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