mmta
Minor Metals trade association

Thinking about Responsible Sourcing?

A beginner's guide to help you get started

www.mmta.co.uk

What's Responsible Sourcing?

Responsible Sourcing is when a business looks at not only the cost, quality and consistent supply of their raw materials, but also considers other supply chain issues such as, conflict minerals, green-house gas emissions, human rights, corruption, and environmental impact amongst other challenges, when sourcing.

Increasingly, Responsible Sourcing initiatives are being initiated by consumers and passed down the supply chain. Consequently, many Responsible Sourcing guidelines tend to be directed principally at producers rather than intermediaries so the challenge MMTA members face is how to comprehensively and commercially ensure these responsibilities are passed on.

What are the MMTA doing?

- **Consolidating and simplifying information on Responsible Sourcing to create a straightforward and easy-to-understand guide for MMTA Members, in particular SMEs.**
- **Raising awareness. Making members aware of their responsibilities. If you have any contracts with large corporate companies there are likely to be some commitments in the small print, even if you're not expressly required to sign a code of conduct.**
- **Encouraging a review of existing policies. Showing how members can consolidate or incorporate any existing written policies on things like conflict minerals, sustainability etc., without very much trouble into a 'Responsible Sourcing' policy.**

What do end-users have to say?

We expect our suppliers to support us in being trusted to deliver excellence and help them to do so through our Global Supplier Code of Conduct. We expect our suppliers to be ethical, responsible and to fully comply with all applicable laws and regulations. ***Rolls-Royce***

Products made to have a positive impact. On the world and the people who make them. ***Apple***

Our objectives are to work with our suppliers to:

- *Operate a lean supply chain that supports our corporate responsibility policies.*
- *Develop sourcing solutions in line with customer, regulatory and wider stakeholder needs and expectations.*
- *Create long-term value and reduce risk for our business, our suppliers and our stakeholders.* ***Arcelor Mittal***

Intel is creating a responsible supply chain to ensure minerals that finance violence don't end up in the devices we use every day. We're committed to using only Conflict Free1 mineral resources, which means greater economic opportunities and safety for miners and their families. Now through third-party audits and direct validations by Intel's supply chain organization, we have gone beyond just microprocessors to ensure that our broader product base will be conflict free. ***Intel***

***Arconic** have a dedicated micro-site to supplier sustainability:*

http://www.arconic.com/global/en/contact/supplier_sustainability.asp

FICTION: Responsible Sourcing is just about conflict minerals

It's true that most legislation around Responsible Sourcing deals with conflict minerals; however, truly Responsible Sourcing includes issues such as carbon footprint, environmental impact, health and safety and tackling corruption amongst other indicators.

This trend towards transparency and traceability around sourcing is being driven by legislation, NGO investigations and consumer expectations. Leading organisations in turn want to improve the environmental, social and governance performance of the companies they do business with. Some governments are also interested in the opportunity responsible sourcing may offer for furthering economic development, environmental stewardship and socially responsible practices in their country or region.

The public want to know if there has been exploitation involved in the production of their goods. Consumer awareness and pressure has led companies such as INTEL and Apple to prioritise and justify their sourcing practices. NGOs are vigilant to companies' ethical practices and can easily bruise or break reputations.

Responsible Sourcing and Metals

The metals industry faces its own particular challenges in this area, and companies have a tough job to reassure their consumers. At the moment, it is not always possible to trace all minerals and metals back to their origin and document a full understanding of the impacts associated with their individual production.

Some areas of the metals and minerals industry are, however, on their way to achieving this. In precious metals and diamonds, brands require their suppliers to track and report on their human rights policies and the sustainable footprint of their operations.

Many products such as electronics and cars are extremely complex with diverse materials and many companies and organisations involved. It is difficult for an end-user to get much visibility beyond the first few companies in their supply chains.

Another unique challenge is due to the nature of mining and mineral extraction, only certain parts of the world have the necessary quality and quantity of certain minerals and metals.

Conflicts in countries such as the Democratic Republic of the Congo (DRC) have often been funded by mining. DRC has vast mineral wealth, and armed groups have fought to have control of the mines with murder, rape and forced labour. Proceeds from mining have been used to fund armed conflict further.

