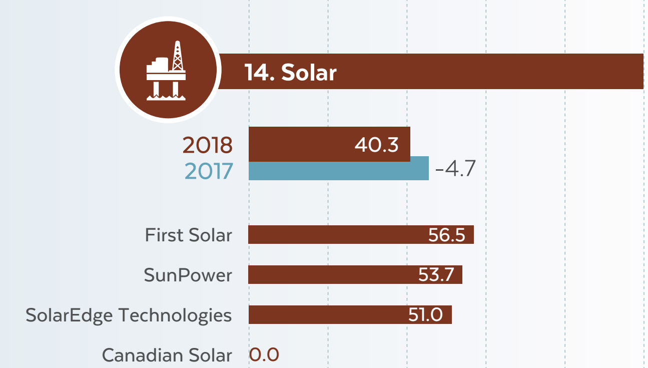
2018 SCORE | 2017 SCORE | ACTUAL CHANGE

2018 SCORE | 2017 SCORE | ACTUAL CHANGE





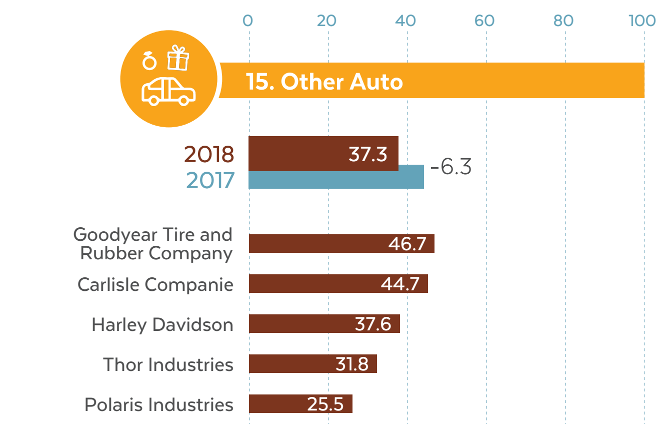


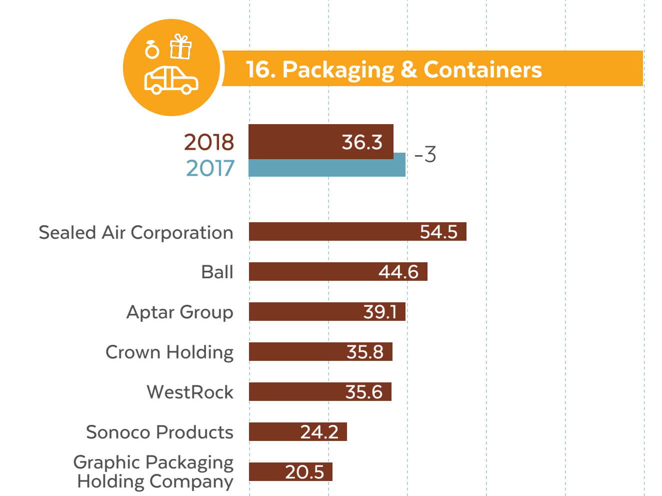


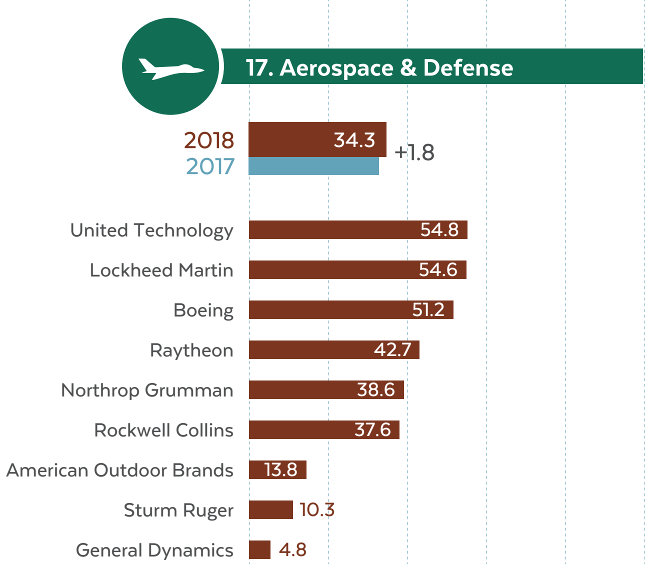
2018 SCORE 2017 SCORE ACTUAL CHANGE

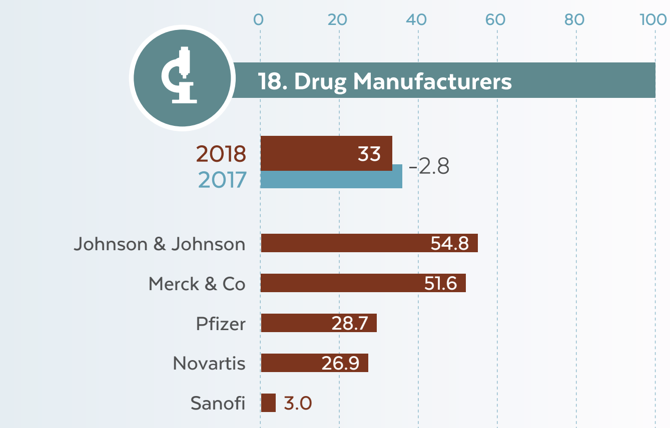
2018 SCORE 2017 SCORE ACTUAL CHANGE

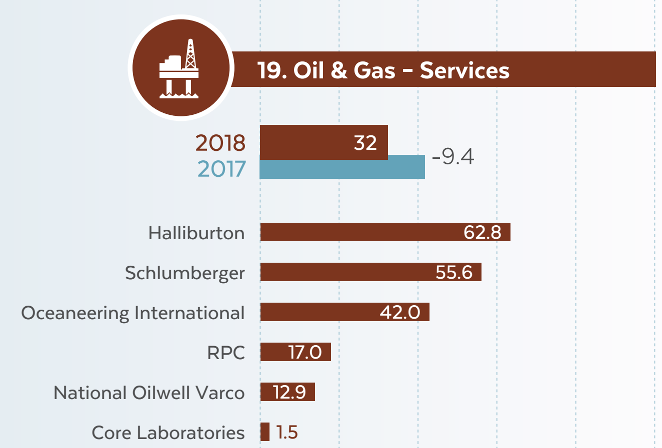
Sector | Industry Group | **Company**





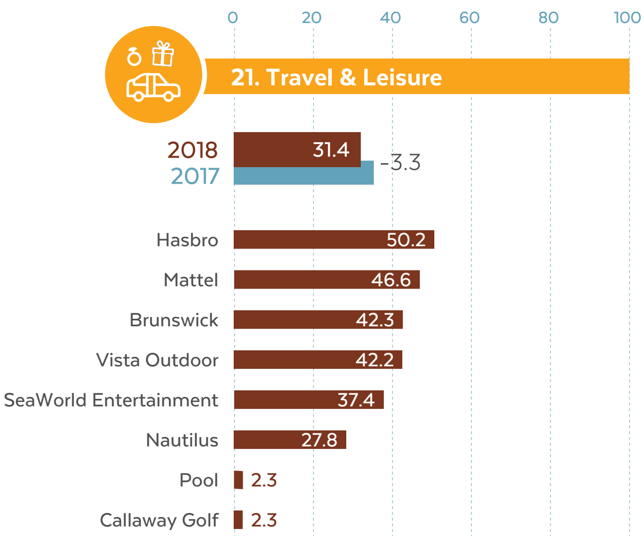


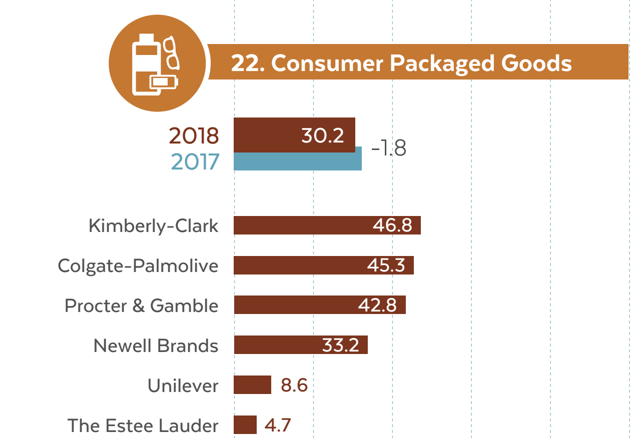


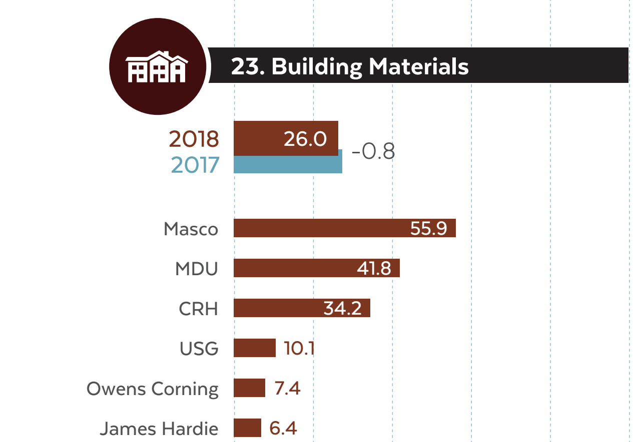


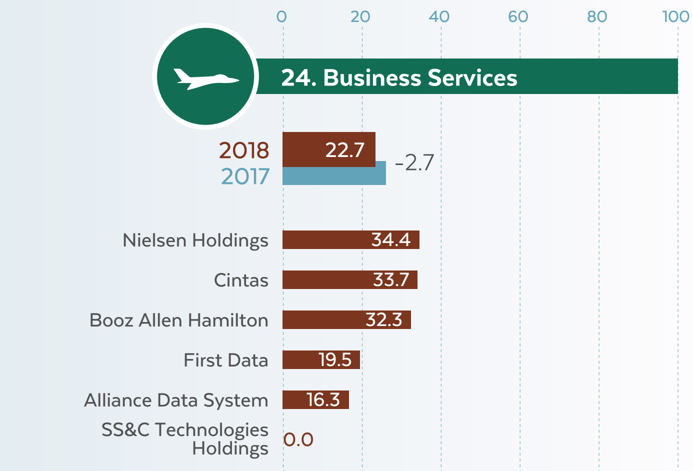
2018 SCORE | 2017 SCORE | ACTUAL CHANGE

