

Traceability in Global Supply Chains

Minerals and Diamonds

Wednesday 10 September 2014 at 8 am EDT



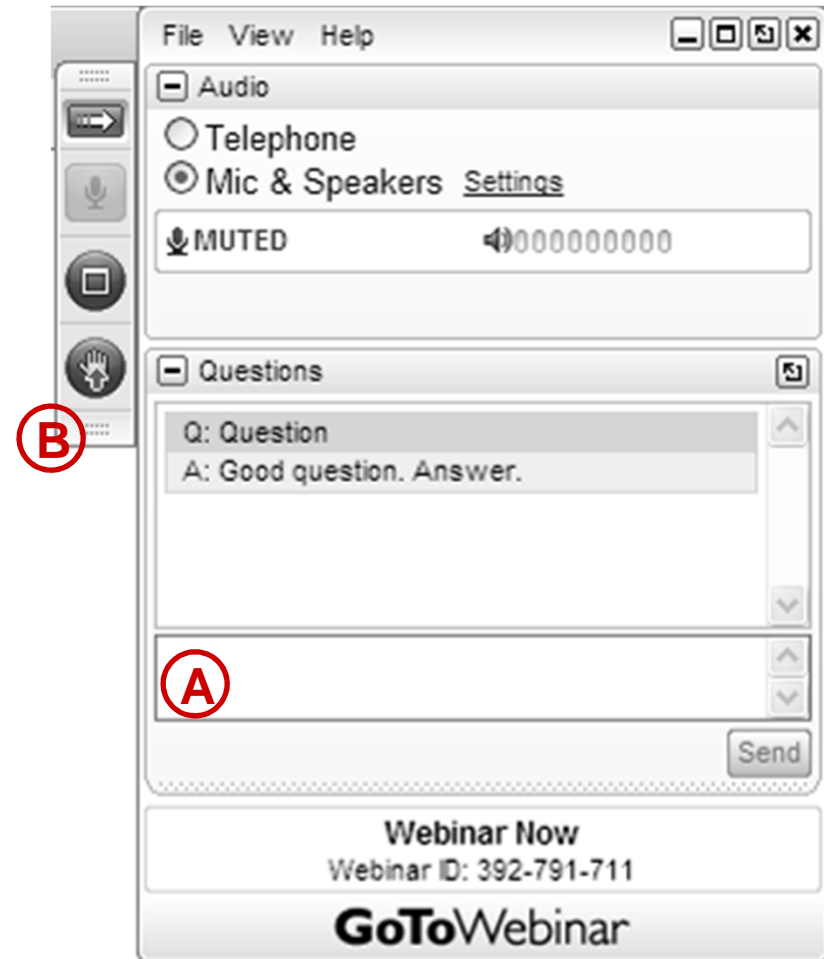
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Questions

Technical Difficulties: If you have technical issues, please let us know by typing a message in the Questions pane (A). You can raise your hand (B) if we do not respond.

Q&A: We will be taking questions on content at the end, but you can send them to us throughout the webinar by using the Questions pane (A). Please specify to whom the question should be directed.

Example: *Question for John Doe: What is Human Trafficking?*



Agenda



Welcome and Introduction

Elena Bombis, Advisor, Supply Chain Sustainability, UN Global Compact



Presentation of “A Guide to Traceability” by UN Global Compact and BSR

Tara Norton, Director – Advisory Services, BSR - Member of UNGC Advisory Group on Supply Chain Sustainability – Traceability Task Force



Traceability in the Jewellery Sector

Fiona Solomon, Director – Standards Development, Responsible Jewellery Council



Traceability in Gold

Terry Heymann, Managing Director – Gold for Development, World Gold Council



Traceability in Minerals

Arvind Pandey, General Manager, ArcelorMittal - Member of UNGC Advisory Group on Supply Chain Sustainability



Business for Peace

Adrienne Gardaz, Policy Advisor and Programme Manager – Business for Peace, UNGC



Q & A – with special remarks from Jonathan Drimmer, Vice President and Deputy General Counsel of Barrick Gold – Member of UNGC Advisory Group on Supply Chain Sustainability
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BSR®

The Business of a Better World

Supply Chain Traceability

Objectives of today's session

- Learn what traceability is and how it can be a useful tool for companies and their sustainability objectives
- Understand the different traceability models and their pros and cons
- Consider the Seven Steps that you can take to practically implement traceability
- Get an overview of the landscape of global traceability schemes
- Deep dive into two commodities

DEFINITION: Traceability for sustainability

The ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labor (including health and safety), the environment and anti-corruption.

