OECD Implementation Pilot Downstream Baseline Report High-Level Summary

OECD Multi-Stakeholder Forum
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About BSR

*Business for Social Responsibility is a non-profit, global member network and consultancy focused on sustainability*

- Consultant to the OECD to coordinate 3 reporting cycles of the downstream Implementation Pilot
- Work with more than 250 member companies to develop sustainable business strategies and solutions through consulting, research and cross-sector collaboration
- 10 BSR industry practices include ICT, Transportation, Mining, Consumer Products and others
- Issue areas include supply chain sustainability, human rights, local economic benefits, stakeholder engagement and reporting

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The objective

Of the downstream pilot:
• Assess how downstream companies use the OECD Guidance to conduct their due diligence for responsible sourcing of minerals
• Identify challenges
• Share any emerging best practices aligned with the recommendations contained in the Guidance
• Create the opportunity to develop tools as may be needed

Of the baseline report:
• To establish a baseline of current due diligence practices of downstream companies
Participating companies respond to three standard “questionnaires” on progress achieved and challenges faced while carrying out due diligence of the 3T Supplement.

BSR develops three reports with aggregated data in consultation with the OECD Secretariat.

After the implementation period, the OECD will elaborate any best practices identified, helpful implementing tools and clarifications of the OECD Guidance.

The baseline report includes information received from 28 of the 30 participating companies and three industry associations.
High-level findings: Policy and management systems

• The majority of participants are using the Guidance at some level to inform development of their due diligence systems and policies.

• Most companies have developed or are in the process of developing policies on minerals from conflict-affected areas.
  – Most do not include all elements of Annex II.
  – Companies cited the need for their policies to be actionable and accountable.
  – Companies request a better understanding of the roles they should play with regard to risk of direct or indirect support to non-state armed groups, and public or private security forces.

• While not all companies have finalised policies, almost all respondents are communicating with their suppliers on the issue of mineral sourcing.
  – Supplier meetings, and through supplier letters, supplier surveys, and direct communications with suppliers.
High-level findings: Smelter identification and auditing

• The complexity of some downstream company mineral supply chains (in some instances up to nine layers deep from the company to the smelter) makes obtaining information a challenge.
  – Most companies only have visibility into their immediate (Tier 1) supply base, with some having visibility into Tier 2.

• Five pilot participants have used the Electronic Industry Citizenship Coalition and Global e-Sustainability (EICC-GeSI) Common Reporting Template to identify risks and ascertain which smelters are parts of their supply chains.
  – Most others are using their own supplier surveys, supplier site visits, and contractual obligations.

• 15 companies, especially OEM/brand companies within the ICT industry, are relying on the CFS program to validate and audit their smelters.
Downstream companies participating in the pilot who are subject to Dodd-Frank requirements are taking risk-averse approaches that fall roughly into two categories:

1. Moving aggressively to verify their supply chain as “conflict-free” as soon as possible.
   - Some downstream companies are working both independently and collaboratively to support the development and scaling of in-region sourcing initiatives.

2. Waiting before making any significant investments in due diligence until U.S. Dodd-Frank legal requirements are clarified in the SEC rules.
   - Companies will then finalise policies, communicate to suppliers, and invest in systems that will serve to comply fully with the law.
   - This approach is mainly to reduce the risk of investing in anything that will not fully meet the legal requirements under U.S. law.
Discussion & Questions