



Mining the Disclosures 2015

An Investor Guide to Conflict Minerals Reporting in Year Two



RESPONSIBLE **sourcing** network

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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 forced labor in the cotton fields of Uzbekistan and conflict minerals from the Democratic Republic of the Congo (DRC) to create positive change for brands, consumers, and impacted communities. For more information, contact: info@sourcingnetwork.org.

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Executive Summary

Conflict in eastern Democratic Republic of the Congo (DRC) continues to devastate vulnerable communities. Fortunately, awareness, transparency, and collaboration are increasing as a result of Conflict Minerals Section 1502 in the Dodd-Frank Act (Section 1502). To achieve a peaceful and prosperous minerals trade in the DRC and neighboring countries (DRC region), leadership must expand beyond a small group of highly committed companies to become the norm. Responsible Sourcing Network's (RSN's) pilot study, [Mining the Disclosures: An Investor Guide to Conflict Minerals Reporting](#) analyzed the inaugural conflict minerals filings and efforts of a pilot group of 51 companies and highlighted a number of leading practices.

For *Mining the Disclosures 2015*, a deep analysis of 155 companies' human rights performance continues, along with identifying tools and due diligence procedures that contribute to companies increasing their social value as well as having a positive impact on the ground. When manufacturers increase their ability to trace the minerals of specific components back to the smelter level and beyond, and insist on sourcing conflict-free minerals from the DRC region, they are changing the status quo. Because of Section 1502, more businesses are recognizing that the human rights of miners and mining communities cannot be separated from the use of these minerals.

To help companies and industries identify areas of higher and lower performance, key performance indicators (KPIs) for conflict minerals reporting in *Mining the Disclosures 2015* are organized into five Measurement Areas (MAs):

- MA 1: Commit**
Have a strong policy and an effective system to implement it.
- MA 2: Assess**
Identify and assess risks in the chain of custody of minerals.
- MA 3: Respond**
Describe the steps taken to manage risk.
- MA 4: Report**
Comply with reporting requirements and generate public confidence.
- MA 5: Impact**
Promote a conflict-free minerals trade.

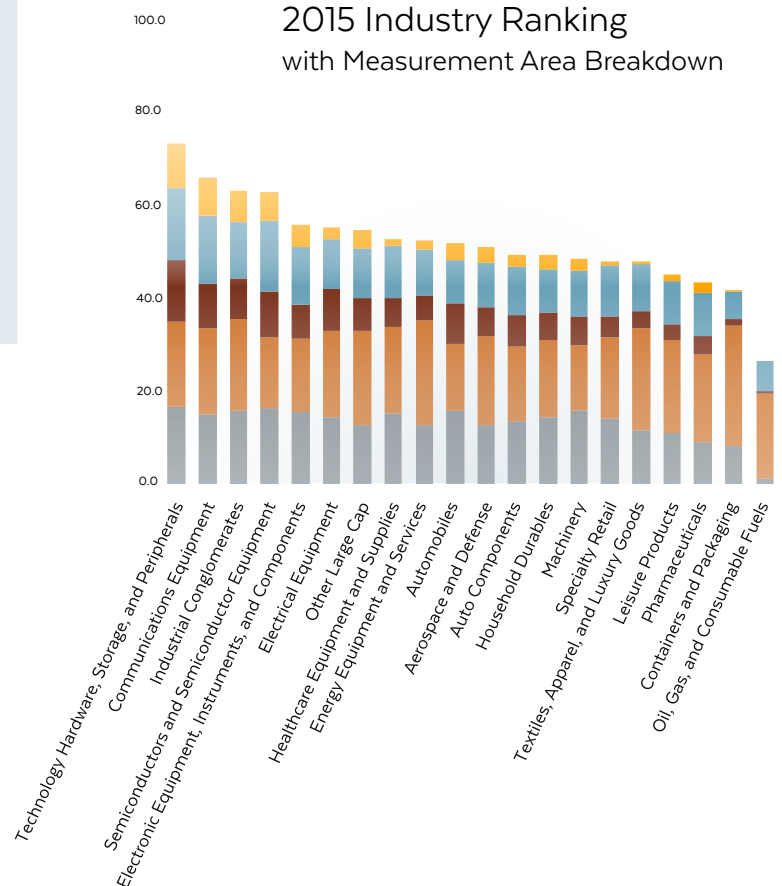
Results

In a sample group of 155 large cap companies, only a handful of companies are close to sourcing 100% conflict-free tantalum from the DRC, and Intel is the sole company with a conflict-free product line.

Traceability has emerged as a higher priority than meeting the definition by the Securities and Exchange Commission (SEC) of conflict-free, which could include cutting off all trade from the DRC region. Other findings include:

- Companies are leaving vital links out of their approach to supply chain due diligence. Key links in a conflict-free supply chain include: control systems, supplier leverage, Smelter or Refiner (SOR) compliance, and in-region impact. Many companies only focused on one or two of these vital links.
- Companies have proven their willingness to **Assess** but do not **Respond** to the risk they identify by building capability in suppliers and SORs. Many companies mistakenly confuse responding to risk as assessing risk. For others, keeping due diligence in a state of uncertainty means avoiding committing the resources to fully respond to risks.
- Split industries, like Automobiles and Energy Services, have a divide between a few companies with strong scores while others have weak scores. These industries can benefit from collaboration between higher and lower performers.
- Laggard industries are those in which a majority of companies are submitting subpar reports. Investors should demand increased transparency from these industries, including Pharmaceuticals. Other strategies, including engagement with consumers, may be needed.
- Companies continue to dramatically underperform on **Impact** indicators. Some of the same companies that claim to support the humanitarian goals of Section 1502 do not describe any efforts to promote a conflict-free minerals trade in the DRC region.
- Transparency, measured in **MA 4: Report**, continues to be low. Although transparency is key to traceability, and the level of

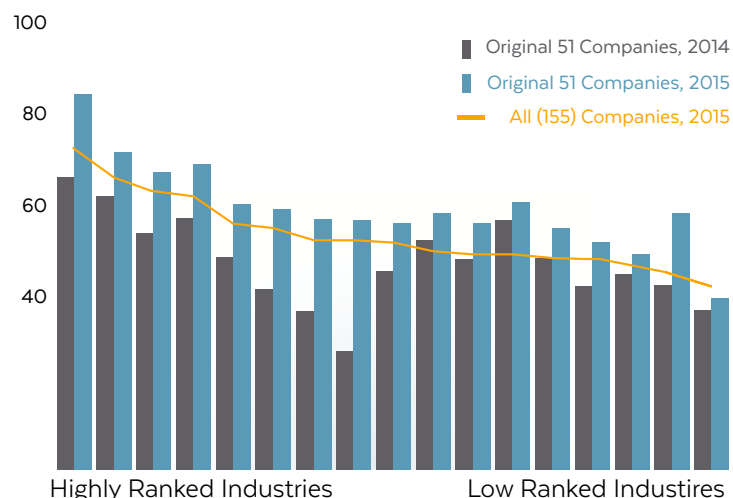
2015 Industry Ranking
with Measurement Area Breakdown



disclosure has a major impact on overall score, most companies are not disclosing key details of their due diligence. The first and second highest scoring companies overall, Intel and Philips, were the only ones in the sample group that had their disclosures audited by an independent third-party.

- **Change from 2014:** As the graph on the right shows, the original 51 companies from last year's pilot achieved higher average scores this year by industry. (2014 scores were recalculated using the updated methodology.) Three industries dramatically improved their rankings this year (blue bars) from last year (grey bars): Electrical Equipment, Healthcare Equipment, and Energy Services. This year, the performance of the original 51 correlates closely to the overall performance of the expanded sample group of 155.

Comparison of 2014 and 2015 Results



Expectations for Companies

- **Prevent and halt the embargo of minerals from the DRC region.** Misguided companies like ExxonMobil and Parker Hannifin have instituted a formal embargo of the DRC region. In contrast, companies like EMC are reaching out to educate SORs about sourcing conflict-free from the region, to prevent harming the people the law is meant to protect.
- **Build more leverage over suppliers and SORs.** Most companies express a lack of leverage on their supply chains, but leading companies explain how they are building that leverage, whether through relationship management or robust enforcement methods. Companies that describe strong supply chain management procedures have reported less problems conducting due diligence.
- **Contribute to collaborative efforts.** Some leading companies have expressed to RSN the vital importance of other companies and industries stepping up to support collaborative efforts like the Conflict-Free Smelter Initiative (CFSI). Engagement with a broad coalition of affected industries regarding the complexities of conflict minerals allows companies to look at the associated issues more strategically and learn best practices.

Takeaways for Investors

- **Balance immediate and long-term conflict-free goals.** No company can run before it walks; suppliers must learn to trace and report on their mineral sourcing before they can provide accurate information about SORs. Pushing suppliers to certify products conflict-free immediately could lead them to signal a preference for “DRC-Free” up the supply chain, instead of “conflict-free from the DRC.” On the other hand, failure to communicate urgency to suppliers leaves them with little incentive to improve traceability.
- **Leading companies are listening.** *Mining the Disclosures* helped make the conversation between civil society and the private sector more specific and constructive. Certain industries are doing better than others, in part due to their participation in industry and multi-stakeholder efforts. Leading companies from laggard industries have taken leadership in adapting existing industry schemes to their own industry's needs. Critical questions and new perspectives emerge when less-engaged industries like Energy Services and Healthcare Equipment come to the table with their own understanding of supply chain management.
- **Scrutiny drives change.** The SEC and the public must hold companies accountable when they abuse the law, exploit loopholes, or greenwash. Companies have showed they will respond to a combination of regulation and public pressure. The information technology (IT) sector has faced the most public scrutiny and reputational risk, and tends to have a higher average score than other industries. The IT sector may be performing better because it faced scrutiny from non-governmental organizations (NGOs), consumers, and investors even before the law was enacted, which caused it to create due diligence systems earlier than others. Major IT companies like Dell and Samsung have not had to face the same scrutiny as tablet competitors Microsoft and Apple because they are not traded on a U.S. exchange, while companies like Amazon have often escaped scrutiny because they are not listed as members of the IT sector.

Section 1502 has channeled investor demand and private sector innovation into large-scale collaboration toward traceability, which is the first of its kind. The task of responsible minerals sourcing is crossing borders and oceans, from Asian industry organizations to the European Parliament. Now is the time for wider adoption of robust KPIs for conflict minerals, such as those presented in *Mining the Disclosures 2015*. Leading companies understand that robust due diligence will increase their human rights performance score and contribute to peace and prosperity in the DRC region.

Human Rights Performance: A Valuable Investment

In the Democratic Republic of Congo and neighboring countries (DRC region), warlords are still profiting from the trade in tin, tantalum, tungsten, and gold (3TG) at mining sites and along transportation routes. People continue to suffer sexual violence in high numbers; and a prosperous, just minerals trade is still in nascent stages.¹ However, corporations and a variety of stakeholders have started to respond by rejecting the system of the past, and are now connecting the dots from product to mine, showing it is both doable and valuable.

The approach to addressing conflict minerals is different from past human rights concerns because of the congressional requirement for companies to report on it publicly. Transparent reporting of financial performance has been required since the establishment of the SEC (and sometimes remains a struggle), but now companies can be evaluated and compared on their reporting of social performance, specifically human rights performance. This sea change in the concept of company reporting has been greeted with enthusiasm by some and resistance by others. Having mandated, standardized, and publicly available conflict minerals reporting helps shareholders incorporate social performance into their investment decision making. As “triple bottom line” reporting enters mainstream as a part of investment decisions, the demand for additional reporting on environment, social, and governance (ESG) performance is likely to increase.

For some companies, conflict minerals is one of many social metrics, such as health and safety, labor conditions, or supply chain diversity, which many are already reporting on publicly. For others, conflict minerals due diligence is the first experience of engaging suppliers on a human rights issue. Across the board, the congressional mandate for companies to trace conflict minerals, found in Section 1502 of the Dodd-Frank Act (Section 1502), has led to cross-sector, international frameworks and due diligence processes. These steps create an unstoppable precedent for raw material traceability.

The details of the law compels companies to go beyond describing pet projects, which sometimes raises concerns of greenwashing, to report according to an international framework developed by the Organization of Economic Cooperation and Development (OECD). Standardizing a reporting requirement according to an internationally recognized due diligence framework creates opportunities for more consistent performance evaluation – not just in the U.S. but globally. In spite of this standardization, disclosures under Section 1502 have extensive variation due to different companies’ business models, corporate culture, or interpretation of the law. Turning human rights performance into binary indicators is a challenge RSN has risen to with the support of extensive stakeholder input, including continued support from 2014 research provider [Sustainalytics](#). In 2015, RSN continues its analysis of conflict minerals reporting in a holistic approach that utilizes the standardized SEC reporting but it also goes beyond the letter of the law. RSN believes analyzing KPIs that look at the impact of corporate practices on the ground as well as commitments to sourcing conflict-free from the DRC region will assist stakeholders in measuring social value and human rights risk.

Key Performance Indicators (KPIs)

Tackling the complexity of responsible sourcing has been a learning experience for companies as well as for civil society. As anticipated, RSN’s pilot study created debate and discussion. Input was collected from a spectrum of stakeholders, with an emphasis on major companies from both leading and lagging industries. Just as RSN expects companies to validate, test, and improve their approaches, our KPIs must keep pace with new developments and emerging leading practices.

Some examples of improvements made in the analysis of 2015 disclosures include:

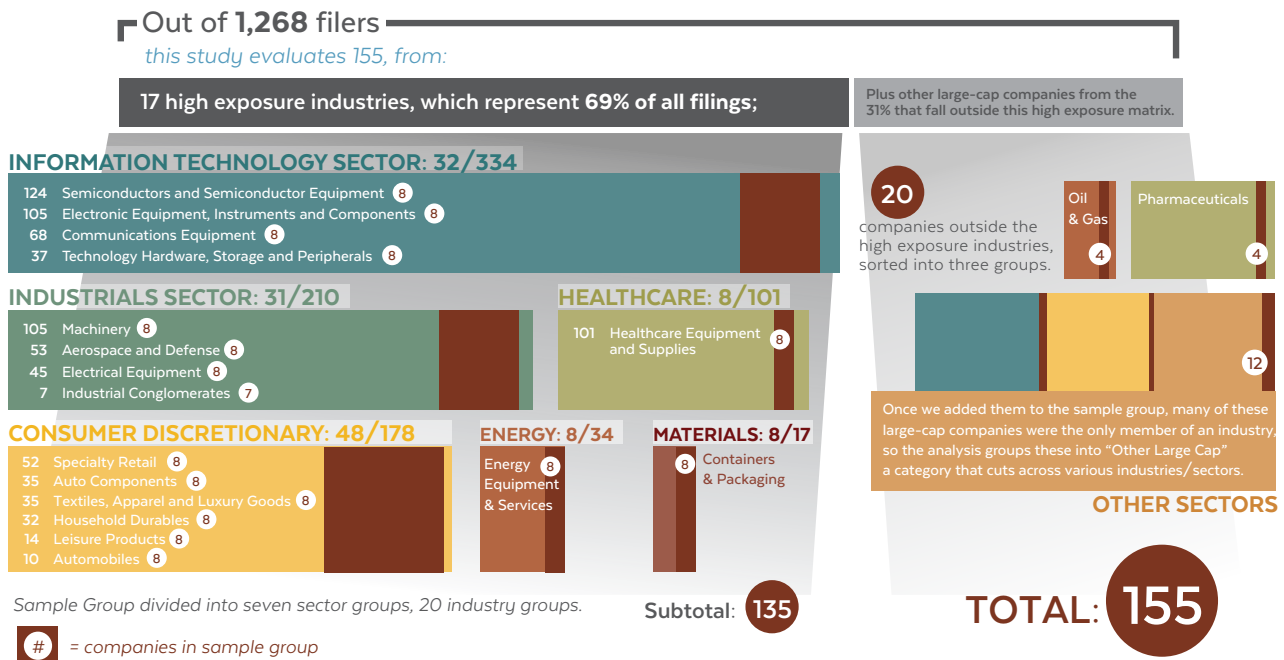
- Developed better KPIs for the implementation of due diligence than mere adherence to the OECD steps.
- Drew nuances, such as the difference between “committing to” and “enforcing” conflict-free sourcing.
- Increased the objectivity of binary indicators and guidance, despite complications due to variances in reporting.
- Reorganized and renamed Measurement Areas (MAs) to follow action-oriented practices.

Leading practices. Leading companies are setting a pace for others to follow, extending the logic of Section 1502 beyond minimum practices to increase transparency of and leverage within their supply chains. A “goal line” at which a company is “finished” improving its due diligence practices is not currently identifiable, so a realistic appraisal of social performance must take into account emergent leading practices and encourage their wider adoption. To drive innovation and leadership, RSN will continue to add emergent leading practices from companies each year. Examples of KPIs added to the analysis based on 2014 leading practices:

- A complete country of origin list aggregated into categories by mineral, country risk level, or product.
- A risk assessment with ratio of conflict-free SORs clearly identified in a table or chart.
- Impact metrics like wages of DRC miners or reduction in presence of armed groups.
- Specific actions taken to ensure conflict-free does not lead to an embargo of the DRC region.