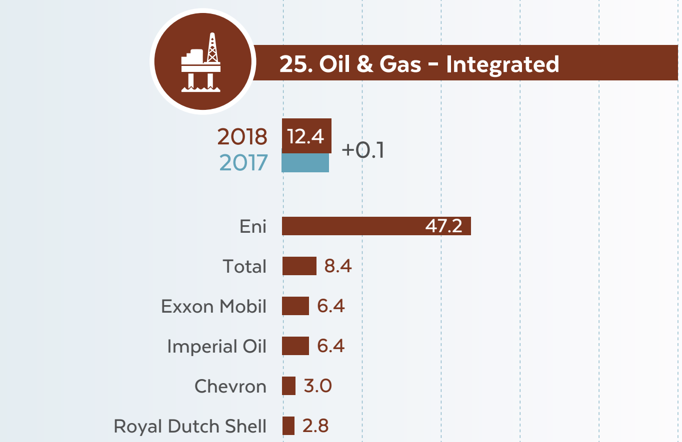
2018 SCORE | 2017 SCORE | ACTUAL CHANGE











2018 SCORE | 2017 SCORE | ACTUAL CHANGE

2018 SCORE | 2017 SCORE | ACTUAL CHANGE

Performance Ratings

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

Superior (90+)
Intel

Leading (80+)		
Apple	Microsoft	Qualcomm

Strong (70+)			
Alphabet	General Electric	HP	Nokia
Ford	Royal Philips		

Good (60+)			
3M	General Motors	Illinois Tool Works	Motorola Solutions
ABB	Hewlett Packard Ent.	Intuit	Sony
Canon	IBM	Juniper Networks	VF
Western Digital	Halliburton	Micron Technology	

Adequate (50+)				
Stanley Black & Decker	First Solar	Johnson & Johnson	Taiwan Semiconductors	Johnson Controls
Ecolab	Stryker	Lockheed Martin	Abbott Laboratories	SolarEdge Technologies
Tesla	Walt Disney	Trimble	PPG Industries	LM Ericsson Telephone
LG Display	Masco	Sealed Air Corporation	Eaton	Lear
Michael Kors Holdings	Vodafone	Seagate	Magna International	Intuitive Surgical
NXP Semiconductors	Schlumberger	Aptiv	Merck & Co	Caterpillar
Edwards Lifesciences	TJX Companies	SunPower	Dover	Hasbro
Leggett & Platt	Rockwell Automation	Tiffany	Tapestry	Under Armour
Verizon Communications	Sherwin Williams	Astec	Boeing	Kyocera
Medtronic	United Technology	Symantec	Icahn Enterprises	Lowe's Companies