A GUIDE TO TRACEABILITY

A Practical Approach to Advance Sustainability in Global Supply Chains



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Brief History of Traceability

1930s	European countries wanted to prove the origin of high-quality food such as French champagne
1990s -	Food safety related issues and various food scandals in the agribusiness sector, such as mad cow disease or the Asian bird influenza, have highlighted the importance of traceability
2005	European Commission implemented several directives and regulations on food safety
Today	<p>Consumers, NGOs, governments, suppliers and buyers increasingly demanding more information about origin of products</p> <p>Increased demand for organic, fair trade and environmentally friendly products and materials</p>

Traceability Today

- Today, traceability is an increasingly useful tool for companies to advance sustainability and prove claims and attributes of sustainable products
- Some companies have instituted their own traceability programmes and schemes for certain business-critical commodities
- Companies and stakeholders have come together to build global multi-stakeholder initiatives in order to trace commodities collaboratively. Examples:
 - The Forest Stewardship Council (FSC)
 - The Marine Stewardship Council (MSC)
 - UTZ Certified



Impact & Opportunities for traceability

Traceability is already providing impact, but there is more to do.

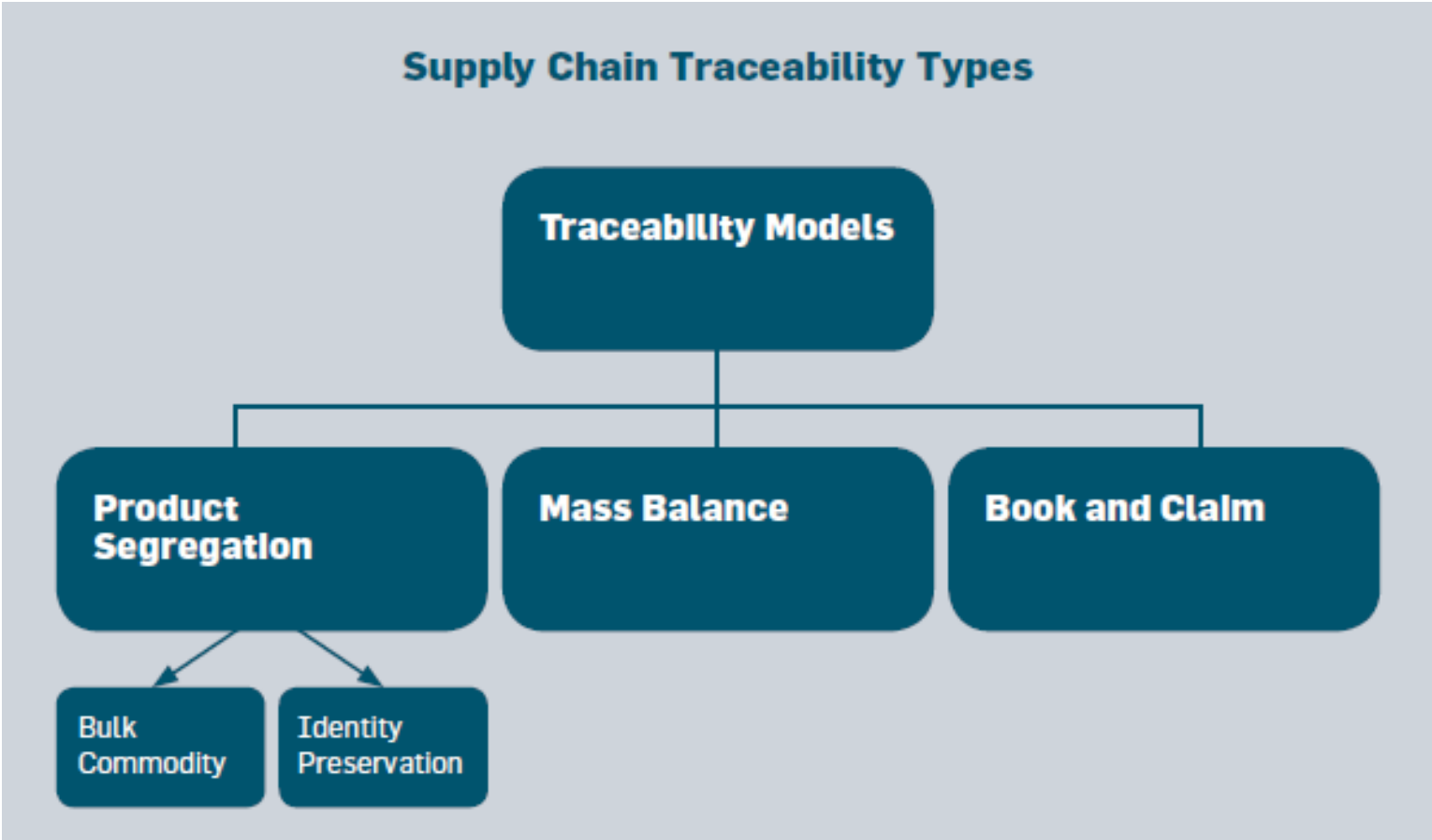
Impact of Traceability

- Drives the sustainability of raw materials
 - Timber: Relative annual growth rate of 11.8% in forest certification (either FSC or PEFC); currently 10% of world's forest area are certified sustainable
 - Cotton: 8% of global cotton consumption engaged in the Better Cotton Initiative
 - Bonsucro: 3.66% of global sugar is certified
- Proof of good business practices
- Unites companies and stakeholders around a common purpose

Opportunities to strengthen traceability

- For certain commodities, traceability is difficult due to supply chain complexity. More is needed to increase transparency at certain key points in supply chains.
- Increase availability and scale of certified, traceability products
- Reduce cost of traceability for all supply chain actors
- Develop technology to meet traceability needs

Traceability Models



Best practice in sustainability

THE MODEL: COLLABORATION IS BEST PRACTICE FOR TRACEABILITY

A clear model has emerged of best practice in traceability based on interviews and research conducted in developing this guide. The model has three distinctive features:

1. One independent, multi-stakeholder **Global Collaborative Scheme**. This organization provides guidance and works on commodities to advance traceability.