¹ GAO, *SEC Conflict Minerals Rule: Initial Disclosures Indicate Most Companies Were Unable to Determine the Source of Their Conflict Minerals*, GAO-15-561 (Washington D.C.: August, 2015).

Sample Group. The sample group for *Mining the Disclosures 2015* consists of 155 companies that filed with the SEC in 2015, including all 51 original companies from the 2014 pilot study *Mining the Disclosures*. Of the 155, seven are first-time filers. Because *Mining the Disclosures* primarily focuses on industry versus company performance, RSN used the same 17 high-exposure industries as in 2014, but expanded the analysis from the top three to the top eight companies by market cap (on June 1, 2015) for each industry, resulting in 135 companies. The shortcoming of using only the industry-based approach is that it excludes major companies that use 3TG, including both strong performers like Microsoft and weak performers like Amazon. In order to compensate for this shortcoming, this 2015 study also includes the top 20 filers by market cap that are not already constituents of one of the 17 high-exposure industries, resulting in a total of 155 companies in the sample group. Eight of the additional companies fall evenly into the industries “Oil, Gas, and Consumable Fuels” and “Pharmaceuticals” so this report lists these two as stand-alone industry groups. The remaining companies have been placed into an “Other Large Cap” industry group, which results in a total of 20 industry categories across seven sectors, including an “Other” sector grouping for companies that do not belong to one of the six original sectors used in *Mining the Disclosures*.



SD-only and Non-filers. In addition to reviewing filers that submitted Conflict Minerals Reports (CMR filers), RSN has reviewed Specialized Disclosure-only (SD-only filers) and non-filing companies. Some other evaluations go easy on SD-only filers, but through RSN’s research, there is some indication filing an SD-only may signal inadequate due diligence. Reporting less robustly (i.e., not filing a CMR) should not give companies a way to bypass scrutiny; in fact, the opposite should be true. In addition, this 2015 edition of *Mining the Disclosures* institutes a separate scoring scheme just for company policies. This allows the apples-to-apples comparison of filers with non-filers, and was used to compare major tablet and automobile manufacturers in Appendix 3.

Score and Weighting. One of the principal aims of this report to encourage transparency, which is an essential component in traceability and accountability. Therefore, scores are based on reporting findable from the company’s SEC filing. This includes websites linked from the filing, as well as other information found on conflict minerals pages within certain parameters. If a company took action on conflict minerals but did not report it, or reported it in a way that was difficult to locate, this generally did not contribute to the company’s score. For the 2015 analysis, weights have been adjusted for each of the SEC’s three categories of companies, based on RSN’s expectations:

- 1. **CMR filers** receive a total score that is weighted equally between all five Measurement Areas (20% each):
MA1: **Commit**, MA2: **Assess**, MA3: **Respond**, MA4: **Report**, MA5: **Impact**.
- 2. **SD-only filers**, or those that “do not have reason to believe” they source from the covered countries, receive twice as many points for the **Assess** Measurement Area (MA), while **Respond** and **Impact** are only 10% each of the total score. The result of this adjustment is that some SD-only filers received a boost to their 2015 score compared to RSN’s 2014 ranking, but SD-only filers must go well beyond the letter of the law to achieve a high score.
- 3. **Non-filers with exposure to 3TG** must **Commit**, or at a minimum adopt, a strong policy, as defined below.

For more information on methodology, see Appendix 4.

Evaluation of 2015 Disclosures

The original pilot pool of 51 companies that filed in 2014 is compared with 155 companies that filed in 2015. Results are listed per indicator, along with relevant leading practices and potential obstacles. The 21 indicators, which overlap closely with the 2014 indicators, are organized into five Measurement Areas, weighted equally for CMR filers (with exceptions for SD as noted on page 6).

MA 1: Commit (20 points)

Adopt a strong policy and an effective system to implement it.

MA 2: Assess (20 points)

Identify and assess risks in the chain of custody.

MA 3: Respond (20 points)

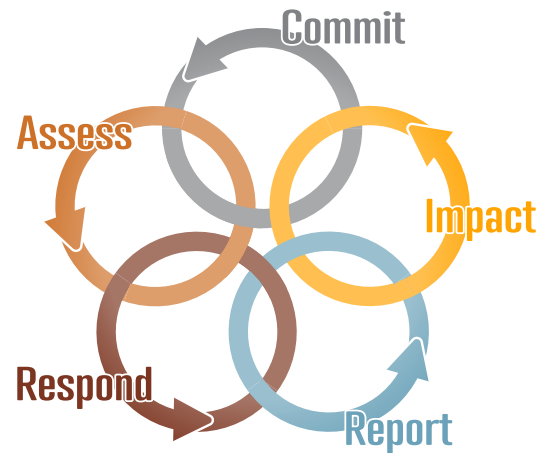
Describe the steps taken to manage risk.

MA 4: Report (20 points)

Comply with reporting requirements and generate public confidence.

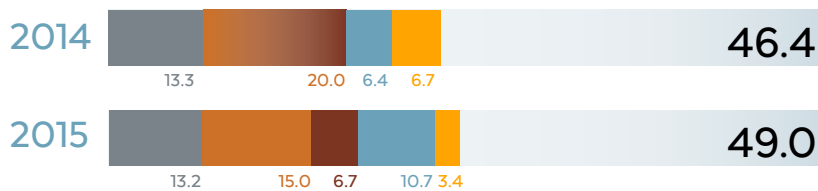
MA 5: Impact (20 points)

Promote a conflict-free minerals trade in the DRC.



In the sector breakdown section (pages 23-29) each industry received a score for each Measurement Area, which allows investors to target advocacy efforts in each industry to focus on areas where the most improvement is needed.

Average Score by Measurement Area



Key for Evaluation Section



2014 scores



2015 scores match Measurement Area color



Suggested leading practice: Instance of leadership or innovation that exceeded the requirements of the indicator. Based on stakeholder feedback, these may be integrated into future evaluations.



Potential obstacle: Area where companies have demonstrated confusion, failure, or bad faith.

MA 1: Commit





Adopt a strong policy and an effective system to implement it. (20 points)

In the OECD due diligence framework, Step 1 requires “the development of a unique, company-specific conflict minerals policy and the creation of internal structures to support supply chain due diligence.” The OECD due diligence framework does not state that a company must conduct a reasonable country of origin inquiry (RCOI) before deciding whether it needs a policy. The implementation of the framework presumes a good faith response to risk exposure.

Just because there is now a law that requires certain companies to follow the OECD framework, does not mean other companies (those not required to file per U.S. law) with exposure to 3TG can justify ignoring the OECD’s guidance. At a bare minimum to show good faith, all companies that identify 3TG exposure in their business model should commit to a strong conflict-free minerals policy, including the four elements set forth below.

1A Conflict-Free Minerals Policy

In a formal, public, companywide policy, a company should have all of the following four elements:

- | | |
|---|---|
| a. Commit to conflict-free sourcing. | a.  60% |
| b. Specifically note that suppliers may continue to source from the DRC region. | b.  38% |
| c. Set clear expectations for suppliers. | c.  29% |
| d. Commit to ongoing due diligence. | d.  10% |

The large majority of companies have a policy in place, and this number has increased in 2015, for the sample group. **For ratings of individual policies, see Appendix 3.**





Does the law require conflict-free sourcing? It does not. When companies publicly pledge to comply with Section 1502, or commit to trace and report minerals, they are not necessarily committing to source conflict-free minerals. A company that commits to source only conflict-free materials in its products is actually going beyond the requirements of Section 1502, and 56% of the companies in the sample group have done so. Unfortunately, some popular brands like Disney, Amazon, Gap, Wal-Mart, Lowe’s, Nike, Tesla, Under Armour, and others have failed to follow suit in committing to source conflict-free.



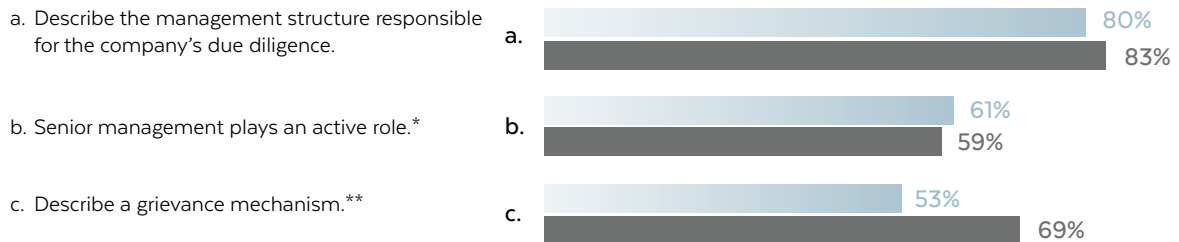
Are companies pushing suppliers to embargo the DRC region? The vast majority of policies for companies in the sample group fail to commit to continued, conflict-free sourcing from the DRC region. Notable exceptions include Google, Brunswick, Tiffany & Co., and National Oilwell Varco, as well as just 24 other companies in the sample group of 155. When suppliers interpret the language used in a company’s policy to mean it is best to cut off all 3TG trade with the DRC region, the result is a devastating embargo on millions of artisanal miners. It is therefore critical that companies specifically and clearly communicate their commitment to promote a conflict-free minerals trade in the DRC region.

1B Policy Accessibility

- | | |
|--|---|
| a. Link to policy directly from the disclosure. (Include navigation instructions if needed.) | a.  57% |
| b. Include policy in whole or in summary within the filing. | b.  33% |



Commit to collaboration: Include a public, specific commitment to partner with industry peers and other stakeholders within the policy, as a number of companies did, including Magna International.



***Active role:** Companies that only stated that the conflict-minerals team “briefed” or “reported to” senior management on a regular basis did not receive points. Points were awarded if a specific senior manager was named as the responsible person, the membership of an executive steering committee was detailed, or a specific chain of command was explained.

****Describe the grievance mechanism:** In future evaluations, points may only be awarded if the grievance mechanism is described in sufficient detail. A robust grievance mechanism helps safeguard against smuggling and corruption. It should be integrated into existing company practices regarding integrity and ethics.



Include an email address. Include an email address where conflict minerals concerns can be addressed within the policy itself, or make it easy to locate on the conflict minerals page, following the example of Michael Kors, Avago Technologies, and dozens of other companies in the sample group. The vast majority of the sample group, however, provided no contact information for its conflict minerals or related programs.

Describe the grievance mechanism: The filer should report whether conflict minerals training is given to the staff or service providers that respond to an ethics hotline, supplier help desk, or email address.



Eliminating conflict minerals? When a company pledges to “eliminate all conflict minerals” from its products, it is technically pledging to stop using 3TG, which is probably not the intention. Most companies use the term “conflict minerals” correctly as a synonym for 3TG, minerals that *could* cause conflict in the DRC region. Not all “conflict minerals” – meaning 3TG – actually contribute to conflict. Rather than misstating its goal as the elimination of conflict minerals, a company can commit not to use *minerals that contributed to conflict*.



The Bottom Line

A company's conflict-free policy unifies its response to risk – and to opportunity. If the initial commitment sets the company in the wrong direction, such as in the direction of an embargo of the DRC, internal processes and supplier programs alike will follow the same, detrimental direction. A comprehensive policy, which contains all four required elements above, increases internal alignment, and thus the efficiency of operations. It conveys gravity and sincerity to suppliers and other business partners. Additionally, a growing number of consumers consider a brand's public, specific commitments to human rights in purchase decisions.

DIGGING DEEPER

A Little Goes a Long Way

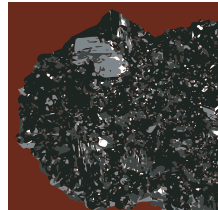
No matter how small a portion a company uses, or how remote the odds it came from a conflict region, the trade in 3TG enables more and more companies to compete in an electronic-centered world – and affects millions of miners and communities. The systems stakeholders are putting into place now will help companies manage risk in other regions where human rights abuses are linked to mineral extraction. Due diligence prepares companies for a more transparent and accountable future while tightening the net on conflict-affected minerals.

Trace Amounts: While a few companies frankly acknowledge the irreplaceable value that 3TG adds to their product by allowing it to function, others include language trivializing their use of conflict minerals (ex., only a small amount is used; it exists in a small portion of our products; or it is a small ratio of the other materials or in regards to overall spend). An increasing number of products include electrical components. The manufacture of e-cigarettes, for example, has brought major non-electronics companies like Phillip Morris into global 3TG supply chains. Any company filing conflict minerals disclosures with the SEC first has to have found 3TG to be “necessary” to the functionality of its products and thus should not minimize its importance.

Only a fraction of global 3TG trade: Another argument used to question the link between the products we use every day and conflict in the DRC region, is that only a small fraction of the world’s supply of 3TG comes from the DRC. Although amounts of tungsten and gold may be small, the amount of tantalum and tin, especially in reserves, is fairly significant. The only way to put an end to the current exploitation and extortion is to coordinate a unified voice from many downstream suppliers. The fact that it is so hard to trace minerals from the DRC means the net to catch conflict-affected minerals must be tighter, with:

- Direct action in the DRC region – by more than just a handful of companies;
- Larger amounts of mines verified as conflict-free;
- Integral systems established to track and regulate minerals trade from mine to point of export;
- Collective action by industry associations to stop conflict-affected minerals from making it past SORs;
- Universal standards for metal traceability and transparency.

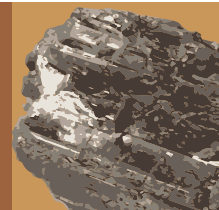
Tin (Cassiterite)



Tantalum (Coltan)



Tungsten (Wolframite)



Gold

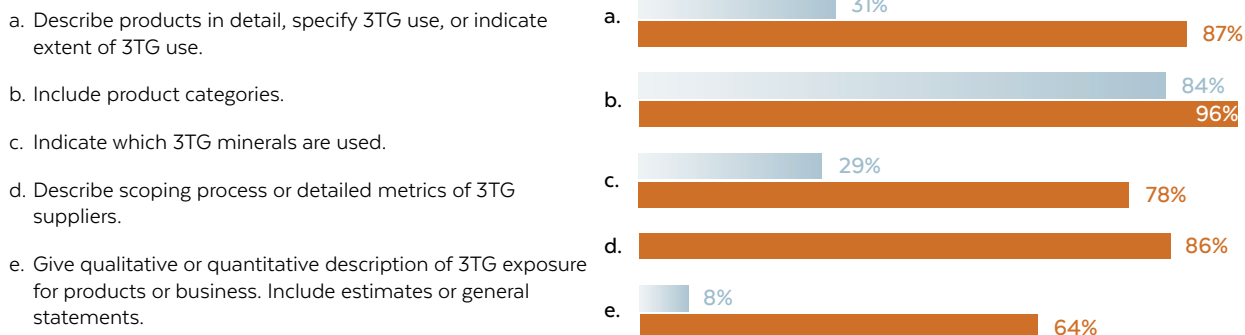


MA 2: Assess

Identify and assess risks in the chain of custody. (20 points)

The next step a company must take is to determine which products are in-scope and where the components were sourced. Companies should establish a robust process for assessing exposure and successfully tracking the minerals supply chain upstream from finished product to country of origin.

3 In-Scope Determination



Explain how 3TG is used. In addition to explicitly stating what minerals are used, leading companies describe why each mineral used is necessary to the functionality of the product. In a majority of cases, mineral use was implied by the accompanied SOR list sorted by mineral. Only a small fraction of the sample group actually made a statement stating which 3TG minerals are used or how.



Err on the side of caution when removing suppliers from the annual RCOI. Involve product specialists and managers at the appropriate level in a regular review of suppliers. Do not rely solely on self-reporting from suppliers, which may be inaccurate. Some companies reduce the number of suppliers surveyed each year as products are found not to contain 3TG. Companies should provide assurances that there is a company-wide detection system for exposure to 3TG from new suppliers, new manufacturing processes, or new products. The decision to screen out certain suppliers for not sourcing or products for not containing 3TG should also be reevaluated regularly, since a change in manufacturing or design may occur from year to year. While many companies detailed a continuous or annual risk assessment system, roughly the same number only described an initial review.



Report on assessment of which suppliers can have the greatest impact on traceability. This could include a downstream company's leverage over the direct supplier or a supplier's leverage over upstream actors. CFSI's recent guidance for filing companies states, "The most effective strategy for such Downstream Companies ... may be to concentrate efforts on those segments of their supply chains in which they have the greatest ability to encourage SORs to engage in a verification program" ([Five Practical Steps to Support SEC Conflict Minerals Disclosure](#)). Similarly, the OECD guidance states companies should focus on suppliers that have the greatest leverage over SORs.