Minimal (40+)				
Corning	Kimberly-Clark	AGCO Corporation	Sensata Technologies	Deere
Nike	Goodyear Tire and Rubber Company	Windstream Holdings	Acuity Brands	Vista Outdoor
TE Connectivity	Mattel	Carlisle Companies	Toyota	Oceaneering International
Autoliv	F5 Networks	Ball	Flex	Fortinet
Roper Technologies	China Mobile	Ralph Lauren	Procter & Gamble	Hanesbrands
Amphenol	CNH Industrial	EnerSys	Honda	MDU
Eni	Ribbon Communications	Home Depot	Raytheon	Applied Materials
Philip Morris International	L Brands	Bed Bath & Beyond	Cadence	Zimmer Biomet Holdings
Whirlpool	Colgate-Palmolive	Terex	Brunswick	Gap Inc.
Cypress Semiconductor	Texas Instruments	Ingersoll-Rand	Harris Corporation	

Weak (<40)				
Aptar Group	Cintas	Palo Alto Networks	National Oilwell Varco	The Estee Lauder
Honeywell International	Newell Brands	Novartis	Steel Dynamics	Chevron
Northrop Grumman	Belden	Polaris Industries	Sturm Ruger	Sanofi
Cisco	Amazon.com	AMETEK	USG	Royal Dutch Shell
Emerson Electric	Booz Allen Hamilton	Sonoco Products	Unilever	Ross Stores
Harley Davidson	Praxair	ArcelorMittal	Anheuser-Busch	Callaway Golf
Rockwell Collins	BT Group	Graphic Packaging Holding Company	Total	Pool
Cummins	Thor Industries	Oracle	Owens Corning	Core Laboratories
Boston Scientific	Danaher	First Data	Nucor	POSCO
SeaWorld Entertainment	Tata	Gogo	Reliance Steel and Aluminum	Autodesk
Avnet	Parker-Hannifin	ASML Holding	James Hardie	Wal-Mart Stores
Garmin	Berkshire Hathaway	RPC	Mohawk Industries	SS&C Technologies Holdings
LyondellBasell	BorgWarner	Tenaris	Exxon Mobil	Adobe
Crown Holding	Pfizer	Alliance Data System	Imperial Oil	Canadian Solar
West Rock	Williams-Sonoma	Novo Nordisk	Constellium	
Nielsen Holdings	Nautilus	American Outdoor Brands	Abermarle	
CRH	Avery Dennison	Raven Industries	General Dynamics	

Action Steps for Stakeholders

As a proactive, collaborative, and multi-sector 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 conflict minerals risks. While investors have a prominent role in advocating for risk management, each stakeholder can exert their 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 reverse the decision of the Division of Corporate Finance to effectively implement the conflict minerals rule for more transparency in company supply chains.
- Assess a company's understanding of the "conflict-free" requirement by promoting long-term supply chain engagement and continuous improvement, rather than a compliance-only approach. This effort will lead to a better identification of and addressing 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 companies to join OECD-based frameworks and multi-stakeholders' initiatives to promote cooperation and learning from leaders. Investors should support companies who financially support, via membership in relevant organizations, the development of downstream, midstream and upstream initiatives.
- Adopt strong, "conflict-free" and human rights-oriented requirements in their policies, and link their investments to the inclusion of similar provisions in company compliance systems.

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

- Identify good practices within an industry and encourage its leaders to engage with laggards in the industry.
- Encourage companies not currently required to file disclosures under 1502 to publicly report on conflict minerals due diligence. The examples of Dell or Acer should be followed as they provide extensive conflict minerals reports 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 failing to file under Section 1502, and companies providing weak disclosures, to insist on the importance of risk identification and mitigation.

Investors can support increased human rights reporting.

- Ask companies to increase the scope of their CSR to other raw commodities (cobalt, lithium, copper, rubber, etc.), as well as including 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 GRI Framework to respond to salient and material risks appropriately.
- Stress to companies the need to mitigate reputational risks from increased consumer awareness and focus 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. If the appropriate competencies cannot be found in the company, compliance departments should consult with service providers to develop responsible sourcing policies and carry out personnel training.
- Implement an incremental, improvement-based policy and operational 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 first establishing a strong policy and company management systems.
- Adopt the RMI Conflict Minerals Reporting Template (CMRT) as the RCOI primary tool to bring standardization to the responsible sourcing efforts.
- 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 distinct goals.
- 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 RMI, to engage with SORs and traders, which are the crucial links between downstream companies and upstream sourcing.