Tin, tantalum, tungsten and gold are used in the production of many high-tech devices, in the automotive, electronics, aerospace, packaging, construction, lighting, industrial machinery and tooling industries, as well as in jewellery.

Yet another challenge the metal industry faces is to optimise and reduce the impact of energy-intensive mining and processing of metals and ores and their subsequent products.

What about Recycling?

Many minor metals are both economically and technically viable for recycling, and a significant number of MMTA members have operations in this area. Recycling metals means that increasing demand does not all need to be met by more energy intensive primary production. In additional, recycling optimises valuable waste streams.

Using recycled metals for smelting new raw materials can also massively help to reduce energy use and cut CO_2 emissions in production methods.

EU data shows that the following energy savings are already being achieved as a result of using recycled materials:

Aluminium – 39 per cent of new materials made using recycled metals, at an energy saving of 95 per cent.

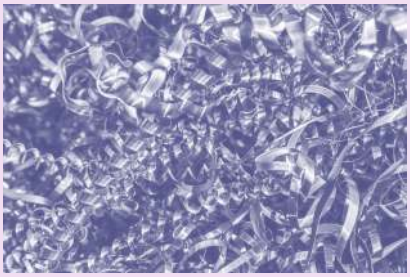
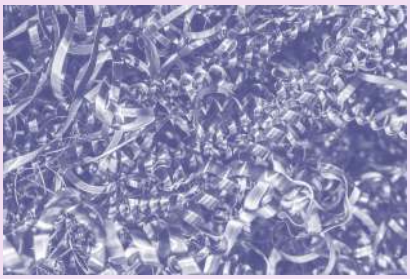
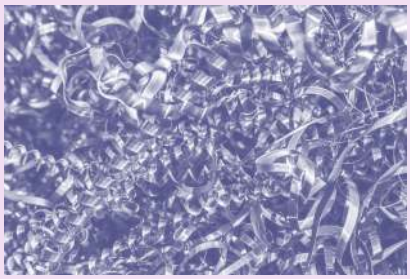
Copper – 32 per cent recycled materials at a saving of 85 per cent.

Lead – 74 per cent with an energy saving of 60 per cent.

Steel – 42 per cent at a saving of between 62 and 74 per cent.

Zinc – 20 per cent at a saving of 60 per cent.

EU data also suggests that by using recycled materials, CO2 emissions are currently being slashed by around 200 million tonnes each year.

How does this affect my business?

Firstly: check your contracts! What have you already signed up for?

If you are selling materials to blue chip companies or OEMs or their direct suppliers then it is likely there are supplier 'codes of conduct' referred to in the contract. Anyone supplying metals that ultimately end up in aero engines, cars and electronics should review any responsibilities they have in contract small print or supplier approval questionnaires for example.

As previously mentioned, legislation around Responsible Sourcing is focused on conflict minerals at the moment. A draft EU regulation to prevent the minerals trade from funding conflict and human rights violations was approved by MEPs in March 2017. This "conflict minerals" law will oblige all but the smallest EU importers of tin, tungsten, tantalum, gold to do "due diligence" checks on their suppliers, and big manufacturers will also have to disclose how they plan to monitor their sources to comply with the rules.

In negotiations, the EU Parliament also secured an undertaking that big EU firms (over 500 employees) that buy tin, tantalum, tungsten and gold to use in their products will be encouraged to report on their sourcing practices and will be able to join an EU registry.

There have been indications that the so-called "conflict minerals" provision of the U.S. Dodd-Frank Act will no longer apply. In April 2017, SEC Acting Chairman Michael Piwowar recommended that the Securities & Exchange Commission not enforce the provision which requires companies to disclose the origin of tungsten, tin, tantalum and gold (3TG) in their manufactured products. However, as of August 2017, this disclosure mandate still stands.

With the new EU rules, multi-national companies with still have to comply with at least one set of disclosures which will apply to all but the very smallest importers. The legislation also exceeds Dodd-Frank by requiring due diligence on minerals sourced from all regions of the world—not just high-risk nations such as the DRC.