4 Supplier Surveys

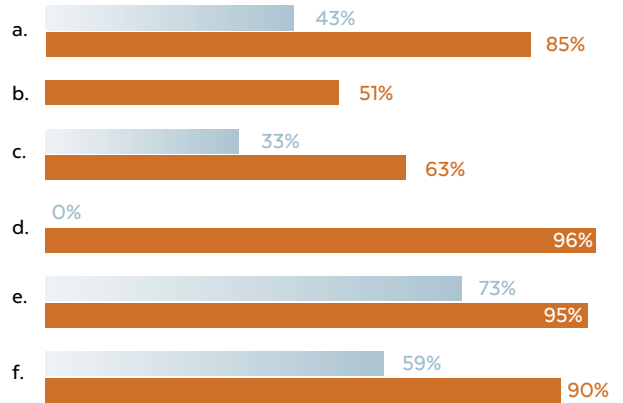


Analysis: There has been almost universal adoption of the Conflict Mineral Reporting Template (CMRT) created and updated by CFSI. A majority of companies went a step beyond mentioning the template to describe the way that they adapted and implemented the template.



Use of third-party services. A number of companies in the sample group suggested they used a third-party service provider, specialized software, or outside expert. It can be advantageous to solicit third-party support if it fits the needs of the company, and delivers improvements in any of the five measurement areas where the company's current system is weak. A robust internal management system and team should remain active and engaged in overseeing the work of the service provider. Johnson & Johnson even audited their service-provider on-site. Once a company has gained insights from the service provider or specialized software system, it should be transparent about sharing how those findings shaped its due diligence response.

- a. State supplier response rate.
- b. State rate of response per mineral, product, or business division.
- c. Check known components in products against metals processed at the facility.
- d. Crosscheck existing SOR lists (US Commerce, CFSI, LBMA, RJC, etc.) or use another system to determine which are actual SORs.
- e. Follow up on non-responsive suppliers and/or on incomplete or erroneous responses.
- f. Describe verification process or continuous evaluation system or service.



Clear language for suppliers. Some companies include guidance materials that make it easier for suppliers to cooperate, rather than lengthy or hard to understand policies. Start a survey and review process as early as possible to give suppliers sufficient time to collect the necessary data, provide materials translated correctly into local languages, and ensure training materials are in plain language and easy to put into practice.



The CFSI does not yet have every 3TG smelter or refiner on its list. The CFSI has a list of all SORs it knows to be working facilities that do in fact process 3TG, and which of these are verified as being compliant with the Conflict-Free Smelter Program (CFSP) assessment protocols or a mutually recognized program. Sometimes suppliers send companies facility names that do not appear on either list, and therefore may not be SORs, or may be inactive. Seagate refers to these as “known unknowns” – the SOR names that do not appear on the CFSI list, versus the “unknown unknowns” – those SORs not reported by suppliers. Sometimes the purported SOR names reported by suppliers include many hundreds of entities that do not appear in the CFSI’s records. When a company reports these names to CFSI, they perform an important part of due diligence that benefits companies across their industry whose suppliers may source from the same SORs, and make the entire system more accurate, more credible, and therefore more effective.

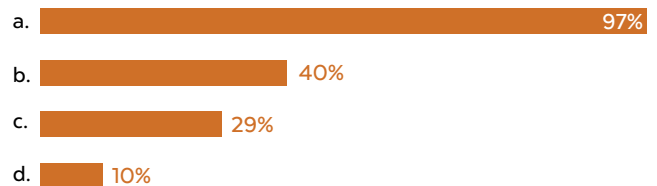


Expand the list of known SORs. Submit names of facilities identified by suppliers that are not on the standardized SOR list to the CFSI, to support its efforts to identify and audit every SOR that processes 3TG. EMC performed research and outreach to validate SORs that were reported by suppliers but were not on CFSI’s standardized SOR list. Some companies reported using third party service providers to validate SOR data by checking SORs’ public internet pages, and in some cases, to contact SORs directly.



SD-only filers should list a response rate. Only a small fraction of CMR filers received 100% responses. We cannot ascertain whether SD-only filers are even approaching 100% because for the most part they are not reporting this information. Although the SEC does not explicitly require a SD-only filer to report a response rate, it seems to be a logical part of even a “brief description” of the RCOI. If lack of response from suppliers is a red flag, a conclusion of having “no reason to believe” without reporting a very high response rate from key suppliers could be a sign of deficient due diligence or inaccurate filing status.

- a. Sort countries of origin by mineral, product, or risk-level.
- b. List all possible countries of origin (none knowingly withheld).
- c. List some countries or regions, or name one or more covered countries as countries of origin.
- d. List determination regarding possible sourcing from the DRC region.



	2014	2015
Shared full country of origin list:	20%	46%



Country of origin is not the same as SOR location. A handful of companies erroneously identified the country location of the SOR as a “country of origin” for the minerals. The country of origin is where the minerals are mined, whereas the SOR location is where the minerals are processed.



Lack of supplier response is a red flag. One company acknowledged that it had a higher rate of response on its overall supplier surveys than from companies that actually used 3TG (86% vs. 79%) which could mean that this company is not receiving full information where it is needed the most – from the suppliers that use 3TG. For such a company, ignoring non-responsive suppliers may result in deficient due diligence and an inaccurate conclusion that it has no SORs in its supply chain that may source from the covered countries. As is always the case in due diligence, what you don’t know can hurt you.



Suppliers may be sourcing from the covered countries even if they report that they are not. Many companies acknowledged that their initial survey of direct suppliers simply did not yield reliable information. One leading company (EMC) found that “some of our suppliers reported that none of the 3TG in their products originated from the Covered Countries when, in fact, CFSP-compliant SORs in their supply chain publicly disclose that they do source from the Covered Countries.” This is proof that it is insufficient for companies to simply ask direct suppliers whether they source from the covered countries and that a company should consider verification of the SOR list a part of its own responsibilities, not solely a responsibility of the direct supplier. Relying completely on supplier determinations may lead to inaccurate RCOI conclusions.



Make sure RCOI language is not sending an embargo signal. The 1502 legislation states that companies with an initial RCOI that does not identify sourcing from the DRC region have fewer reporting requirements. This may incentivize companies that do not want to conduct full reporting to send an implicit or explicit signal through their supply chains not to source from the covered countries. ExxonMobil is explicit about this, but others are more implicit about sending the same signal. Making suppliers fear losing business for sourcing from the DRC region is shortsighted and socially irresponsible. This approach also undermines the intention of Section 1502.



The Bottom Line

Being able to assess risk in the supply chain places a company in a better position to assess risks with raw materials from other conflict-affected areas. Doing a deep risk analysis on raw materials may also uncover cost savings by improving and increasing relationships with key suppliers, minimizing relationships with outdated or unused suppliers, and increasing quality controls and inventory management.

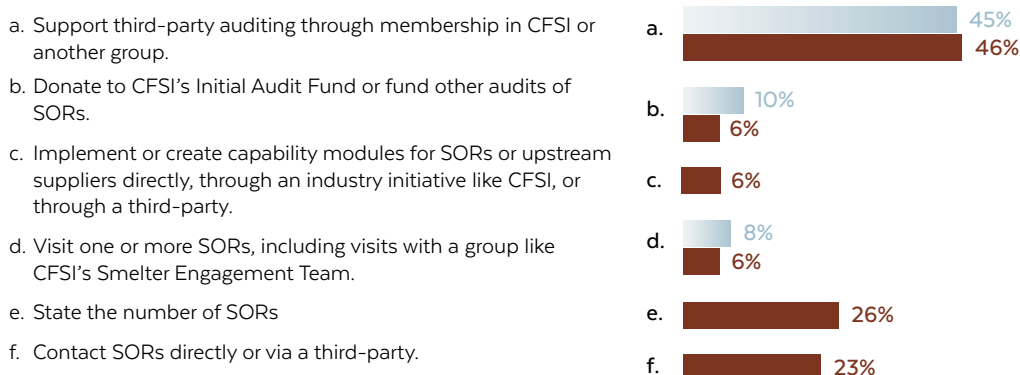
MA 3: Respond

Describe the steps taken to manage risk. (20 points)

The indicators in this Measurement Area are drawn primarily from OECD steps three and four. Step three instructs downstream companies to build and/or exercise their leverage over suppliers (value orientation and capability-training), especially the ones that can most effectively and directly mitigate the risks of adverse impacts. Step four requires companies to identify SORs in their supply chains and assess the due diligence practices of their SORs. The guidance states that ultimately each downstream company is responsible for its own due diligence, but encourages collaboration with industry organizations.

A majority of companies in the sample group appear to have focused exclusively on assessment, which is reflected in the overall average scores for **Assess** being much higher than those for **Respond**. Companies that only focused on the RCOI, which includes gathering a complete SOR list and checking it against a list of CFSP compliant SORs, is just the first part of a response to exposure. Even if the exposure to sourcing from the conflict region seems slight, a responsible company will take additional steps to respond such as engaging SORs, supporting or conducting training for SORs or other upstream suppliers, or other activities, including those that make up KPI 8.

7 Response to Risk at SOR Level



Analysis: Although only a small minority of filers responded to risk at the SOR level, many companies mentioned SOR engagement as a goal for calendar year 2015.



Proactively work with SORs. Some leading CFSI members joined the Smelter Engagement Team (SET). Other leaders contributed to the CFSI's Initial Audit Fund, which pays for a SOR's first due diligence audit. There is still room for more to be done by CFSI and others to increase the capability of SORs to conduct due diligence. We know some companies may be devoting significant resources to helping SORs improve their due diligence, but description of such efforts was notably absent from public reporting.



Help suppliers find alternate sources. Leading companies should do like Apple did and work with suppliers to find alternate sources of when an SOR would not comply with an audit. As always, the goal should be to source conflict-free without encouraging suppliers to cut off trade from the DRC region.



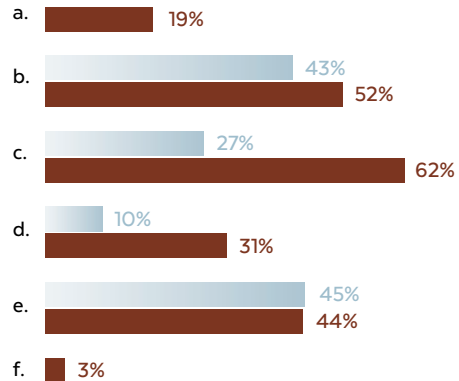
Why aren't companies mentioning specific incidences of risk? Some companies were criticized for failing to detail specific red flag events. One leading company explained its view in its CMR: "The expectations of due diligence should also be tempered, as it is highly unlikely that any company in the supply chain will ever provide a declaration indicating that they source conflict minerals from armed forces." In year one, a company revealed possibly sourcing from North Korea, and this news totally overshadowed the due diligence process it had undertaken. The take away for some companies was, "Let's say as little as possible." In spite of this example, a company must take a fearless look at its supply chain and dig deep enough to actually discover red flags. The KPIs in this report focus on discovering if companies have sufficiently robust processes to identify and report their red flags, such as a low supplier survey response rate or a non-compliant SOR that may source from the DRC region and thus is not certified conflict-free.



Positive reinforcement. Companies often overlook the power of positive feedback to reinforce desired behaviors as part of due diligence. Nike contacted CFSP compliant SORs to thank them. “We sent a letter to the smelters and refiners identified by the Covered Suppliers that were conflict-free, thanking them for their participation in conflict-free smelter certification programs, and encouraging them to continue such participation.”

8 Response to Risk at Supplier Level

- a. Assess which suppliers have the greatest impact on risk mitigation (leverage over their own suppliers).
- b. Have a procedure to escalate identified risks and either terminate suppliers or devote resources to bring them into compliance.
- c. Monitor or influence sourcing decisions from suppliers that have a higher likelihood of sourcing from the DRC region.
- d. Check suppliers’ policies for minimum requirements or require suppliers to have a public policy.
- e. Include language on conflict-free sourcing in supplier agreements and/or contractually require reporting.
- f. Meet with suppliers in person.



Expand supplier education efforts. LG reported increased accuracy of SOR lists after expanding its supplier education efforts. EMC points out, “Without an accurate list of 3TG smelters and refiners in our supply chain, we will not be able to target the smelters and refiners that would benefit from participation in the CFSP audits, or fully understand the progress toward our goal to be DRC Conflict-Free.” Accurate information is critical, and this may require helping suppliers design and implement their own due diligence programs.



Build leverage through relationships. Kyocera assigned “survey managers” to build a favorable relationship with each supplier, one-on-one, resulting in increased accuracy and leverage. Kyocera and other leading companies held seminars. Apple, Verizon, and other companies sent employees to visit suppliers in person. UTC created a video message for suppliers.



The Bottom Line

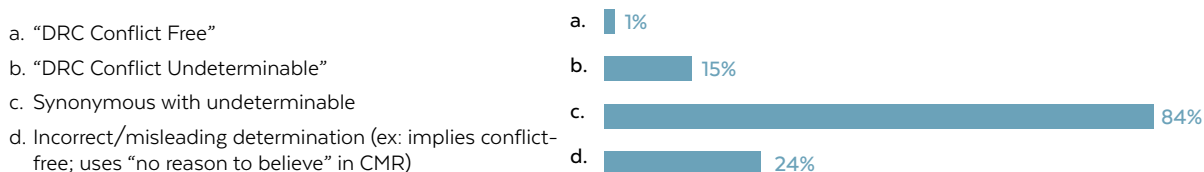
Responding to risk is the ultimate form of due diligence; simply knowing the risk is there is only half of the equation. A company that embraces supplier and SOR engagement shows investors both capable supply chain management and agile response to the challenges of conducting business globally. Leading companies demonstrate their ability to follow-through on commitments, competence, and operational effectiveness. Such companies build relationships with suppliers that lead to more leverage with suppliers in the long-term, which may help identify and ideally mitigate risk before it happens, as well as potential improvements in price and other negotiations beyond those related to conflict minerals.

MA 4: Report

Comply with reporting requirements and generate public confidence. (20 points)

Most filing companies in the sample group fell short on indicators related to transparency and reporting. Although the actions taken by companies are arguably the most important aspect of social performance, investors and the public can only evaluate and compare these actions if the company reports on its findings. Transparency contributes to increased accountability for the reporting company, but also for suppliers, SORs, and other actors. Transparency also contributes to a greater understanding of the global trade in 3TG, which in turn informs efforts to keep conflict-affected minerals out of global supply chains.

9 Determination Stated

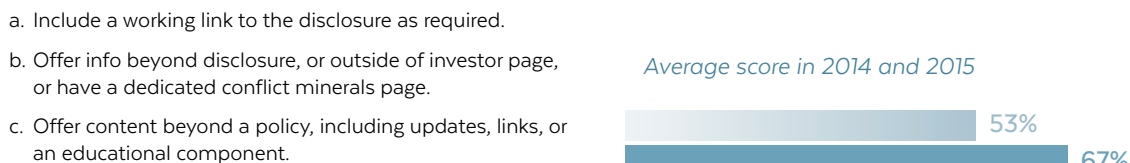


DRC Conflict-Free. A company may in good faith state it has not identified any suppliers known to be sourcing 3TG from the DRC region that benefits armed groups. However, such a statement should not be used to imply that its products can be considered DRC conflict-free unless the company has conducted an independent private sector audit (IPSA).



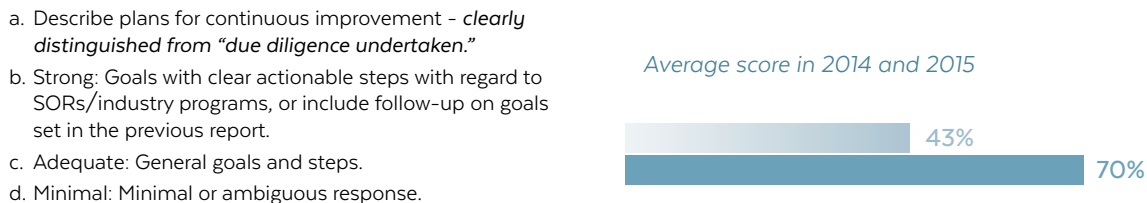
Not DRC Conflict-Free. In August 2015, the U.S. Court of Appeals upheld a previous ruling that exempts companies from having to label their products as "Not DRC Conflict-Free" as part of an ongoing legal challenge. This ruling does not change the fact that a company is either DRC Conflict-Free or it is not, and both categories of companies will continue to be held accountable by RSN and other observers.

10 Publicly Available Information



Present all conflict information in a unified hub. Use a page with a simple URL like www.company.com/conflictminerals to offer the company policy, recent updates, educational materials, and supplier information in a single location. Link to this page from investor, supplier, and CSR pages. Include this direct link in the disclosure.

11 Continuous Improvement

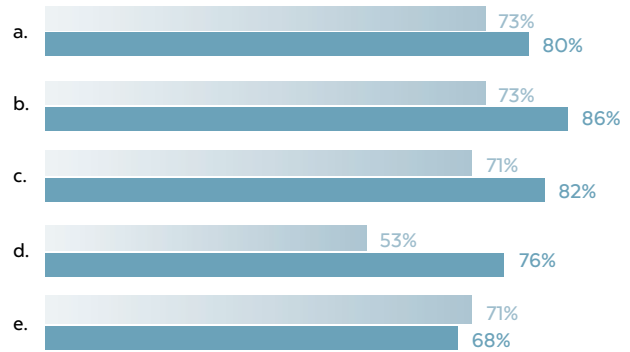


Analysis: It is helpful for a company to explain why it set its goals and provide metrics toward achieving them. For example, some companies reported that because their sources for tantalum were the closest to being 100% CFSP-compliant, they had chosen to focus on engaging tantalum smelters so they could achieve a first conflict-free mineral within the next year. This explanation receives full points for containing actionable, time-bound steps.