Business managers should increase the scope of due diligence reporting.

- Include additional high-risk minerals and commodities in the company's efforts to trace raw materials. Policies regarding cobalt or rubber sourcing have already been developed by leading companies. Business managers should consider exploring new raw commodities and use existing resources such as the Material Change report of the Dragonfly Initiative.
- Join multi-stakeholder's initiatives focusing on these new commodities. Potential organizations or initiatives to join are RMI efforts' on cobalt, the Aluminum Stewardship Initiative (ASI) or the Cobalt Institute's CIRAF.
- Help increase local capacity for a conflict-free economy in eastern DRC by supporting in-region initiatives with the Public-Private Alliance (PPA) or IMPACT, and other organizations supporting in-region projects like the European Partnership for Responsible Minerals (EPRM).

Action Steps for Policymakers

Policymakers should improve Section 1502.

- The SEC should reverse the statement of the Division of Corporate Finance that rejects the implementation of RCOI and due diligence, depriving the law of its meaning.
- The SEC should work with stakeholders, including RMI and GRI, to improve reporting readability and standardization and ensure reports are searchable and data is 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 from full due diligence. 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.
- The SEC should not allow companies to create their own "reasonable" RCOI methodologies, which are then only briefly described. This approach violates the spirit of OECD risk-based due diligence and the RCOI process and 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. Similar provisions should be included in state legislation like the procurement bill of Maryland. The cities of Pittsburg, PA and Saint Petersburg, FL passed resolutions calling for conflict minerals certification systems for future purchasing decisions[39].

Policymakers should follow the global momentum that Section 1502 spurred.

- Policymakers should support the development of the new European Union Regulation 2017/821, which will be implemented starting in 2021. They should continue to oversee and evaluate implementation of the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, developed by the CCCMC in cooperation with the OECD.
- To ensure the full implementation of due diligence regulations on minerals from the Congo or high-risk and conflict-affected areas, policymakers should provide stabilization measures to the country. European, American, and Chinese policymakers should pressure the current Congolese regime to organize fair elections in the Congo.
- Policymakers should explore the inclusion of new raw commodities in corporate due diligence regulations. Such additions should be based on the lessons from Section 1502's implementation to avoid unintended consequences. Actions should be taken in collaboration with the Congolese government.

Landscape in Kabasha, North Kivu, DRC, Joachim Peeters

Conclusion

Mining the Disclosures 2018 shows the need for a consistent and increasing implementation of the conflict minerals rule. Based on the change that still needs to occur globally, such regulations cannot be reduced to a one-time effort and must be continuously reviewed and improved. A proactive strategy is employed by leading companies to produce on-the-ground positive impacts. Although some companies and industries did improve, the general trend demonstrates a relative drawback in corporate efforts to pursue responsible supply chains in the minerals sector.

Leading companies are now focusing on deepening and broadening their comprehensive risk-based due diligence. The increasing scope of ethical sourcing practices, which includes more and more commodities, is an effort that should be praised and rewarded by investors. The examples of Tesla, Ford, and Apple in exploring issues related to cobalt should be commended and inspire other companies to implement similar risk-averse strategies.

In the coming year, investors should insist that more companies adopt proactive, due diligence-based programs to address their 3TG supply chain risks. Similarly, support should be brought to multi-stakeholder's initiatives to provide certification schemes allowing for a better assessment of supplier tiers by brand companies. This continuous effort will also avoid contamination of the supply chain by conflict-affected minerals involved in the financing of human rights abuses.

Investors, governments and civil society should also support the implementation of new regulations outside of Dodd-Frank Section 1502. The EU efforts on this topic will provide a strong basis for future due diligence processes on mineral supply chains, not only from the DRC region, but from all the "conflict-affected" and "high-risk" areas.

The slight decrease of the scores in the 2017-2018 comparative analysis data illustrate the need for companies to adopt new strategies based on cooperative frameworks, existing guidances and guidelines. Despite this trend, leading companies continue to set the example in providing evidence that due diligence to reduce harm on local communities is achievable and beneficial as a business model.

