

Executive Summary

At the Other End of the Supply Chain – ICT brands' approaches to responsible minerals sourcing

Manufacturing of information and communication (ICT) products is related to exploitative working conditions and human rights violations along the entire value chain. This also applies to the sourcing of the mineral resources essential to ICT products. Mining issues include child labour, forced labour, lack of health and safety regulations, negative environmental and health impacts on surrounding communities, forced relocations and financing of armed groups through “conflict minerals”.

What do ICT brands do to prevent such adverse impacts “at the other end of the supply chain”? ICT products contain many different mineral resources. Among them are tin, tantalum, tungsten and gold (3TG), all of which are covered by the narrow definition of “conflict minerals”. Even though only used in small milligram and gram quantities in ICT products, the ICT sector's leverage is enormous, both due to the quantity of manufactured products (e.g. more than 1.5 billion smartphones and, despite declining sales, 164 million tablets and 165 million notebooks are sold worldwide every year) and to cross-sector industry schemes.

Given the complex supply chain of their products, ICT brands insisted for a long time neither to be responsible for the activities of stakeholders in their “deeper” supply chain nor to have any capacity to find out where the raw materials come from. But increased public awareness and other factors like the common rules regarding the role of companies outlined in the OECD Due Diligence Guidance for Responsible Mineral Supply Chains from Conflict-Affected and High-Risk Areas (OECD Guidance) and the obligation of part of the industry through the legal provisions of the Dodd-Frank Act of 2010 have brought about a fundamental change: The issue of conflict minerals has arrived in the ICT sector. Does the issue of conflict minerals also act as a “door opener”, causing ICT brands to address other adverse impacts of the extraction of raw materials?

The report examines the approaches of 19 ICT brands on responsible minerals sourcing. Among them are the 17 current market leaders for different product groups (smartphones, tablets, PCs/notebooks, printers/copiers and servers) as well as two smartphone brands that are considered “fair alternatives”. The brands come from seven different countries. Some of them are affected by mandatory legal requirements and for others only voluntary schemes apply. We wanted to know whether the 19 ICT brands follow the basic recommendations of the internationally recognized OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance), and which companies consider further mineral issues in their own supply chain. The report does not present a ranking but a detailed overview and equivalent “fact sheets” of the individual ICT brands.

Only the issue of conflict minerals in the narrow definition of Section 1502 of the Dodd-Frank Act is more or less enshrined in the ICT sector: a conflict minerals policy on 3TG originating from the DR Congo and adjoining countries and corresponding basic implementation measures are widely used in the industry. This does not only apply to companies that are legally obligated. While only six of the 19 manufacturers examined are legally obligated, almost all of them have at least basic approaches regarding conflict minerals. This is also the case for other ICT brands not examined in this report. This demonstrates that binding regulations have a huge impact on the corporate policies of the whole sector.

This also becomes apparent with regard to the *global* consideration of conflict minerals. A significant push factor for this is EU Regulation 2017/821 of 17 May 2017 on responsible sourcing in

conflict areas. Based on experience from the Dodd-Frank Act, the regulation is not only limited to mineral resources from the DR Congo and adjoining countries but, like the OECD Guidance, pursues a global approach that applies to *all* conflict-affected and high-risk areas. However, the regulation falls considerably behind the Dodd-Frank Act insofar as only mineral and metals importers fall within its scope, no component or product importers. Thus ICT brands are not included on a mandatory level. Still, it is striking that several ICT brands refer to the EU Regulation. One reason for this might be the EU Regulation's provision that its evaluation in 2023 "may be accompanied, if necessary, by appropriate legislative proposals, which may include further mandatory measures". Further pressure was exerted by the OECD Alignment Assessment of five prominent industry schemes, including the Responsible Minerals Initiative's scheme (RMI) which is used by several ICT brands. One of the first points of criticism published by the OECD was the limited regional scope of the conflict minerals policies of all industry schemes. Following the assessment, the industry schemes expanded their standards to cover conflict-affected and high-risk areas at a global level. Currently, this is only the case for six of the 19 ICT brands examined. Even slower progress is to be observed when it comes to other minerals and other mining issues. There are still only sporadic approaches that often have the character of pilot projects. They are usually pursued in cooperation with industry initiatives and their working groups.