12 Internationally Recognized Framework

Describe implementation of each OECD step:

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



Analysis: The 20 companies in the sample group of 155 companies that made no reference to the OECD due diligence framework averaged an *Weak* total score of 20.5 compared to an overall average *Adequate* score of 51.2, despite the fact that this KPI represents only 3% of the total score for CMR filers, and 1.5% for SD-only filers.



Any company with exposure to 3TG should consider implementing the OECD framework. While SD-only filers are not required by the SEC to follow an internationally recognized framework, it makes little sense to design a good faith RCOI without using an internationally recognized framework as a reference point; so RSN awards points for doing so. Following OECD guidance lays a foundation for strong performance in other aspects of due diligence.

13 Independent Private Sector Audit (IPSA)

Only two out of 155 companies in the sample group, Intel and Philips, conducted an independent private sector audit (IPSA). These two filers were also by far the two highest scoring companies in this study, despite the fact that conducting the IPSA was only a small percentage of total possible points.



IPSA for every company. While Intel had a specific product line described as “DRC conflict-free,” Philips conducted an IPSA audit even though it did not describe any products as conflict-free. To increase public confidence, *all companies should get an IPSA* of their due diligence processes, regardless of whether they wish to use the DRC Conflict-Free determination. In addition, investors should continue to encourage each and every company to conduct an IPSA of its due diligence measures, and to publish its due diligence findings in their entirety, regardless of minimum legal requirements.



Implying Conflict-Free Status. Investors should be aware of companies that abuse the disclosure process to “whitewash” their risk assessment. Companies that wish to make statements implying their products are DRC conflict-free, such as those listed below should be closely scrutinized, or conduct an IPSA.

“Our company almost certainly did not source from armed groups.”

“All our SORs sourcing from the covered countries are listed as compliant by CFSI.”

“This whole product line is only sourcing from SORs listed as compliant by CFSI.”

14 Risk Assessment

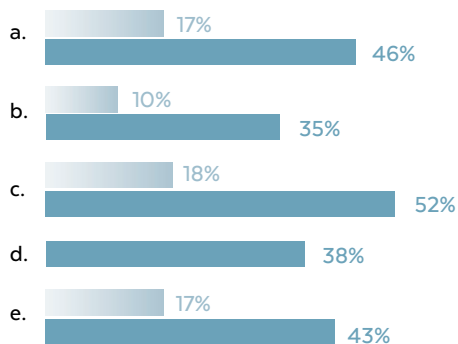
- Give ratio of verified compliant SORs.
- Aggregate assessment by mineral, product, CFSP status, or country of origin.



Analysis: Some companies presented their risk assessments with easy to read charts, sorted by product, CFSP status, mineral, or country of origin. Some exemplary cases include: Philips, Alcatel-Lucent, LG Display, Texas Instruments, Nokia, and Apple.

Describe smelting or refining (SOR) facilities. Include all possible facilities for full points. Include:

- Name of each SOR.
- SOR's country location – The actual location of the SOR must be stated, rather than where the minerals originated.
- Minerals processed by each SOR.
- CFSP status.
- Other quantitative information about facilities. (Ex: Total number of SORs in all product categories.)



The Bottom Line

Creating confidence in its ability to handle risk is essential to any company's success, whether consumer or business-facing. Transparency is the first step toward accountability all along the supply chain. It sets the tone that the company has nothing to hide, and expects others with which it conducts business are also honest and forthright with their information. Even if a downstream company believes it has very low exposure to conflict minerals risk, disclosing information sets an example for investors, direct suppliers, and business partners that the company has nothing to hide. The only way that Section 1502 can meet its goal of reducing the links between armed groups and 3TG is by eliminating illicit trade through transparent, traceable, and accountable systems, from the mine to the finished product. In today's market, a transparent brand is a healthy brand.

DIGGING DEEPER

Is it necessary to trace products to specific smelters?

Product focus. Focusing on products allows a company to take responsibility for its specific chain of custody. This can be important to win company-wide buy-in and justify expense to investors. Some companies took this approach to an extreme, declining to list any SORs that they were not certain processed metals that ended up in their products. However, most companies report that suppliers are not tracking SORs by product, or even by client; rather, suppliers list all the SORs they source from. Leaving out information given for all products the supplier produces (i.e., at the "company level") may actually reduce certainty that a company knows which products are conflict-free. If later it comes to light that tainted minerals came through one of the SORs in a company's supply chain, the response, "We knew metals from this SOR were used by our suppliers, but we weren't certain they were actually in our products," will not be considered acceptable.

SOR focus. A focus on SORs helps trace minerals to mine, and country of origin. This is almost impossible to do through the maze of suppliers, suppliers' suppliers, and suppliers' suppliers' suppliers. The most realistic, effective approach to trace minerals to the mine is to have SOR facilities engage in robust due diligence. To verify this, the OECD guidance calls for third-party audits, including through a collaborative scheme like the CFSI, as well as capability building. SORs thus strengthen their position as "choke-points" that ensure conflict-affected minerals do not enter the supply chain. Of course, these schemes face their own challenges, including fraud (as referenced in the [GAO's recent report](#)). Increased resources and information sharing from downstream companies allow collaborative schemes like CFSI to function accurately and show their usefulness.

A holistic approach. The two approaches are both important, and reflect two distinct "links" in the traceability chain. With hundreds of SOR names reported by suppliers, it is possible that the CFSI's list of recognized SORs is missing some. The only way to ever be sure the CFSI or any other scheme has actually identified all mineral processors is for companies to continue to encourage their suppliers collect accurate information, and to then act on that information by helping SORs in their supply chain become compliant.

Whether or not a company is certain an SOR processed the 3TG for its specific products, a full list of likely SORs should be included in every report, including in SD-only filings. *Reasons to include a full SOR list include:*



- The SEC requires a description of facilities used to process necessary 3TG.
- Demonstrates that a company undertook a robust survey process.
- SORs previously operated out of the public eye, but increased exposure makes them publicly accountable.
- Contributes to increasing the pressure on SORs to go through the CFSP audit process.

MA 5: Impact

Promote a conflict-free minerals trade in the DRC region. (20 points)

A company's approach to risk management must be rounded out by an understanding of its impact on affected communities. Measuring social outcomes and engaging with partners are critical to ensuring that the response to conflict minerals risk is effectively addressing the root problems, and not creating new ones.

16 Conflict-Free Sourcing Requirement

- a. Communicate the expectation that suppliers will source only from conflict-free sources.  24%
- b. Describe enforcement mechanism or describe how company is building leverage or capability with suppliers to attain conflict-free sourcing.  26%

Analysis: Two steps are needed to achieve conflict-free sourcing: (1) communicate an expectation, and (2) enforce that expectation. In 2015 RSN's KPI 16 gives credit to companies that have stated a goal of sourcing conflict-free and have set forth an action plan to get there, even if they are holding off on an immediate ban on non-CFSP compliant SORs. Companies whose strategy to achieve conflict-free was to ban minerals from the DRC region received zero points.








Prioritize traceability. Alcatel-Lucent discusses its focus on traceability. "While striving to avoid sourcing minerals from conflict areas, Alcatel-Lucent does not want to prevent its suppliers from sourcing from legitimate mines located within the Democratic Republic of the Congo and its neighboring countries (as doing so could be detrimental to the legitimate economies and populations of those countries)."



Take a gradual approach. Motorola Solutions and Qualcomm have stated a goal to try to accomplish "DRC conflict-free" sourcing of tantalum because there are more sources. Juniper makes a similar effort, focusing on "Conflict Minerals where the majority of known smelters or refiners are compliant with the CFSP" for immediate requirements, while allowing a little more flexibility for other minerals. ASML suggests it will require conflict-free sourcing once more sources are available. Schlumberger states, "Once a robust and validated conflict-free supply chain is established or a robust mineral tracing program is developed, we will expect our direct suppliers to procure only minerals using that validated supply chain."

17 Preventing Discrimination Against Conflict-Free Sources in the DRC Region

- a. Adopt and communicate a formal policy not to discriminate against suppliers or SORs that source from the covered countries (or equivalent).  20%
- b. Review supplier *and* SOR policies to make sure they are not banning minerals from conflict regions.  1%
- c. Reach out to suppliers or SORs suspected to be avoiding the region.  1%
- d. Encourage suppliers to source from CFSP compliant SORs that source from the covered countries when possible *or* encourage SORs to source from conflict-free sources in the covered countries.  2%
- e.  8%

Analysis: This year RSN expands its KPI addressing a company's possible contribution to the embargo effect. RSN wants to see companies publicly embrace in-region sourcing, clearly communicate their policies to their suppliers, and include a check to remove embargo language from supplier policies and programs. Companies may achieve points for encouraging in-region sourcing or expanding in-region options.



Correct suppliers that mistake "conflict-free" for "DRC-free". EMC deserves a special mention as the only company to explicitly acknowledge this type of misunderstanding from suppliers in its disclosure, and describe corrective actions. "In 2014, we educated suppliers who mistakenly believed that CFSP-compliant smelters are, by definition, not sourcing from the Covered Countries, or whose conflict minerals policies indicated that they intend not to source from the Covered Countries at all."



Do the right thing. While revealing sourcing from the covered countries means heightened due diligence, leading companies do not cut and run. They embrace the challenge of responsible sourcing because it is the right thing to do. Nokia expressed satisfaction in seeing that some of the SORs in its supply chain may source from the covered countries, calling it “a positive development for the countries whose livelihood depends on these efforts continuing.”

Shortcut to Nowhere: Embargoing the DRC Region



ExxonMobil: “We have also amended each of our contracts with suppliers of conflict minerals to require the supplier to maintain procedures reasonably designed to ensure any conflict minerals sold to ExxonMobil are **not sourced from the DRC or an adjoining country**, and to require prompt notice to us of any breach of this covenant.”



Nautilus: “[Our] controls include... the expectation that our suppliers **avoid use of 3TG minerals derived from covered countries....**”



Parker Hannifin: “In addition, during the Reporting Period the Company amended its supplier code of conduct to **prohibit suppliers from supplying the Company with certain conflict minerals originating in the covered countries.**”



Precision Castparts: “We also had some suppliers who **confirmed a policy not to purchase conflict minerals originating from covered countries** but did not provide separate certifications to that effect.” The next statement from Precision Castparts should have been that it is taking steps to correct this misperception, but it is, instead, presented as the company’s response to conflict minerals risk.

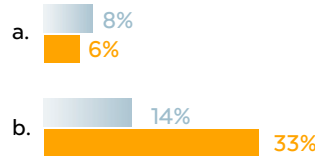


Ralph Lauren: “As we enter into new contractual arrangements with our Supply Chain Participants, or our contracts renew, we are adding a clause to require them to represent that they **do not source 3TGs from the covered countries.**”

18

In-Region Sourcing

- a. Financially support in-region mining initiatives:
 - KEMET “Partnership for Social and Economic Sustainability”
 - Conflict-Free Tin Initiative (CFTI)
 - ITRI Tin Supply Chain Initiative (iTSCi)
 - Solutions for Hope
- b. Source from one or more such in-region initiatives or has its own initiative in the region, such as closed-pipe sourcing.

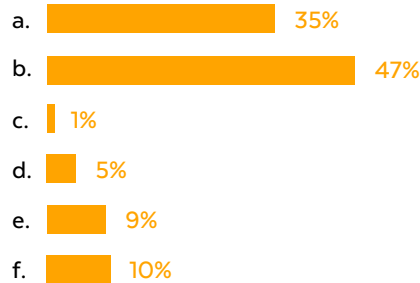


19

Multi-Stakeholder Initiatives

Describe participation or membership activities in a multi-stakeholder effort:

- a. Industry organization
- b. CFSI/EICC-GeSi
- c. International Conference of the Great Lakes Region (ICGLR)
- d. Multi-Stakeholder Group (MSG) convened by RSN
- e. Public Private Alliance for Responsible Minerals Trade (PPA)
- f. Other (such as OECD working group)



Note: Some companies may not have all of the initiatives they are part of on their website or in the disclosure and consequently did not receive credit. (The only outside list we consulted was the CFSI’s Initial Audit Fund list.) Credit was not given for participation in the CFSI if the company joined after the reporting period (calendar year 2014).



Describe contributions to collaborative efforts. Take leadership roles and describe specific activities undertaken, and contributions, whether financial or in-kind. If a company is a member of industry organizations that work on conflict minerals, name them. All of these activities fall under the scope of the OECD framework and should be part of the CMR, or at least linked directly from the filing.

- a. Suggest a social metric or in-region output linked to social outcomes.
 - Apple
 - General Electric
 - Google
 - Hewlett-Packard
 - Intel
 - Motorola Solutions
 - Philips
- b. Provide quantitative results using this metric.
 - Intel
 - Philips

Examples of social outcomes:

- **Intel:** Wages for miners; presence of armed groups at 3TG mines.
- **Philips:** Tons of legitimate material purchased; income generation for families.



Other impact regions. Apple is taking leadership in responding to human rights concerns with its Indonesian SORs. LG states a goal to eliminate “not only 3TG minerals that directly or indirectly finance or benefit armed groups in the Covered Countries, but also minerals from other conflict regions or regions where human rights violations are occurring.”



Other impact issues. Companies like GE, Stanley Black & Decker, and Microsoft have pointed out that the trade in 3TG creates opportunities and risks beyond funding armed groups, including child labor.

GE: “We recognize that conflict is just one of the risks related to mineral sourcing in the DRC, and that critical issues such as poverty, environmental degradation, child labor and gender inequality must be addressed as well. Done ethically, production of 3TG in the DRC presents a unique opportunity to contribute to peace and stabilization as well as to local economic development and poverty alleviation. Faced with this reality, we support local development in the DRC mining communities through engagement and philanthropy, including GE Foundation sponsorship of an influential study released in 2014 by Pact, *Breaking the Chain: Child Mining in the Democratic Republic of Congo*.”



Provide evidence. Sharing social outcomes can become blurry when it is part of telling the brand story. Intel’s [conflict-free films](#) highlight the human dimension of conflict minerals. More importantly, some of these videos provide tangible metrics like increased wages. On the other hand, some leading companies, like Ford, make their metrics for conflict minerals available, but do not include social outcomes in the DRC. Leading companies are encouraged to take the next step and contribute to social programs and then share specific metrics to assess social outcomes related to sourcing conflict-free minerals from the DRC region.



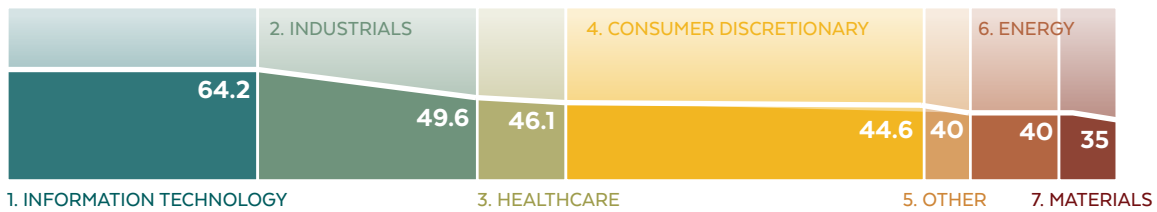
The Bottom Line

Strong conflict minerals performers evaluate long-term human rights risks and advantages when deciding to source in a particular region. Successful companies measure social outcomes beyond legislative requirements because sometimes due diligence measures may not be picking up unintended or unanticipated results of company activities (such as an embargo effect). Being responsible for human rights impacts is impossible without proactive, critical thinking. This kind of thinking can promote innovation in other areas of the company and is an indicator of a company’s ability to strategize competitively.