Appendix A: Glossary

1502; Section 1502	Specialized Disclosure Section of the Dodd-Frank Act that requires companies publicly traded in the U.S. to report on the use and origin 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.
CCCMC	China Chamber of Commerce of Metals Minerals and Chemicals Importers & Exporters.
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 RMI's Responsible Minerals Assurance Process (RMAP), but other schemes such as the RJC (Responsible Jewellery Council), LBMA (London Bullion Market Association Responsible Gold Guidance) and DMCC (Dubai Multi Commodities Center) are equally recognized.
Conflict Minerals	The four minerals currently defined in Section 1502 as contributing to conflict in the DRC region. Currently tin, tantalum, tungsten, and gold (3TG). Note: Not all 3TG sourced 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 its neighboring countries.
ESG	Environmental, Social, and Governance. A categorization for non-financial performance indicators used by investors to evaluate corporate behavior.
Form SD	Form Special Disclosure, as part of Section 1502 requirements, companies must include their Reasonable Country of Origin Inquiry (RCOI) in this form and may attach their Conflict Minerals Report (CMR) as an exhibit.
GRI	Global Reporting Initiative, a non-profit organization developing standards for sustainable development reporting.
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 (BSP) Better Cobalt CBRMT (Capacity Building for Responsible Minerals Trade) CFTI (Conflict-Free Tin Initiative) iTSCi (ITRI [now ITA, International Tin Association] Tin Supply Chain Initiative) IMPACT Just Gold KEMET Conflict-Free Tantalum Sourcing Initiative Public-Private Alliance for Responsible Minerals Trade (PPA) Solutions for Hope (SfH)
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, (2016).
RCI	Responsible Cobalt Initiative, an initiative of the CCCMC, currently on the brink of collapsing.
RMI; RMAP	The Responsible Minerals Initiative (RMI, formerly known as the Conflict-Free Sourcing Initiative (CFSI)) is an initiative of the Responsible Business Alliance (formerly known as the Electronic Industry Citizenship Coalition (EICC)) and was founded by major electronics manufacturers. The organization manages the Responsible Minerals Assurance Process (RMAP, formerly known as the Conflict-Free Smelter Initiative (CFSP)), a conflict-free auditing scheme for smelters and refiners. The original iteration of RMI was the EICC and GeSI (Global e-Sustainability Initiative) Extractives Working Group.
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	2018 Score	2017 Score
3M	62.8	60.4
ABB	65.5	68.8
Abbott Laboratories	53.0	53.4
Acuity Brands	43.1	44.9
Adobe	0.0	23.9
AGCO Corporation	45.0	44.6
Albemarle	5.7	3.9
Alliance Data System	16.3	11.4
Alphabet	75.6	72.7
Amazon.com	32.8	36.2
American Outdoor Brands	13.8	14.0
AMETEK	24.4	31.0
Amphenol	47.3	48.8
Anheuser-Busch	8.4	10.3
Apple	82.6	81.3
Applied Materials	41.6	40.5
Aptar Group	39.1	46.9
Aptiv	53.8	51.1
ArcelorMittal	20.8	41.3
ASML Holding	17.6	40.0
Astec	53.5	52.3
Autodesk	0.7	34.6
Autoliv	49.2	43.5
Avery Dennison	27.7	34.9
Avnet	36.8	39.6
Ball	44.6	48.7
Bed Bath & Beyond	44.0	62.9
Belden	33.0	34.4
Berkshire Hathaway	29.1	32.9
Boeing	51.2	56.2
Booz Allen Hamilton	32.3	33.4
BorgWarner	28.9	18.5
Boston Scientific	37.4	37.0
Brunswick	42.3	44.4
BT Group	32.0	35.5
Cadence	42.4	51.3
Callaway Golf	2.3	11.8
Canadian Solar	0.0	4.3
Canon	60.0	60.4
Carlisle Companies	44.7	49.9
Caterpillar	50.2	58.0
Chevron	3.0	2.8
China Mobile	46.2	53.6
Cintas	33.7	34.4
Cisco	38.4	37.2
CNH Industrial	46.2	55.8
Colgate-Palmolive	45.3	40.7
Constellium	5.9	10.1
Core Laboratories	1.5	7.6
Corning	49.9	48.7
CRH	34.2	37.8
Crown Holding	35.8	34.6
Cummins	37.5	37.1
Cypress Semiconductor	46.9	49.9
Danaher	31.7	34.4
Deere	42.3	51.4
Dover	51.6	45.9
Eaton	52.1	52.7
Ecolab	59.5	56.1
Edwards Lifesciences	57.7	39.2
Emerson Electric	37.8	41.8
EnerSys	44.3	45.9
Eni	47.2	47.1
Exxon Mobil	6.4	4.9
F5 Networks	46.4	43.5
First Data	19.5	19.9
First Solar	56.5	58.5
Flex	43.0	40.7
Ford	78.8	66.3
Fortinet	42.0	43.9
Gap	41.2	37.7
Garmin	36.2	38.6
General Dynamics	4.8	3.3
General Electric	71.4	70.1
General Motors	64.0	60.6
Gogo	18.6	N/A
Goodyear Tire and Rubber Company	46.7	56.3
Graphic Packaging Holding Company	20.5	22.7
Halliburton	62.8	59.3
Hanesbrands	41.9	45.8
Harley Davidson	37.6	42.8
Harris Corporation	42.3	42.1
Hasbro	50.2	68.5
Hewlett Packard Enterprise	62.9	69.1
Home Depot	44.0	46.4
Honda	42.7	36.4
Honeywell International	38.7	34.4
HP	77.4	78.6
IBM	61.4	64.6
Icahn Enterprises	51.1	57.0
Illinois Tool Works	62.7	63.6
Imperial Oil	6.4	4.9
Ingersoll-Rand	43.4	40.3
Intel	92.2	91.1
Intuit	64.1	68.9
Intuitive Surgical	50.3	46.1
James Hardie	6.4	6.4
Johnson & Johnson	54.8	56.5
Johnson Controls	51.1	57.9
Juniper Networks	66.9	60.9
Kimberly-Clark	46.8	45.9
Kyocera	50.0	45.9
L Brands	45.5	46.4