Even if Dodd-Frank is repealed, the end-users are unlikely to cease their requirements for due diligence within their supply chain, so little may change from a practical perspective.

Are you sourcing responsibly?

Starting to examine a business from the stance of Responsible Sourcing can seem daunting, especially for small and medium sized businesses.

Internally, it is about sustainable procurement. Externally, it is about Responsible Supply.

A gradual approach can be taken to get to grips with mapping the supply chain.

- Layer by layer
- Year by year
- Non-compulsory acts for users
- Incremental improvements

Key areas of concern range across ethical, environmental and societal issues including:

Who are your suppliers?

Do you know where they get their materials?

Do your suppliers have any certification? Conflict-free smelter for example?

What practical steps can I take?

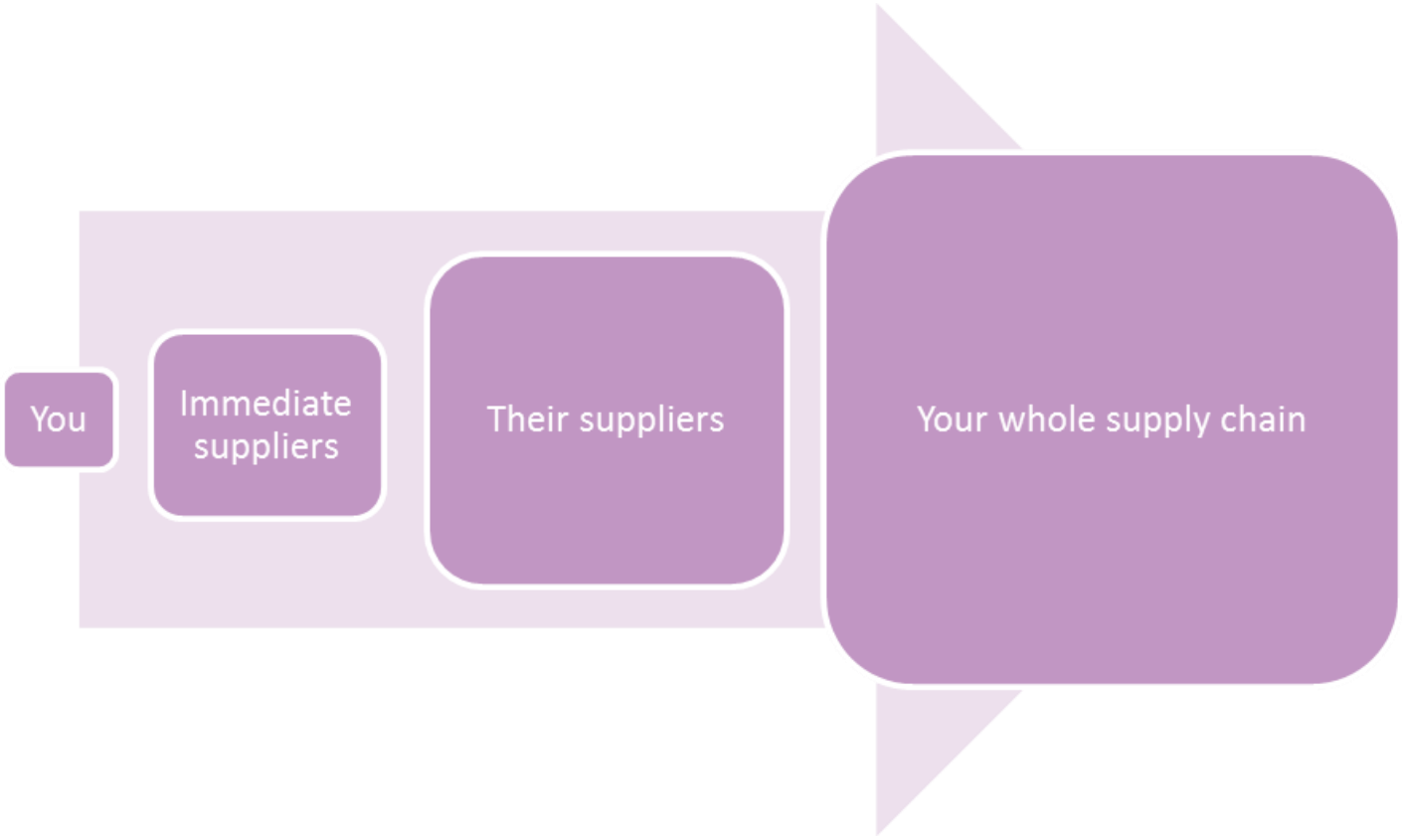
How about sending a questionnaire?