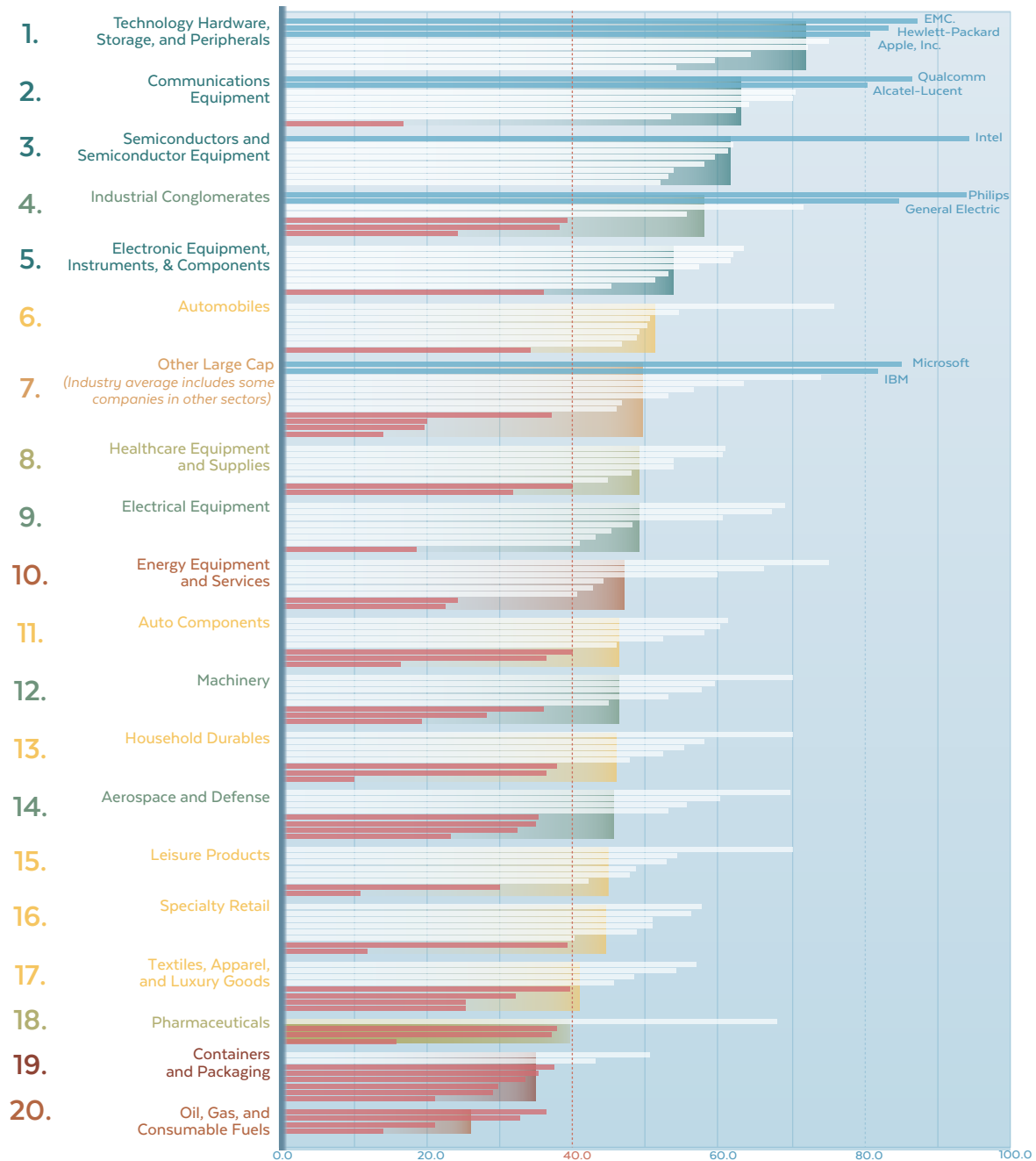
Rank by Sector, Industry, and Company

The sample group of 155 Companies are grouped into seven sector groups and 20 industry groups.

Sector Average Scores Shows relative size of sector in sample group



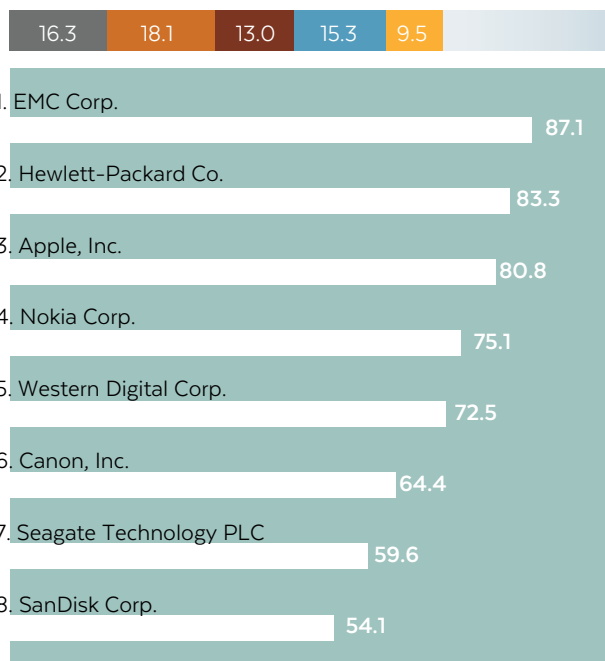
Industry Rankings Shows Top 10% Companies and Lowest Scoring Companies



Information Technology

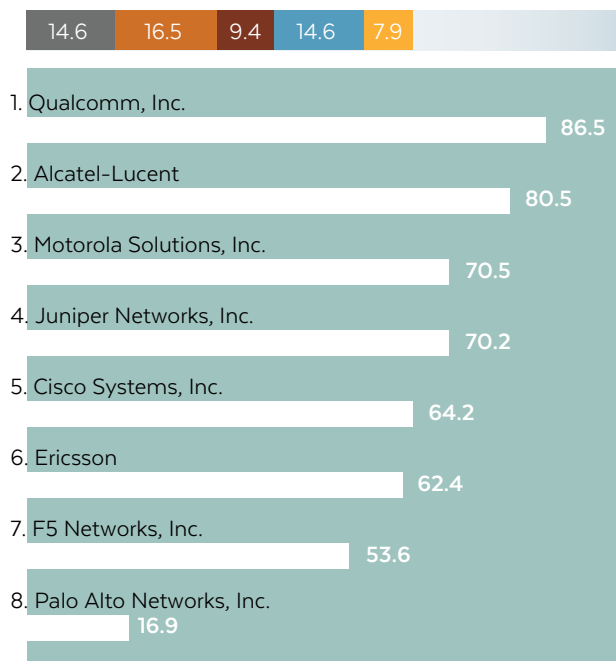
Technology Hardware, Storage, and Peripherals

Average Score: 72.1



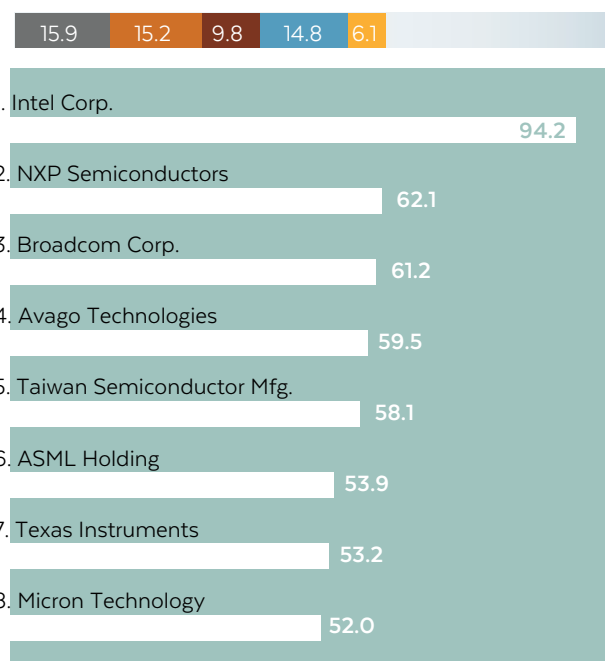
Communications Equipment

Average Score: 63.1



Semiconductors and Semiconductor Equipment

Average Score: 61.8



Electronic Equipment, Instruments, and Components

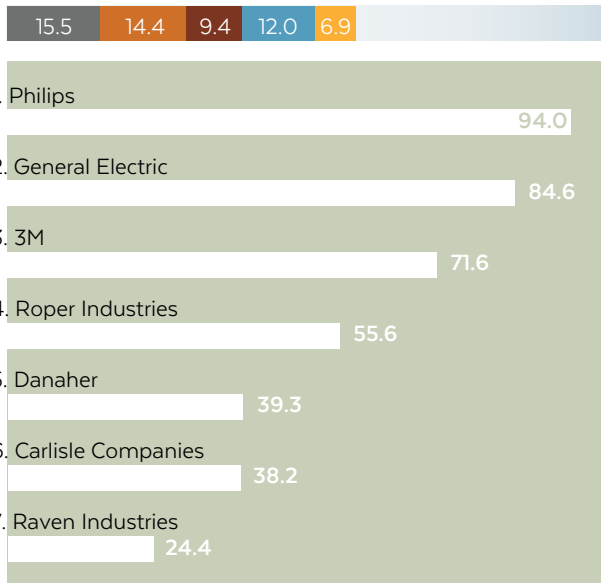
Average Score: 53.8



Industrials

Industrial Conglomerates

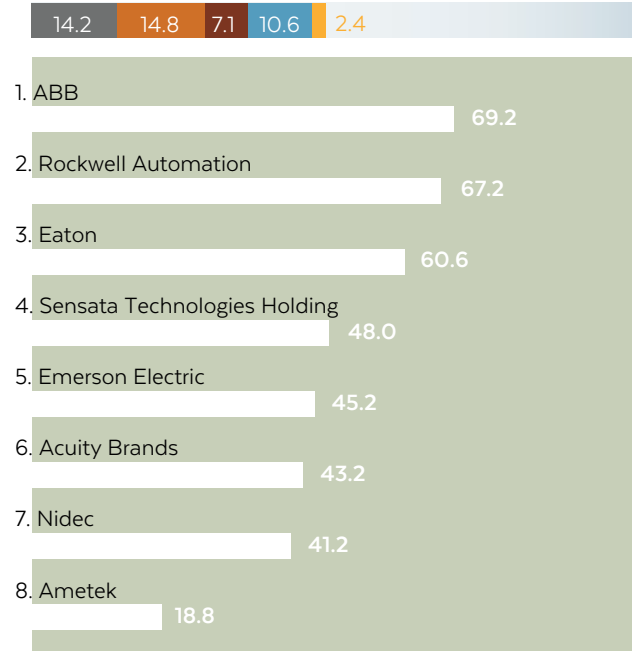
Average Score: 58.2



Only seven total industries filed from this industry.

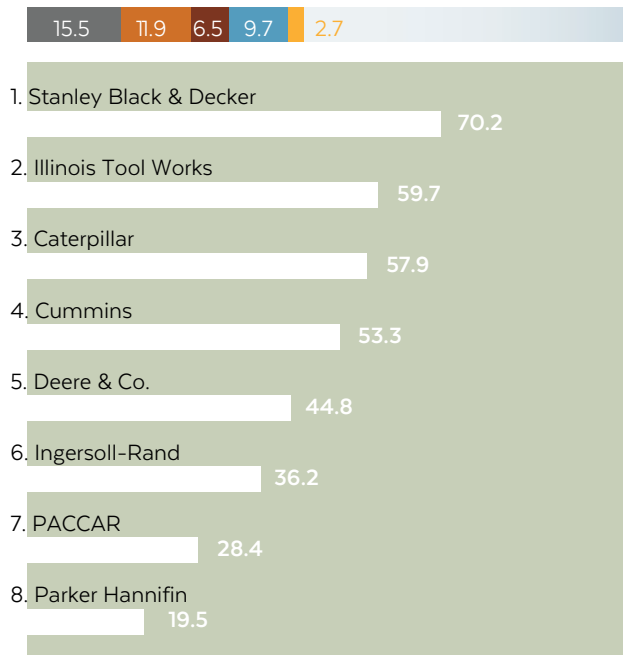
Electrical Equipment

Average Score: 49.2



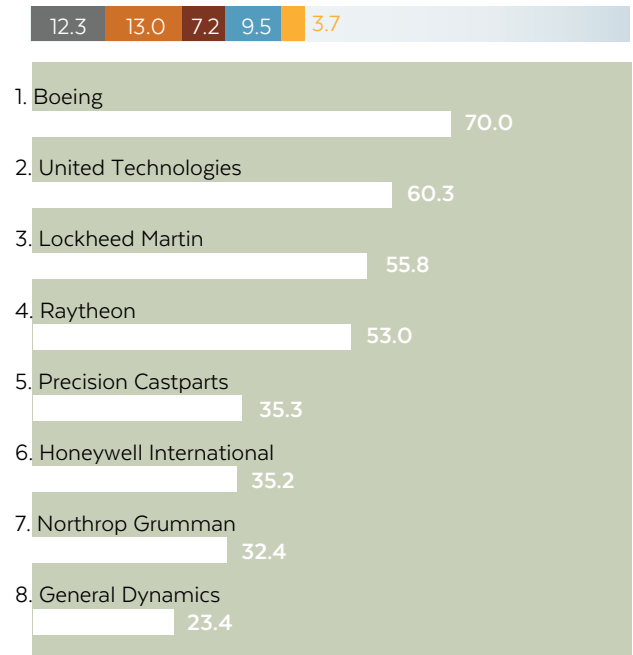
Machinery

Average Score: 46.2



Aerospace and Defense

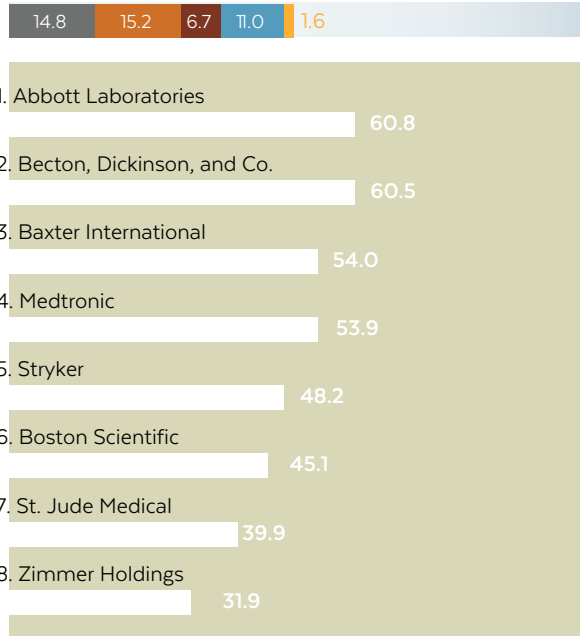
Average Score: 45.7



Healthcare

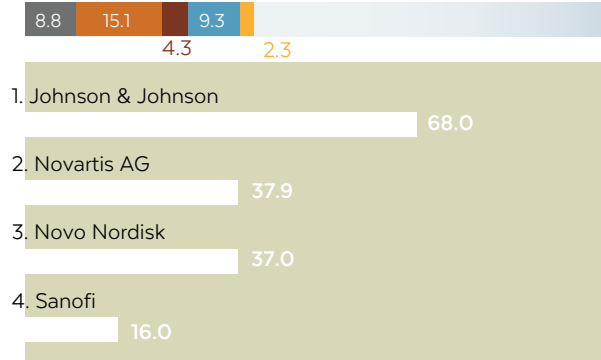
Healthcare Equipment and Supplies

Average Score: 49.3



Pharmaceutical

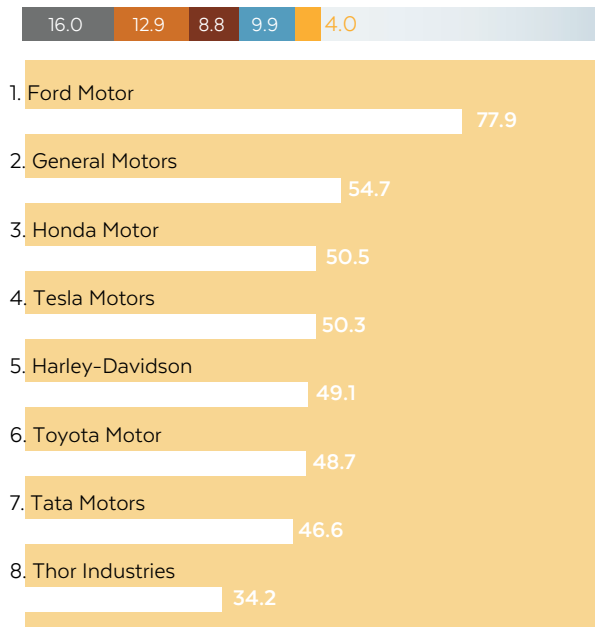
Average Score: 39.7



Consumer Discretionary

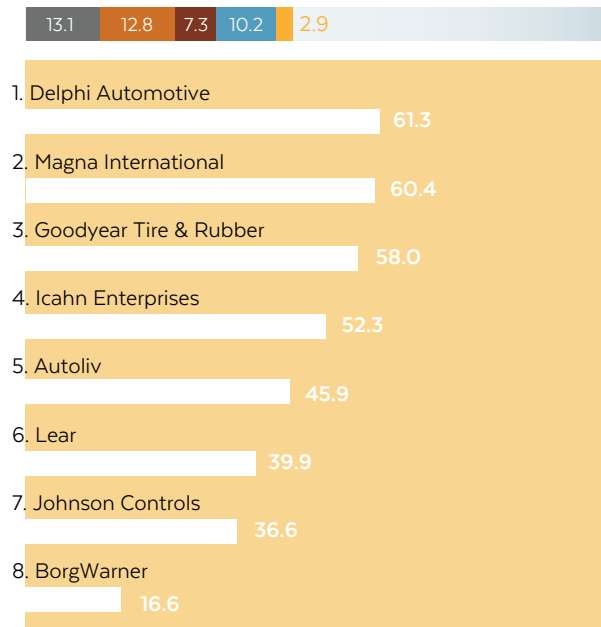
Automobiles

Average Score: 51.5



Auto Components

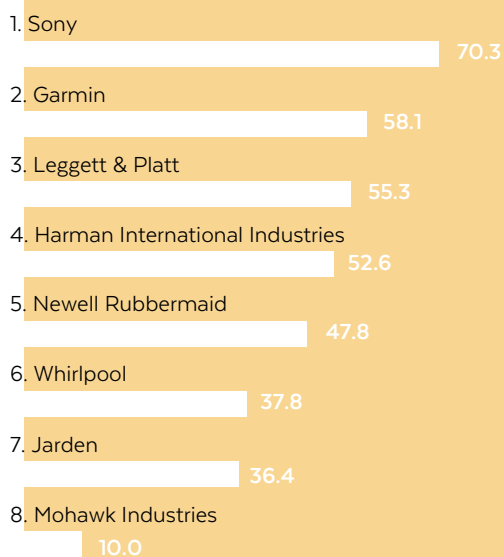
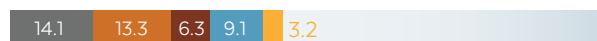
Average Score: 46.4