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

Company Name	2018 Score	2017 Score
Lear	50.5	45.8
Leggett & Platt	57.4	53.1
LG Display	59.0	61.5
LM Ericsson Telephone	50.9	48.5
Lockheed Martin	54.6	55.6
Lowe's Companies	50.0	50.2
LyondellBasell	36.1	38.9
Magna International	51.7	47.8
Masco	55.9	58.6
Mattel	46.6	50.5
MDU	41.8	41.6
Medtronic	57.0	57.9
Merck & Co	51.6	50.2
Michael Kors Holdings	58.2	58.2
Micron Technologies	63.8	61.2
Microsoft	83.2	84.5
Mohawk Industries	6.4	6.9
Motorola Solutions	60.1	64.9
National Oilwell Varco	12.9	22.0
Nautilus	27.8	25.0
Newell Brands	33.2	39.5
Nielsen Holdings	34.4	29.4
Nike	49.7	48.4
Nokia	70.5	70.5
Northrop Grumman	38.6	24.4
Novartis	26.9	29.4
Novo Nordisk	14.0	24.0
Nucor	7.2	10.8
NXP Semiconductors	58.0	59.8
Oceaneering International	42.0	42.9
Oracle	19.6	15.3
Owens Corning	7.4	6.9
Palo Alto Networks	27.5	32.9
Parker-Hannifin	29.4	30.2
Pfizer	28.7	38.7
Philip Morris International	47.2	55.0
Polaris Industries	25.5	27.2
Pool	2.3	2.3
POSCO	1.0	2.3
PPG Industries	52.7	56.8
Praxair	32.2	31.0
Procter & Gamble	42.8	50.1
Qualcomm	80.5	82.4
Ralph Lauren	44.6	43.7
Raven Industries	13.1	14.2
Raytheon	42.7	37.9
Reliance Steel and Aluminum	7.2	9.8
Ribbon Communications	46.1	N/A
Rockwell Automation	55.4	57.4
Rockwell Collins	37.6	34.6
Roper Technologies	48.1	51.4
Ross Stores	2.3	2.8
Royal Dutch Shell	2.8	2.8
Royal Philips	78.7	80.2
RPC	17.0	N/A
Sanofi	3.0	4.4
Schlumberger	55.6	53.7
Seagate	54.4	57.2
Sealed Air Corporation	54.5	54.3
SeaWorld Entertainment	37.4	36.8
Sensata Technologies	43.2	45.2
Sherwin Williams	55.1	47.4
SolarEdge Technologies	51.0	57.6
Sonoco Products	24.2	27.2
Sony	66.6	69.8
SS&C Technologies Holdings	0.0	23.7
Stanley Black & Decker	59.8	60.6
Steel Dynamics	12.8	19.1
Stryker	56.2	58.1
Sturm Ruger	10.3	13.4
SunPower	53.7	59.6
Symantec	53.5	50.3
Taiwan Semiconductors	53.4	52.7
Tapestry	51.3	53.9
Tata	31.5	34.9
TE Connectivity	49.6	51.2
Tenaris	16.7	16.1
Terex	43.5	41.7
Tesla	59.4	52.2
Texas Instruments	45.3	57.3
The Estee Lauder	4.7	8.7
Thor Industries	31.8	41.9
Tiffany	53.6	62.3
TJX Companies	55.4	55.1
Total	8.4	11.6
Toyota	43.1	43.2
Trimble	54.5	51.9
Under Armour	50.1	51.9
Unilever	8.6	7.5
United Technology	54.8	53.3
USG	10.1	9.6
V F	61.6	62.3
Verizon Communications	57.3	56.5
Vista Outdoor	42.2	38.5
Vodafone	55.6	61.7
Wal-Mart Stores	0.0	1.3
Walt Disney	56.1	53.5
Western Digital	66.4	66.1
WestRock	35.6	40.9
Whirlpool	46.9	49.8
Williams-Sonoma	28.7	N/A
Windstream Holdings	44.9	47.5
Zimmer Biomet Holdings	41.4	36.1