Why not ask them for their Responsible Sourcing policy?

You need to be able to establish:

- Where do the materials come from?
- Has a certificate of origin been provided?
- Have they been extracted and processed in an environmentally sensitive manner?
- Have the highest levels of ethics been demonstrated within the supply chain?
- Has the workforce involved in their extraction and production been treated fairly?
- Have all stakeholders in the supply chain been effectively consulted?
- Are communities local to the extraction and manufacture adequately considered?

The Path to Responsible Sourcing



MMTA member examples of Responsible Sourcing policies

Wogen recognises that in order to be a successful and valued partner to its customers, business must be conducted in a sustainable manner. This means that, in addition to operating a business that delivers good commercial value in fulfilling customer objectives, we must be sure that our services are delivered in a way that does not threaten the ability of future generations to enjoy these same amenities.

Wogen Resources Environmental Policy

Lipmann's policy with regard to the two conflict minerals with which we work – Tantalum and Tungsten metal – is to trade these, where possible, in the form of high-purity scrap, suitable for delivery to end-users. Under OECD guidance, scrap is defined as:

"Metals reasonably assumed to be recycled are excluded from the scope of this Guidance. Recycled metals are reclaimed end-user or post-consumer products, or scrap processed metals created during product manufacturing. Recycled metal includes excess, obsolete, defective, and scrap metal materials which contain refined or processed metals that are appropriate to recycle in the production of tin, tantalum, tungsten and/or gold. Minerals partially processed, unprocessed or a bi-product from another ore are not recycled metals." (Page 14 of pdf, page 12 of printed document)

Scrap, therefore, as defined in the above paragraph, is regarded as 'DRC-Conflict Free'.

In spite of the foregoing, Lipmann Walton has instituted a management system to document and verify that all scrap purchased, is genuinely scrap (and not prime metal). This now forms part of our ISO management system, audited by Moodys.

Where prime metal is sourced, Lipmann Walton will either purchase from companies listed under the 'Conflict-Free Smelter Scheme' (CFS), or, if not part of this scheme, carry out due diligence and obtain manufacturer's certification, stating country/ specific mine from where raw material was sourced. It is important here to note that, under the guidance, it is not illegal to source raw material from conflict zones, if it is correctly 'bagged & tagged' (as per EICC/GeSI) from listed sources

From ***Lipmann Walton & Co***, Dodd-Frank Section 1502/ Lipmann Compliance ref: Tantalum & Tungsten

Helpful Resources

Organisations

UNGC

OEC Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area

EICC

Global Witness

PACT

ITSCI

Cobalt Institute

Programmes for Responsible Sourcing

Examples of Responsible Sourcing initiatives: Low carbon construction products BREEAM and ASI-The Aluminium Stewardship Initiative: an industry based scheme to provide traceable aluminium to end-users

Various organisations help companies to fulfil either voluntary or mandatory requirements Compulsory Dodd-Frank Act- USA, Conflict minerals

Compulsory Modern Slavery Act- UK, Human rights

Voluntary UNGC –The Ten Principles are on Human Rights, Labour, Environment and Anti-Corruption

Compulsory EU Conflict Minerals (draft regulation)

Voluntary Global Reporting Initiative- Energy, CO2, Human Rights, Labour

Others

European Union's (EU) Product and Organisation Environmental Footprint initiative, focus on the measurement of environmental impact across the life cycle of the product

International Chamber of Commerce published guidelines on Responsible Sourcing

ICMM 10 Principles- developed for their Members and tailored to the mining and metals industry