Consumer Discretionary *(continued)*

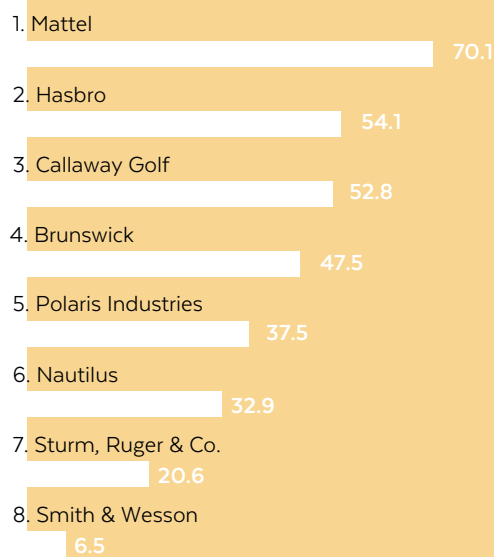
Household Durables

Average Score: 46.0



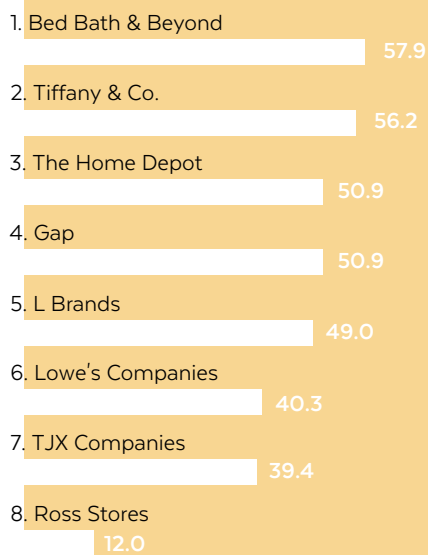
Leisure Products

Average Score: 45.1



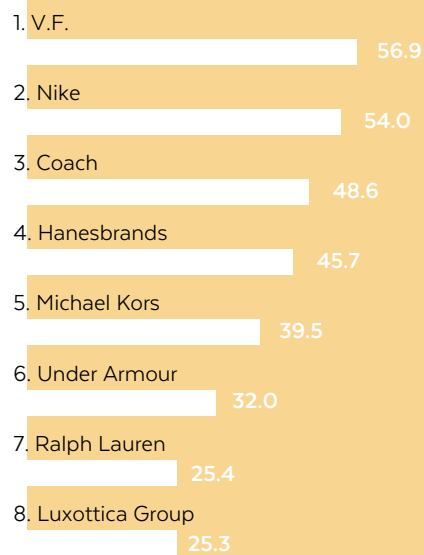
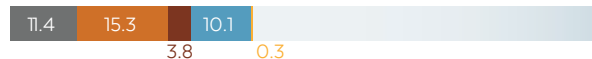
Specialty Retail

Average Score: 44.6



Textiles, Apparel, and Luxury Goods

Average Score: 40.9



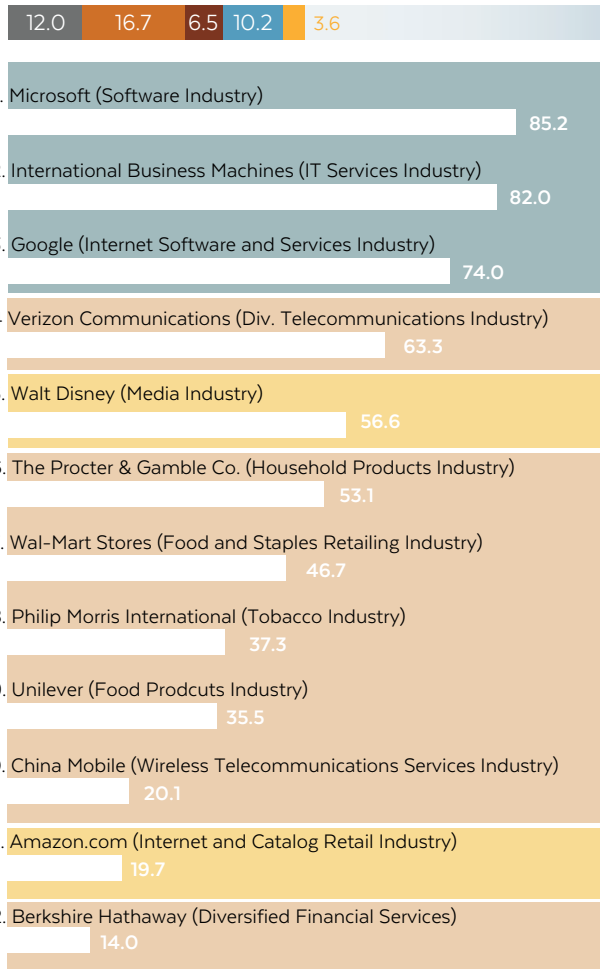
Other Sectors

Other Large Cap (Industry Group)

This industry group falls across more than one sector. Together with four companies in Pharmaceuticals and four in Oil, Gas, and Consumable Fuels, the 12 companies below make up the 20 companies that were selected from outside the 17 high exposure industries.

Other Sectors (orange) Average Score: 40.1

Industry Group Average (orange/green/yellow): 49.8



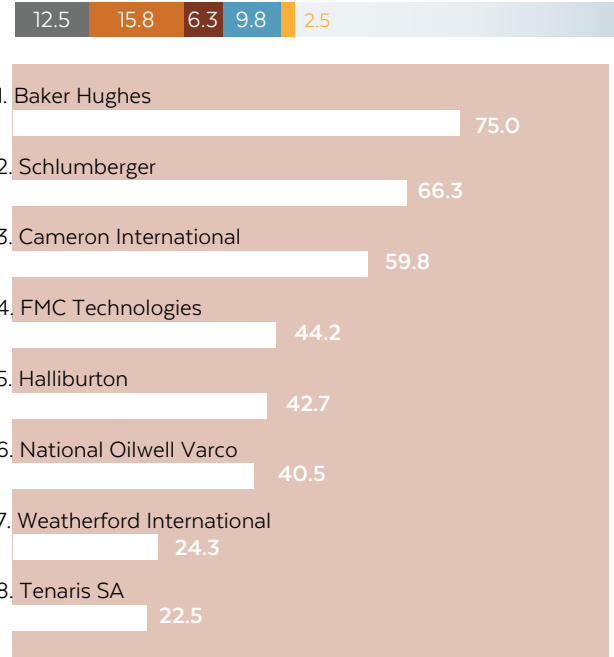
The color of the background shows which SECTOR the company's score was averaged into. All 12 contributed to the Industry Group ranking.

- INFORMATION TECHNOLOGY SECTOR
- CONSUMER DISCRETIONARY SECTOR
- ALL OTHER SECTORS

Energy

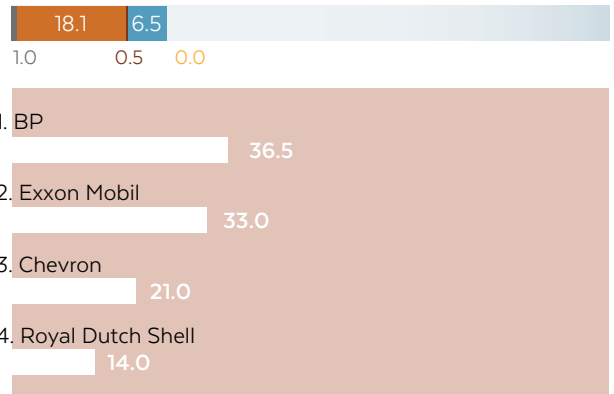
Energy Equipment and Services

Average Score: 46.9



Oil, Gas, and Consumable Fuels

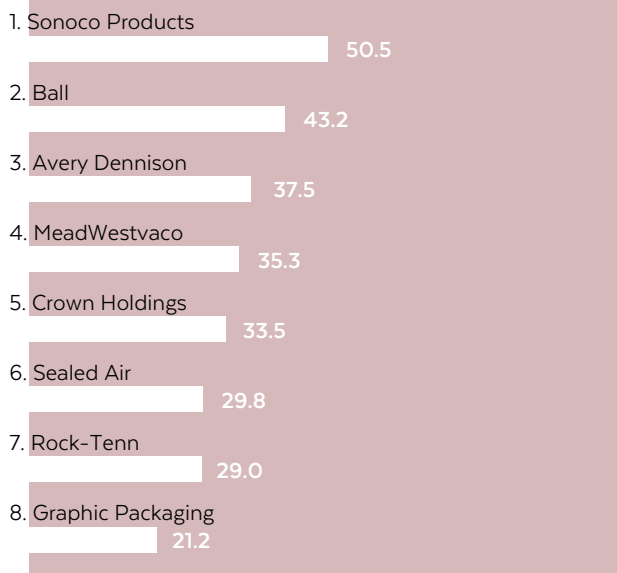
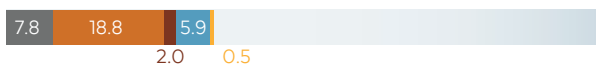
Average Score: 26.1



Materials

Containers and Packaging

Average Score: 35.0



Performance Trends

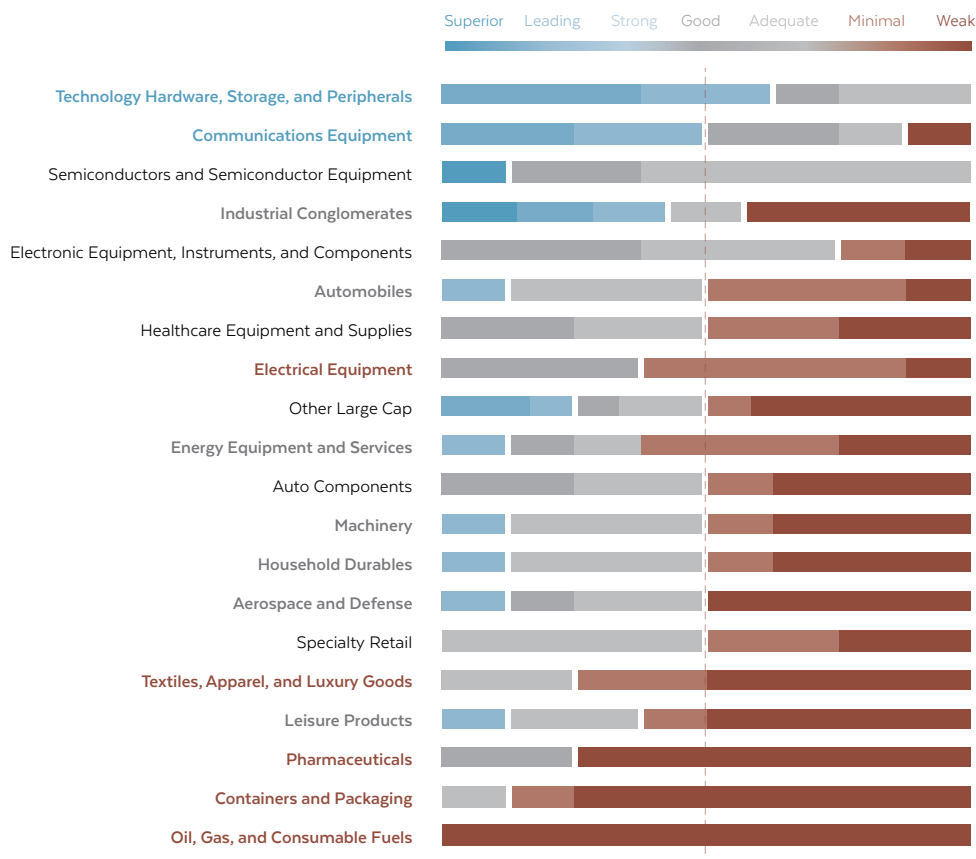
Trends within industries present opportunities for leadership, advocacy, and collaboration. (See graph below.)

Leading industries contain at least half Leading and Strong rated companies. These industries have taken a leading role in developing collaborative solutions, such as the Initial Audit Fund that pays for SORs first compliance audit, and the Public Private Alliance that supports conflict-free certification programs in the DRC region. These are also industries that received some of the earliest and heaviest scrutiny from investors and NGOs. (Tech. Hardware; Communications Equipment)

Split Industries have one or two Leading or Strong rated companies that set examples for their Weak or Minimal rated industry peers. These industries have the potential for major improvement if lower-performing companies engage with their fellow higher-performing companies. (Industrial Conglomerates; Energy Equipment; Machinery; Aerospace and Defense; Automobiles; Household Durables; Leisure Products)

Laggard industries are those in which a majority of companies have Weak or Minimal ratings. Some of these industries claim low exposure to 3TG, and therefore may not approach reporting as seriously as other industries. Some industries, such as Pharmaceuticals, may have escaped public scrutiny in past reporting despite significant use of 3TG. (Electrical Equipment; Pharmaceuticals; Textiles, Apparel, and Luxury; Containers and Packaging; Oil and Gas)

Performance Ratings per Industry (Proportion)



Performance Trends *(continued)*

Some best practices are slowly catching on.

- In the 2015 disclosures, there were more complete country of origin lists and lists of SOR facilities.
- Increased membership in the CFSI, and thus fewer companies using CFSI's compliant SOR list without supporting its efforts.
- Better overall scores for continuous improvement goals.

Far too many companies still have weak overall scores for reporting.

- Some companies are blending due diligence measures undertaken in calendar year 2014 with measures that were taken in calendar year 2015, or which are planned in the future.
- There is a wide variation in how information is presented, which makes it difficult to find information even if the reader knows exactly what to look for. Some filings feature tables, charts, and graphs and have succinct, factual assessments, while others are less organized, more verbose, and short on evidence.

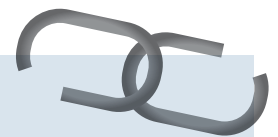
More companies must support in-region initiatives.

- The [GAO report](#) released in August 2015 recognized the importance of private sector leadership in addressing in-region challenges, alongside the role of the DRC government, the International Conference of the Great Lakes Region (ICGLR), international organizations, the U.S. Department of State, and USAID.
- Only a small percentage of companies in the sample group reported supporting an in-region, conflict-free solution.
- Private-sector initiatives have led to an increased availability of tantalum, yet a commensurate effort has not been made for tin, which is the most widely reported conflict mineral (GAO).
- Other areas for outside investment include infrastructure, internet access, and alternative livelihoods (GAO).
- Some companies are taking a lead in identifying related areas of concern; GE has funded research into child labor in DRC mining, while Apple has expanded its due diligence scope to address human rights concerns at smelters in Indonesia.

Companies are missing links in their due diligence strategy.

- The disclosures from companies in the sample group reflect the fact that most companies emphasize the initial assessment and RCOI, while neglecting capability building in upstream actors.
- No companies reported efforts to increase due diligence capability in SORs beyond initial audit.
- Many companies direct their suppliers to a website or help desk which apparently is available primarily in English, while only a handful of leading companies host webinars or workshops or dedicate resources to developing personal relationships with suppliers.
- With increased membership and funding for the CFSI, the opportunity will be available to build strategic capabilities for suppliers and SORs, as per the OECD due diligence guidance.

DIGGING DEEPER



Key Links in Conflict-Free Supply Chains

Control systems. As a first link, companies show leadership by rigorously scoping all 3TG in their supply chains and creating systems that focus on accuracy and completeness. These companies strive to know exactly what goes into each product, and where it comes from.

Good Examples: Baker Hughes, IBM, Schlumberger

Supplier leverage. Leading companies are hosting supplier trainings and conferences and making visits to supplier locations. They ensure translations and technology meets suppliers' needs. Some assign a dedicated person to each supplier to build the relationship. Leverage is increased through positive engagement, but also by setting firm expectations with clearly communicated consequences for non-adherence.

