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The Business of a Better World

OECD Implementation Pilot Downstream Baseline Report High-Level Summary

OECD

Multi-Stakeholder Forum

November 2011

About BSR

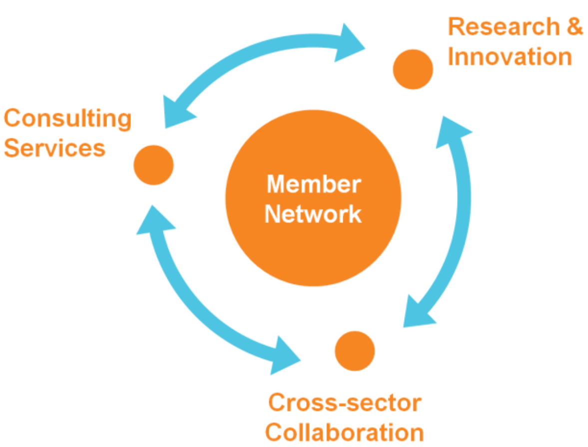
Business for Social Responsibility is a non-profit, global member network and consultancy focused on sustainability

- 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:

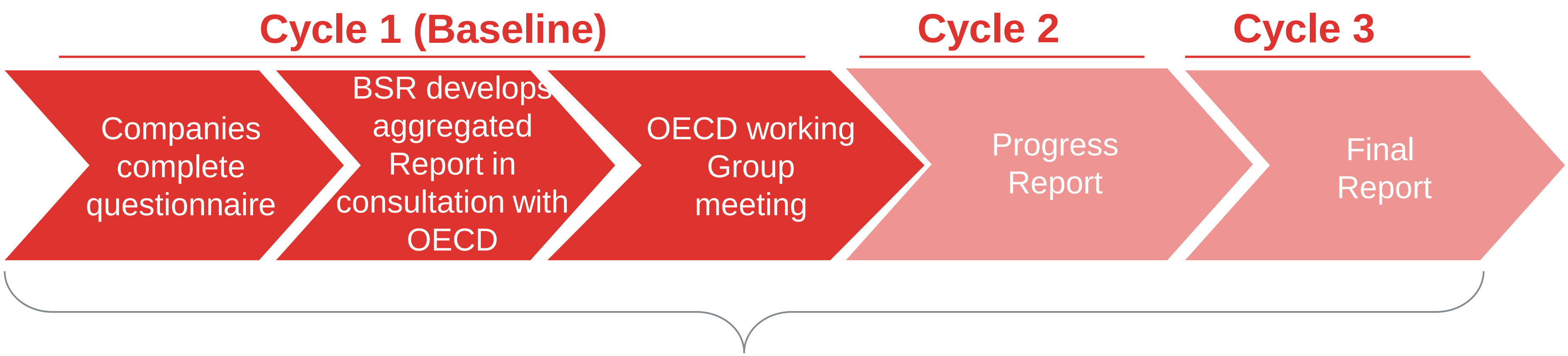
- Assess how downstream companies use the OECD Guidance to conduct their due diligence for responsible sourcing of minerals
- Identify challenges
- Share any emerging best practices aligned with the recommendations contained in the Guidance
- Create the opportunity to develop tools as may be needed

Of the baseline report:

- To establish a baseline of current due diligence practices of downstream companies

Downstream pilot methodology

One-year pilot implementation phase focuses on implementing due diligence in the supply chains of tin, tantalum and tungsten



- 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

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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.

High-level findings: Approach to due diligence

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

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