The approach of the ICT brands as a whole is strongly influenced by the joint industry schemes, primarily the Responsible Minerals Initiative (RMI). Eleven of the 19 brands examined are RMI members and further ones use the RMI tools. Industry schemes like this one ensure that a broad range of stakeholders comply with certain minimum standards, such as the formulation of a conflict minerals policy, and the disclosure of smelters and refiners in the supply chain. But several of the ICT brands examined in this report lack even basic elements, which are also laid down in the OECD Guidance, e.g. an effective grievance mechanism, the consideration of other raw materials and regions, as well as the consideration of potential negative impacts of their own actions (e.g. boycott risks or specific characteristics of artisanal and small scale mining). The OECD Guidance points out that "companies retain individual responsibility for their due diligence, and should ensure that all joint work duly takes into consideration circumstances specific to the individual company." Still, for some ICT brands, the membership in and use of tools of the RMI seems to become a substitute for their own due diligence measures.

Pioneers, however, distinguish themselves by going beyond the legal requirements. They go beyond the narrow scope of the Dodd-Frank Act and start to take into consideration both further raw materials and other labour rights and human rights violations in the raw materials sector. They are proactively involved in industry and multi-stakeholder initiatives. In addition, their approach is characterized by the fact that they do not only use the OECD Guidance as a checklist, but perform their own implementation of the 5 steps of the OECD Guidance in an individualized and transparent manner, also pointing out difficulties. The question of the actual "impact" of their due diligence measures should be paramount in this.

There is still a long way to go before such pioneering approaches are the norm in the entire sector. Experience from the Dodd-Frank Act and the EU Regulation shows that binding regulations are necessary to ensure that not only individual pioneers take an active part but a more widespread effect is achieved. The issue of conflict minerals is also an example of how a legal requirement that initially addresses only some brands does not mean a competitive disadvantage for them but – in combination with public pressure, the influence of joint suppliers and joint industry schemes – has an effect on the entire sector.

WEED's report "Am anderen Ende der Lieferkette. Was tun IT-Hersteller für einen verantwortungsvollen Bezug von Rohstoffen?" is available here (in German):

https://www2.weed-online.org/uploads/weed_studie_rohstoffe_web.pdf

Overview: ICT brands' approaches on responsible sourcing

ICT brands	Head office	Reporting as per Dodd-Frank Act	Obligation to report according to Dodd-Frank Act	Reporting re. implementation of the 5 OECD steps	Grievance mechanism (explicitly re. resources)	Transparency: Publication of 3TG smelters/refiners (xx = additionally cobalt)	Transparency: Publication of 5 OECD steps	Transparency: Publication of further suppliers (manufacturing)	Other resource-related human rights violations (beyond OECD Guidance)	Other resources (in addition to 3TG)	Other conflict regions mentioned in policy	Other countries (in addition to 3TG)	Explicit statement: "No DR Congo mining"	Support statement: "No DR Congo mining"	Membership in responsible sourcing industry schemes and initiatives (number)	Certificates with resource-related social criteria		
Acer	Taiwan			x	x	x	x	x	xx		cobalt	x	x		x		x	4
Amazon.Com	USA			x	x	x	x		x									1
Apple	USA			x	x	x	x		xx	x	cobalt	x	x	x	x		x	6
Brother	Japan																	0
Canon	Japan			x	x	x	x	x	x									3
Dell	USA			x	x	x	x	x	xx	x	cobalt, mica	x	x		x	x	x	5
Epson	Japan			x	x				*									1
Fairphone	Netherlands			x	x	x	x		x	x	cobalt	x	x		x	x	x	5
Fujitsu	Japan			x	x				x									2
HP Enterprise	USA			x	x	x	x	x	x	x								1
HP Inc.	USA			x	x	x	x	x	xx	x	cobalt, mica		x				x	5
Huawei	China			x	x						cobalt			x				2
Inspur	China																	0
Kyocera	Japan			x	x	x	x		x									1
Lenovo	China (HK)			x	x	x	x	x	x		cobalt	x	x		x			1
OPPO	China																	0
Samsung Electronics	South Korea			x	x				x	x	cobalt				x			3
Shift	Germany																	0
Xiaomi	China																	0

x compliance
 compliance only with restrictions
 no compliance
 yes (without rating)
 * available upon request