Good Examples: General Electric, Kyocera, LG Display

SOR compliance. Some leading companies strengthened this link as founders or members of the Initial Audit Fund, which pays for SORs to undergo their first audit. They describe efforts to communicate directly with SORs, or even visit SOR locations. While the focus may be on positive engagement, SORs should understand that it is in their interest to take the opportunity to comply, because the company will begin to ask suppliers to stop sourcing from non-compliant SORs in the near future. *Good Examples: Apple, Hewlett Packard, IBM, Qualcomm*

In-region impact. Leading companies implement and measure the impact they are having on the ground. These companies fund studies and projects, and create metrics for social outcomes, which they build into existing evaluation systems. They offer financial and in-kind support to in-region initiatives or sponsor closed-loop mining enterprises to increase the availability of conflict-free minerals. Many of these companies are also expanding their concern to other regions where human rights abuses are linked to mineral extraction. *Good Examples: Alcatel Lucent, EMC, Motorola Solutions*

Recommendations

Steps for Investors

- Encourage leading companies to keep leading, and companies that are leaders in split industries to reach out to laggards. Push large companies in laggard industries to develop and expand conflict minerals working groups inside of existing industry associations.
- Keep the pressure on non-filing companies, including those in other countries, to issue their own parallel reports. A 4-step check can be performed on any company that uses 3TG in its products, including non-filers:
 1. Commits to source conflict-free,
 2. Promotes in-region trade,
 3. Communicates expectations to suppliers, and
 4. Commits to ongoing diligence.
- Drive companies toward traceability and transparency in the first phases of implementation. This should include an independent private sector audit (IPSA) for every company, regardless of determination status.
- A conflict-free requirement may be phased-in gradually to avoid creating pressure on suppliers to cut off sourcing from the region. Nevertheless, every company with exposure to 3TG should make a public, unequivocal commitment to obtain conflict-free status, and set measurable deadlines to achieve conflict-free status for specific products or minerals.
- Encourage sourcing from the DRC region, rather than seeking the short-term solution of divestment from the region. Policies that contribute to an embargo of conflict-free mines in the DRC region, whether intentionally or not, can never be considered to support responsible sourcing.

Steps for Companies

A responsible company:

- Starts with a strong policy to source “conflict-free” without discriminating against the DRC region – regardless of its filing status.
- Prioritizes traceability, rather than eliminating all sourcing from the DRC region.
- Describes everything it is doing to fulfill its reporting requirements and promote a conflict-free mineral trade within the SEC disclosure, and links to all other information on a central conflict minerals web page. The link should be included in the disclosure; readers should not have to dig around on the company’s website or have to use search engines.
- Keeps disclosures straightforward, factual, and concise. Offers complete data sets in addition to aggregate data in descriptive charts or tables.
- Reviews and addresses all the barriers that suppliers face to provide complete responses, including information, technology, or language-related obstacles.

Leading performers will:

- Visit suppliers and SORs to provide training and education independently, through a service provider, or through a collaborative effort like the CFSI.
- Define responsible sourcing as “no embargo.” Make it clear that suppliers are expected to continue to source from the region even as they seek to transition to SORs that are listed as compliant by the CFSI.
- Encourage non-compliant SORs to conduct an audit through the CFSP and help SORs overcome financial obstacles by donating to the CFSI’s Initial Audit Fund or by another means.
- Steer collaborative, industry-specific approaches to supplier and SOR engagement and verification.
- Participate in multi-stakeholder efforts to stay abreast of emerging leading practices, different perspectives, and opportunities for advocacy.

Conclusion: The Path to Full Traceability

The aim of *Mining the Disclosures 2015* is to provide investors with a credible evaluation process and a deep view of conflict minerals performance. Stakeholders must hold corporations accountable, while encouraging effectiveness through continuous improvement and exchanging best practices and perspectives. This analysis was also created to encourage companies to transparently report on their due diligence activities and results, regardless of whether the results seem positive or negative. Transparency broadens the traceability of 3TG, heightens accountability, and allows a company to be appropriately evaluated against its peers. Furthermore, when leading companies share what they are doing, it helps other companies improve their conflict minerals programs.

For RSN and for sustainable, responsible, and impact investors (SRIs), promoting a conflict-free minerals trade in the DRC is one among many critical areas of human rights performance. However, this particular issue has legislation and momentum behind it, not to mention the violence and destruction that lay in its wake. Slowly, in spite of the challenges, stakeholders have created enough pressure, through advocacy, legislation, and litigation, to move whole industries toward supply chain transparency and accountability. The enormous challenge of sourcing conflict-free has become the broadest effort in history to track human rights from raw mineral to manufactured goods. There is no turning back from the progress that has been made:

- **A panoramic view of 3TG trade.** Companies have started to publicly disclose what products contain 3TG, where these are manufactured, and how the 3TG minerals necessary for the functionality of these products are sourced. This is gradually giving the public a clearer picture of 3TG supply chains and an understanding of how companies are addressing human rights risks. It is allowing all of us to take responsibility for what we consume.
- **Unprecedented collaboration.** Stakeholders are crossing traditional industry, sector, and national boundaries to collaborate on supply chain transparency.
- **Acknowledgement.** Major multinational enterprises have endorsed the goals of Section 1502, and are publicly acknowledging the links between corporate responsibilities and humanitarian goals. Others leaders are highlighting the link between supply chain transparency and successfully conducting business.
- **Broad adoption of supply chain responsibility.** Judging by many companies' websites, a conflict minerals response is the first human rights performance indicator for which they have faced scrutiny. Requiring the use of a due diligence framework means U.S. companies that may not have been familiar with global human rights frameworks, such as the OECD guidance or UN Guiding Principles, are finally being exposed to, and implementing, these schemes.

In their disclosures and on their websites, many highly respected companies and trusted brands state that they consider responsible sourcing is an irreplaceable part of doing good business. We believe companies that invest in due diligence and in-region development will be more profitable in the long run for their shareholders. Responsible Sourcing Network has established key performance indicators to help define success for stakeholders, and our greatest success indicator is when the vulnerable communities at the heart of Section 1502 benefit from peaceful and stable prosperity. As great as the benefits of responsible sourcing may be for investors and global companies, in the eyes of the people of the DRC region, the value of stability, transparency, and prosperity is truly incalculable.

Appendices










Appendix 1: Policy Rating

Many major private and foreign companies are not required to file with the SEC under Section 1502, although their products compete directly with products manufactured by companies that are obligated to file. Investors and consumers should demand a strong policy to source conflict-free from the DRC from non-filing companies as well. To demonstrate a policy comparison of competitors, below is an analysis of 1502 company filers and non-filers that make top grossing products from high-revenue, high-exposure industries: tablets and automobiles. Companies were selected from public rankings as referenced below. Company marked “MtD15” are included in the sample group of 155 companies in this report, and links and scores for these companies’ disclosures can be found in Appendix 3.












A Strong conflict-free policy must commit to all four of the following activities: **source conflict-free, support a conflict-free minerals trade in the DRC region, communicate clear expectations to suppliers, and conduct due diligence on an ongoing basis.** An Adequate policy contains 3 of 4 of these actions, a Weak policy 2 of 4, and Inadequate only contains 1 of 4.

Tablet Manufacturers*

-  **Amazon (Fire)**
Filed CMR in 2014 and 2015. (MtD15)
-  **Apple (iPad)**
Filed CMR in 2014 and 2015. (MtD15)
-  **Dell (Venue)**
No filings; privately held. [Conflict minerals page.](#)
-  **Google (Nexus)**
Filed CMR in 2014 and 2015. (MtD15)
-  **Lenovo (Yoga)**
No filings; traded in Hong Kong (HKG:992).
[Conflict minerals page.](#)
-  **Microsoft (Surface)**
Filed CMR in 2014 and 2015. (MtD15)
-  **Nvidia (Shield)**
Filed CMR in [2014](#) and [2015](#).
-  **Samsung (Galaxy)**
No SEC filings; traded in Korea (KRX:005930).
[Conflict minerals page.](#)
-  **Sony (Xperia)**
Filed in 2014 and 2015. (MtD15)

Auto Manufacturers**

-  **Toyota**
Filed CMR in 2014 and 2015. (MtD15)
-  **Volkswagen**
No SEC filings; traded in Germany (XETRA:VOW4).
[Conflict minerals policy.](#)
-  **Daimler**
No SEC filings; traded in Germany (XETRA:DAI).
-  **BMW Group**
No SEC filings; traded in Germany (XETRA:BMW).
-  **Honda Motor**
Filed CMR in 2014 and 2015. (MtD15)
-  **General Motors**
Filed CMR in 2014 and 2015. (MtD15)
-  **Ford Motor**
Filed CMR in 2014 and 2015. (MtD15)
-  **Nissan Motor**
No SEC filings; traded in Japan (TYO: 7201).
[Conflict minerals policy.](#)
-  **Hyundai Motor**
No SEC filings; traded in Korea (KRX:005380).

*Products ranked in Techradar.com and Laptopmag.com: Beavis, Gareth. “Best tablet 2015: Our top 10 ranking.” Techradar. July 15, 2015. Accessed on Aug 19, 2015. <<http://www.techradar.com/news/mobile-computing/tablets/10-best-tablet-pcs-in-the-world-today-1079603>>
Spoonauer, Mark. “Best Tablets 2015.” Laptopmag.com. Aug 5, 2015. Accessed on Aug 19, 2015. <<http://www.laptopmag.com/best-tablets>>

**Companies ranked by Forbes: Murphy, Andrea. “2015 Global 2000: The World’s Biggest Auto Companies.” Forbes. May 6, 2015. Visited on Aug 19, 2015. <<http://www.forbes.com/sites/andreamurphy/2015/05/06/2015-global-2000-the-worlds-biggest-auto-companies>>

Appendix 2: Conflict Minerals Response Performance Rating

Superior (90+)

1. Intel
2. Koninklijke Philips N.V. (Philips)

Leading (80+)

- | | |
|--|--|
| <ol style="list-style-type: none"> 3. EMC 4. QUALCOMM 5. Microsoft 6. General Electric | <ol style="list-style-type: none"> 7. Hewlett-Packard 8. International Business Machines 9. Apple 10. Alcatel-Lucent |
|--|--|

Strong (70+)

Subsequent categories are arranged alphabetically

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> 3M Co. Baker Hughes Boeing Co. (The) Ford Motor Co. | <ul style="list-style-type: none"> Google Juniper Networks Mattel Motorola Solutions | <ul style="list-style-type: none"> Nokia Sony Stanley Black & Decker Western Digital |
|--|--|--|

Good (60+)

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> ABB LTD Abbott Laboratories Becton, Dickinson and Co. Broadcom Cameron International Canon Cisco Systems Delphi Automotive plc | <ul style="list-style-type: none"> Eaton Ericsson Illinois Tool Works Johnson & Johnson Kyocer LG Display Co. Magna International | <ul style="list-style-type: none"> NXP Semiconductors Rockwell Automation Schlumberger Seagate Technology TE Connectivity United Technologies Verizon Communications |
|---|--|---|

Adequate (50+)

ASML Holding NV	General Motors Co.	Procter & Gamble Co. (The)
Avago Technologies	Goodyear Tire & Rubber Co. (The)	Raytheon Co.
Baxter International	Harman International Industries	Roper Industries
Bed Bath & Beyond	Hasbro	SanDisk
Callaway Golf, Co.	Home Depot (The)	Sonoco Products Co.
Caterpillar	Honda Motor Co.	Taiwan Semiconductor Mfg. Co.
Corning	Icahn Enterprises	Tesla Motors
Cummins	Leggett & Platt	Texas Instruments
F5 Networks	Lockheed Martin	Tiffany & Co.
Flextronics International	Medtronic	Trimble Navigation
Gap Inc.	Micron Technology	V.F.
Garmin	Nike	Walt Disney, Co.

Minimal (40+)

Acuity Brands	Deere & Co.	Lear	
Amphenol	Emerson Electric Co.	Lowe's Companies	St. Jude Medical
Autoliv	FMC Technologies	Michael Kors Holdings	Stryker
Ball	Halliburton Co.	National Oilwell Varco	Tata Motors
Boston Scientific	Hanesbrands	Newell Rubbermaid	Toyota Motor Corp.
Brunswick	Harley-Davidson	Nidec Corp.	Wal-Mart Stores
Coach	L Brands	Sensata Technologies Holding	

Weak (<40)

Amazon.com	Exxon Mobil	Novartis AG	Royal Dutch Shell
Ametek	General Dynamics	Novo Nordisk A/S	Sanofi
Avery Dennison	Graphic Packaging Holding Co.	PACCAR	Sealed Air
Avnet	Honeywell International	Palo Alto Networks	Smith & Wesson Holding
Berkshire Hathaway	Ingersoll-Rand	Parker Hannifin Corp.	Sturm, Ruger & Co.
BorgWarner	Jarden	Philip Morris International	Tenaris SA
BP	Johnson Controls	Polaris Industries	Thor Industries
Carlisle Companies	Luxottica Group SpA	Precision Castparts	TJX Companies (The)
Chevron	MeadWestvaco	Ralph Lauren	Under Armour
China Mobile	Mohawk Industries	Raven Industries	Unilever
Crown Holdings	Nautilus	Rock-Tenn CO	Weatherford International
Danaher	Northrop Grumman	Ross Stores	Whirlpool
			Zimmer Holdings

Appendix 3: Sample Group List with Company Scores

Company	Industry Group	2015 Filing	2014 Filing	Policy Rating	Score 2015
3M Co.*	Industrial Conglomerates	2015	2014	Strong	71.6
ABB LTD*	Electrical Equipment	2015	2014	Strong	69.2
Abbott Laboratories*	Healthcare Equip. and Supplies	2015	2014	Weak	60.8
Acuity Brands	Electrical Equip.	2015	2014	Inadequate	43.2
Alcatel-Lucent	Communications Equipment	2015	2014	Strong	80.5
Amazon.com	Other Large Cap	2015	2014	Inadequate	19.7
Ametek	Electrical Equip.	2015	2014	No Policy	18.8
Amphenol	Elect. Equip., Instruments, and Components	2015	2014	Strong	45.2
Apple*	Tech. Hardware, Storage, and Peripherals	2015	2014	Adequate	80.8
ASML Holding NV	Semiconductors and Semiconductor Equip.	2015	2014	Strong	53.9
Autoliv	Auto Components	2015	2014	Adequate	45.9
Avago Technologies	Semiconductors and Semiconductor Equip.	2015	2014	Strong	59.5
Avery Dennison Corp	Containers and Packaging	2015	2014	Weak	37.5
Avnet	Elect. Equip., Instruments, and Components	2015	2014	Inadequate	35.9
Baker Hughes	Energy Equipment and Services	2015	2014	Adequate	75.0
Ball*	Containers and Packaging	2015	2014	Adequate	43.2
Baxter International*	Healthcare Equip. and Supplies	2015	2014	Adequate	54.0
Becton, Dickinson and Co.	Healthcare Equip. and Supplies	2015	2014	Adequate	60.5
Bed Bath & Beyond	Specialty Retail	2015	2014	Adequate	57.9
Berkshire Hathaway	Other Large Cap	2015	2014	No Policy	14.0
Boeing Co. (The)*	Aerospace and Defense	2015	2014	Strong	70.0
BorgWarner	Auto Components	2015	2014	Inadequate	16.6
Boston Scientific	Healthcare Equip. and Supplies	2015	2014	Adequate	45.1
BP	Oil, Gas, and Consumable Fuels	2015	2014	No Policy	36.5
Broadcom	Semiconductors and Semiconductor Equip.	2015	2014	Adequate	61.2
Brunswick	Leisure Products	2015	2014	Strong	47.5
Callaway Golf, Co.	Leisure Products	2015	2014	Adequate	52.8
Cameron International	Energy Equipment and Services	2015	2014	Weak	59.8
Canon	Tech. Hardware, Storage, and Peripherals	2015	2014	Weak	64.4
Carlisle Companies	Industrial Conglomerates	2015	2014	Inadequate	38.2
Caterpillar*	Machinery	2015	2014	Weak	57.9
Chevron	Oil, Gas, and Consumable Fuels	2015	2014	No Policy	21.0
China Mobile	Other Large Cap	2015	2014	No Policy	20.1
Cisco Systems*	Communications Equipment	2015	2014	Adequate	64.2
Coach	Textiles, Apparel, and Luxury Goods	2015	2014	Weak	48.6
Corning*	Elect. Equip., Instruments, and Components	2015	2014	Weak	51.5
Crown Holdings	Containers and Packaging	2015	2014	No Policy	33.5
Cummins	Machinery	2015	2014	Adequate	53.3
Danaher*	Industrial Conglomerates	2015	2014	Adequate	39.3
Deere & Co.*	Machinery	2015	2014	Adequate	44.8

*51 companies in the original 2014 pilot study.