Methodology

Sample Group

Mining the Disclosures 2018 analyzes a sample group of 206 companies out of the 1,098 total companies who filed. For the sake of comparison and continuity, RSN chose to replicate the 2017 sample group as much as possible. The industry classification is based on the Morningstar Global Equity Class Structure and companies' April 18, 2018 market cap was informed by Yahoo! Finance. 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.

Merged and bankrupted companies

Some differences appear in the 2018 report regarding the sample group, including the absence of companies that underwent mergers or declared bankruptcy. To replace these companies, RSN selected the next-highest market cap company in the same industry group to analyze. Two companies were added to replace merged companies: SS&C Technologies Holdings, Inc. (merged with DST Systems, Inc.), and RPC, Inc. (merged with Baker Hughes), while two companies changed their business name: Tapestry, Inc. (formerly Coach, Inc.) and Aptiv PLC (formerly Delphi Automotive PLC).

Non-filing companies

In addition, RSN addressed the issue of companies that filed under Section 1502 in 2017 but didn't in 2018 due to a delisting from a US-based stock exchange. Luxottica Group S.p.A. delisted from the New York Stock Exchange (NYSE) in May 2017 and filed a termination of its American Depository Shares (ADSs) under the SEC. In this case, RSN replaces Luxottica with the next largest market cap of its industry, Williams-Sonoma, Inc. Similarly, Nippon Telegraph and Telephone Corporation left the NYSE in April 2017, and NTT DOCOMO, Inc. left the NYSE in March 2018, and were replaced by Ribbon Communications LLC and Gogo, Inc. Canadian Solar, Wal-Mart, SS&C Technologies Holdings (which acquired DST Systems Inc.), Adobe and Autodesk did not file in 2018 despite filing the prior years. RSN considers the lack of explanation for not filing under Section 1502, and potential exposure to risk of conflict minerals, justification to include them in the 2018 report.

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

Scoring

Mining the Disclosures 2018 remains in alignment with the 2017 approach to scoring. 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 24 KPIs divided across three themes, which analyze SEC disclosures, conflict minerals policies, and any other conflict-minerals-related documents or descriptions of activities on company websites. Four of these indicators are not weighted, and therefore are not included in the overall scores.
In 2018, to answer concerns regarding cobalt mining in supply chains, RSN introduced a new, unscored, KPI on corporate reporting of efforts regarding cobalt material risks. 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 (60 points)
  - ✓ Management (20 points)
  - ✓ Assessment (20 points)
  - ✓ Response (20 points)
- Human Rights Impact (20 points)
  - ✓ Outcomes (10 points)
  - ✓ Engagement (10 points)
- Effective Reporting (20 points)
  - ✓ Alignment with Frameworks (10 points)
  - ✓ Transparency (10 points)

Figure 7: KPI Scoring Structure

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