Company	Industry Group	2015 Filing	2014 Filing	Policy Rating	Score 2015
Delphi Automotive*	Auto Components	2015	2014	Weak	61.3
Eaton*	Electrical Equip.	2015	2014	Adequate	60.6
EMC*	Tech. Hardware, Storage, and Peripherals	2015	2014	Strong	87.1
Emerson Electric Co.*	Electrical Equip.	2015	2014	Adequate	45.2
Ericsson*	Communications Equipment	2015	2014	Strong	62.4
Exxon Mobil	Oil, Gas, and Consumable Fuels	2015	2014	Weak	33.0
F5 Networks	Communications Equipment	2015	2014	Adequate	53.6
Flextronics International	Elect. Equip., Instruments, and Components	2015	2014	Adequate	53.3
FMC Technologies	Energy Equipment and Services	2015	2014	Weak	44.2
Ford Motor*	Automobiles	2015	2014	Strong	77.9
Gap Inc.	Specialty Retail	2015	2014	Adequate	50.9
Garmin*	Household Durables	2015	2014	Adequate	58.1
General Dynamics	Aerospace and Defense	2015	2014	No Policy	23.4
General Electric*	Industrial Conglomerates	2015	2014	Strong	84.6
General Motors	Automobiles	2015	2014	Adequate	54.7
Goodyear Tire & Rubber Co. (The)	Auto Components	2015	2014	No Policy	58.0
Google	Other Large Cap	2015	2014	Strong	74.0
Graphic Packaging Holding Co.	Containers and Packaging	2015	2014	No Policy	21.2
Halliburton*	Energy Equipment and Services	2015	2014	No Policy	42.7
Hanesbrands	Textiles, Apparel, and Luxury Goods	2015	2014	Adequate	45.7
Harley-Davidson	Automobiles	2015	2014	Adequate	49.1
Harman International Industries	Household Durables	2015	2014	Adequate	52.6
Hasbro*	Leisure Products	2015	2014	Adequate	54.1
Hewlett-Packard*	Tech. Hardware, Storage, and Peripherals	2015	2014	Adequate	83.3
Home Depot (The)*	Specialty Retail	2015	2014	Adequate	50.9
Honda Motor*	Automobiles	2015	2014	Weak	50.5
Honeywell International*	Aerospace and Defense	2015	2014	Weak	35.2
Icahn Enterprises, L.P.	Auto Components	2015	2014	Weak	52.3
Illinois Tool Works*	Machinery	2015	2014	Weak	59.7
Ingersoll-Rand	Machinery	2015	2014	Adequate	36.2
Intel*	Semiconductors and Semiconductor Equip.	2015	2014	Strong	94.2
International Business Machines	Other Large Cap	2015	2014	Adequate	82.0
Jarden	Household Durables	2015	2014	Adequate	36.4
Johnson & Johnson	Pharmaceuticals	2015	2014	Strong	68.0
Johnson Controls*	Auto Components	2015	2014	Weak	36.6
Juniper Networks	Communications Equipment	2015	2014	Adequate	70.2
Koninklijke Philips N.V (Philips)	Industrial Conglomerates	2015	2014	Strong	94.0
Kyocera*	Elect. Equip., Instruments, and Components	2015	2014	Adequate	63.5
L Brands	Specialty Retail	2015	2014	Weak	49.0
Lear	Auto Components	2015	2014	Weak	39.9
Leggett & Platt	Household Durables	2015	2014	Adequate	55.3
LG Display Co.	Elect. Equip., Instruments, and Components	2015	2014	Adequate	62.1

*51 companies in the original 2014 pilot study.

Company	Industry Group	2015 Filing	2014 Filing	Policy Rating	Score 2015
Lockheed Martin	Aerospace and Defense	2015	2014	Adequate	55.8
Lowe's Companies*	Specialty Retail	2015	2014	Weak	40.3
Luxottica Group SpA*	Textiles, Apparel, and Luxury Goods	2015	2014	Weak	25.3
Magna International*	Auto Components	2015	2014	Weak	60.4
Mattel*	Leisure Products	2015	2014	Strong	70.1
MeadWestvaco	Containers and Packaging	2015	2014	Inadequate	35.3
Medtronic*	Healthcare Equip., and Supplies	2015	2014	Adequate	53.9
Michael Kors Holdings	Textiles, Apparel, and Luxury Goods	2015	2014	Weak	39.5
Micron Technology	Semiconductors and Semiconductor Equip.	2015	2014	Weak	52.0
Microsoft	Other Large Cap	2015	2014	Adequate	85.2
Mohawk Industries	Household Durables	2015	2014	No Policy	10.0
Motorola Solutions	Communications Equipment	2015	2014	Adequate	70.5
National Oilwell Varco*	Energy Equipment and Services	2015	2014	Strong	40.5
Nautilus	Leisure Products	2015	2014	Inadequate	32.9
Newell Rubbermaid	Household Durables	2015	2014	Strong	47.8
Nidec	Electrical Equip.	2015	2014	Adequate	41.2
Nike*	Textiles, Apparel, and Luxury Goods	2015	2014	Inadequate	54.0
Nokia	Tech. Hardware, Storage, and Peripherals	2015	2014	Adequate	75.1
Northrop Grumman	Aerospace and Defense	2015	2014	Weak	32.4
Novartis AG	Pharmaceuticals	2015	2014	Inadequate	37.9
Novo Nordisk	Pharmaceuticals	2015	2014	Adequate	37.0
NXP Semiconductors NV	Semiconductors and Semiconductor Equip.	2015	2014	Adequate	62.1
PACCAR	Machinery	2015	2014	Adequate	28.4
Palo Alto Networks	Communications Equipment	2015	-	No Policy	16.9
Parker Hannifin	Machinery	2015	2014	Inadequate	19.5
Philip Morris International	Other Large Cap	2015	-	Weak	37.3
Polaris Industries*	Leisure Products	2015	2014	Adequate	37.5
Precision Castparts	Aerospace and Defense	2015	2014	No Policy	35.3
Procter & Gamble Co. (The)	Other Large Cap	2015	2014	Adequate	53.1
QUALCOMM*	Communications Equipment	2015	2014	Strong	86.5
Ralph Lauren	Textiles, Apparel, and Luxury Goods	2015	2014	No Policy	25.4
Raven Industries	Industrial Conglomerates	2015	2014	No Policy	24.4
Raytheon Co.	Aerospace and Defense	2015	2014	Weak	53.0
Rock-Tenn CO*	Containers and Packaging	2015	2014	No Policy	29.0
Rockwell Automation	Electrical Equip.	2015	2014	Adequate	67.2
Roper Industries	Industrial Conglomerates	2015	2014	Adequate	55.6
Ross Stores	Specialty Retail	2015	2014	No Policy	12.0
Royal Dutch Shell	Oil, Gas, and Consumable Fuels	2015	2014	No Policy	14.0
SanDisk	Tech. Hardware, Storage, and Peripherals	2015	2014	Weak	54.1
Sanofi	Pharmaceuticals	2015	2014	No Policy	16.0
Schlumberger*	Energy Equipment and Services	2015	2014	Adequate	66.3
Seagate Technology	Tech. Hardware, Storage, and Peripherals	2015	2014	Weak	59.6

*51 companies in the original 2014 pilot study.

Company	Industry Group	2015 Filing	2014 Filing	Policy Rating	Score 2015
Sealed Air*	Containers and Packaging	2015	2014	No Policy	29.8
Sensata Technologies Holding	Electrical Equip.	2015	2014	Weak	48.0
Smith & Wesson Holding	Leisure Products	2015	2014	No Policy	6.5
Sonoco Products Co.	Containers and Packaging	2015	2014	Strong	50.5
Sony*	Household Durables	2015	2014	Strong	70.3
St. Jude Medical	Healthcare Equip. and Supplies	2015	2014	Weak	39.9
Stanley Black & Decker	Machinery	2015	2014	Adequate	70.2
Stryker	Healthcare Equip. and Supplies	2015	2014	Weak	48.2
Sturm, Ruger & Co.	Leisure Products	2015	2014	Inadequate	20.6
Taiwan Semiconductor Mfg. Co.*	Semiconductors and Semiconductor Equip.	2015	2014	Adequate	58.1
Tata Motors	Automobiles	2015	2014	Strong	46.6
TE Connectivity*	Elect. Equip., Instruments, and Components	2015	2014	Adequate	61.6
Tenaris SA	Energy Equipment and Services	2015	2014	No Policy	22.5
Tesla Motors	Automobiles	2015	2014	Inadequate	50.3
Texas Instruments*	Semiconductors and Semiconductor Equip.	2015	2014	Adequate	53.2
Thor Industries	Automobiles	2015	2014	Adequate	34.2
Tiffany & Co.	Specialty Retail	2015	2014	Strong	56.2
TJX Companies (The)*	Specialty Retail	2015	2014	Weak	39.4
Toyota Motor*	Automobiles	2015	2014	Adequate	48.7
Trimble Navigation	Elect. Equip., Instruments, and Components	2015	2014	Weak	57.3
Under Armour	Textiles, Apparel, and Luxury Goods	2015	2014	No Policy	32.0
Unilever	Other Large Cap	2015	2014	Adequate	35.5
United Technologies*	Aerospace and Defense	2015	2014	Adequate	60.3
V.F.*	Textiles, Apparel, and Luxury Goods	2015	2014	Adequate	56.9
Verizon Communications	Other Large Cap	2015	-	Strong	63.3
Wal-Mart Stores	Other Large Cap	2015	2014	Adequate	46.7
Walt Disney, Co.	Other Large Cap	2015	2014	Weak	56.6
Weatherford International	Energy Equipment and Services	2015	-	Adequate	24.3
Western Digital	Tech. Hardware, Storage, and Peripherals	2015	2014	Strong	72.5
Whirlpool*	Household Durables	2015	2014	Inadequate	37.8
Zimmer Holdings	Healthcare Equip. and Supplies	2015	2014	Weak	31.9

*51 companies in the original 2014 pilot study.

Appendix 4: Methodology FAQs

I don't agree with my company's score. What should I do?

RSN made an attempt to contact every company that provided a conflict minerals address in their filing. However, if we were not able to reach you, please contact us at info@sourcingnetwork.org and we can set up a time to discuss your concerns.

Why might there be a difference between my company's overall score and the activities we have undertaken?

If your company has undertaken a response to conflict minerals that is not communicated in the company's SEC disclosure or on a web page directly linked from the SEC disclosure, the activities are not acknowledged in the KPI score. RSN rewards transparency so the activities must be communicated to the public, which means reasonably easy to locate.

How were scores obtained?

Scores were awarded manually by a human analyst on the basis of binary "yes or no" sub-indicators; a company either received full credit or no credit. This year's study was designed to be more objective, but a certain amount of judgment was required because of language variances and lack of specificity. In some cases, the analyst used the lens of a reasonable person with an investment in the company and asked whether such a person would understand and accept the company's statement.

Certain indicators were flagged for clarification in future analyses as part of continuous improvement, and any "gray areas" were noted by the analyst. Additional, binary analyst guidance was created as needed for exceptional situations or gray areas, and applied as equally as possible for every company.

Exponential indicators: Sometimes an element of due diligence or reporting, such as listing aggregate information on SORs, overlapped in two indicators, and therefore would have received points within each indicator. This likely accounts for an observable gap between high and low performers, especially in [MA 4: Report](#).

Some of RSN's indicators aren't required by the SEC. Where did they come from?

To accurately measure social performance and address responsible sourcing expectations by investors and other stakeholders, this study goes beyond indicators that are required by law. All indicators have been vetted by a company and stakeholder engagement process. Indicators in *Mining the Disclosures 2015* were updated from indicators in the 2014 Edition of *Mining the Disclosures*.

KPIs only address company practices that have previously been reported by companies that effectively accomplish the goals of a given measurement area, and for each KPI, at least one company earned full points.

All indicators are informed interpretations of Congress's intent in passing Section 1502 and extensions of the logic of the OECD's Due Diligence Guidance.

Example: The OECD states public reporting is meant to "increase public confidence." While not required, creating an informative conflict minerals page increases public confidence more than burying a disclosure among scores of other SEC filings.

How and why have the 2015 Measurement Areas (MAs) changed from the pilot study?

2014 Pilot Study

MA 2:	Policies and Management Systems	→
MA 1:	Assessing Exposure and Responding to Risk	→
MA 3:	Transparency and Reporting	→
MA 4:	Promoting a Conflict-Free Minerals Trade	→

2015

MA 1:	Commit
MA 2:	Assess
MA 3:	Respond
MA 4:	Report
MA 5:	Impact

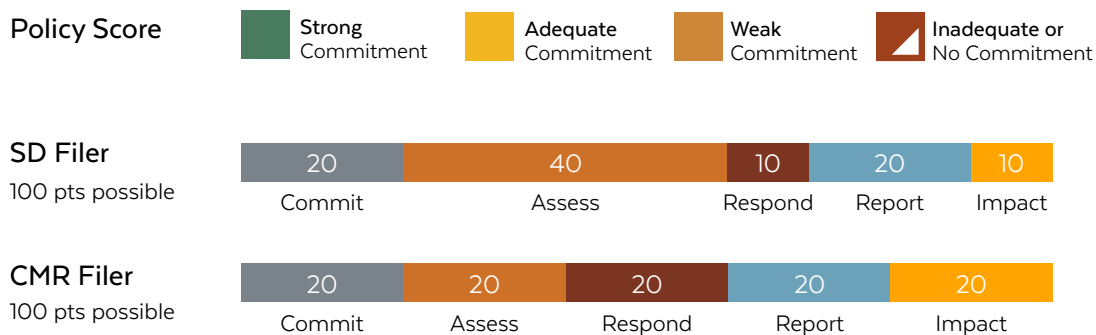
While Assessing Exposure often overlaps with Responding to Risk for downstream companies, RSN took its cue from the Conflict Minerals Rule, which treats the initial stages of risk assessment as a separate step from implementing a full risk response. Though commonly referred to as the "RCOI" (Reasonable Country of Origin Inquiry), these first steps should also include a formal, public, company-wide commitment from the company in the form of a complete conflict-free policy, followed by a thorough assessment of 3TG use.

Did analysts consider public information outside the SEC disclosure?

If a relevant web page was linked directly from a relevant section of the disclosure, the information on that web page was taken into consideration when determining a company's score. However, if a disclaimer stated that the website was not part of the disclosure, we did not use that information for MAs 1-4. While extra effort was made to view relevant web pages or PDFs for the policy evaluation and indicators in **MA 5: Impact**, any content not easily locatable within a website search and/or an search engine query for "conflict" or "conflict mineral(s)" was not considered, with the exception of the CFSI's Initial Audit Fund list.

Is ranking CMR filers with SD-only filers comparing apples and oranges?

Companies fall into three categories, each of which is rated differently. RSN determined the Measurement Areas based on a combination of reporting requirements by the SEC and expectations from the investor and other stakeholder communities. Additional detail on this breakdown is described on page 6.



Did a company get points for the activities it plans to or "will" undertake?

Every company was given a score for its "continuous improvement" steps, which is where future activities were acknowledged and scored. A significant number of companies described their due diligence plans going forward (i.e., for the rest of 2015) under the "due diligence undertaken" or equivalent section, rather than detailing steps that were already taken in calendar year 2014. This is not acceptable, because the filings in 2015 should only cover due diligence conducted during calendar year 2014. If a company mixed together due diligence steps it "will take" with due diligence "undertaken" in the same section, the whole section was counted toward the future-looking continuous improvement score, not the scores for **Assess** or **Respond**, which only looked at activities already completed during calendar year 2014.

What is the difference between an industry group and a sector group?

Sector groupings have limited use as a reflection of the broadest performance trends across the 20 industries. These categories are based off of the Global Industry Categorization System (GICS). In GICS, sectors are the broadest category, and industries are a sub-category of sectors. The seven sector categories in *Mining the Disclosures 2015* include the six sectors from RSN's first report, with the addition of an "Other" category for those companies that are not members of one of these six sectors, specifically, seven of the 20 companies in the "Other Large Cap" industry group. All 17 original high exposure industries fell into one of the original six sectors. Scores for the four Oil, Gas, and Cosumable Fuels companies were part of the Energy Sector average; scores for the four Healthcare Equipment and Services industry group were part of the Healthcare Sector average. Three of the remaining companies (IBM, Microsoft, and Google) fell under the Information Technology Sector, and two others (Amazon and Disney) fell under the Consumer Discretionary Sector. As a result, the overall industry group ranking of "Other Large Cap" includes these five additional companies. Because the three IT companies scored highly, this average comes out higher than the "Other Sectors" average, which only includes the remaining seven companies. See page 28 for more detail.

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	Tin (Cassiterite), Tantalum (Coltan), Tungsten (Wolframite), or Gold.
CFSI; CFSP	The Conflict-Free Sourcing Initiative (CFSI) was founded by major electronics manufacturers and manages the CFSP (Conflict-Free Smelter Program), which is 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	Certified as 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	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, not sourced from the covered countries, or sourced from scrap or recycled sources.
DRC Region	Used in this report to refer to 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) 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 governments 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. (Search disclosures at: www.sec.gov/edgar.shtml)
SOR	Smelter or Refiner, where raw minerals are processed.
SRI	Sustainable, Responsible, and Impact Investor.

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