2. **Focus**. The traceability scheme is focused on a limited number of issues, both in terms of the number of commodities and the sustainability attributes that must be traced.
3. **Appropriate collaboration along the supply chain**. The supply chain actors along the way are participating in the scheme in a manner appropriate to their position in the supply chain, and are communicating with their immediate business partners.



Drivers and Benefits

Values and Efficiencies	Stakeholder Pressure	Regulation	Global Alignment
<ul style="list-style-type: none">1.Reducing risk2.Operational efficiencies and process consistency3.Securing supply4.Supplier selection and supplier relationships5.Reputational benefits	<ul style="list-style-type: none">6.Meeting stakeholder demands for more product information7.Ensuring sustainability claims are true	<ul style="list-style-type: none">8.Meeting legal requirements	<ul style="list-style-type: none">9.Standardization of expectations, processes and systems10.Ensuring security of natural resources

Seven Steps to traceability implementation

1. Identify the key commodities.
2. Gain a full understanding of all relevant sustainability issues to those commodities and identify whether traceability is the best way to mitigate those risks.
3. Develop the business case for traceability.
4. Take traceability action.
 - If there is an existing traceability scheme, get involved.
 - If there is not an existing scheme for that commodity, reach out to peers and stakeholders (and the UN Global Compact) to encourage or start one.
5. Engage internally with key staff, and develop solid internal practices and processes.
6. Engage with suppliers.
7. Stay the course.



Minerals/Diamonds

Key Issues

- Non-conflict diamonds and human rights
- Prevention of forced labor
- Maximize community empowerment
- Water use
- Biodiversity

Relevant Actors

- Conflict-Free Sourcing Initiative
- Responsible Jewellery Council
- World Gold Council
- Kimberley Process Certification Scheme
- Diamond Development Initiative International
- Jeweltree Certification
- ICGLR Regional Certification Mechanism for Conflict Minerals
- Business for Peace
- Other: OECD Due Diligence Guidance and Dodd-Frank Act

Gaps & Opportunities

- Greater Alignment among different schemes
- Robust, integrated certification process is needed



Thank you.



Responsible
Jewellery
Council

RJC Certification and responsible sourcing

UN Global Compact webinar – September 10, 2014

Dr. Fiona Solomon, Director – Standards Development

Responsible Jewellery Council (RJC)

RJC's sole purpose is promoting responsible business conduct through standards and certification programs for diamonds, gold and platinum group metals.

- Member ISEAL Alliance, complying with Codes of Good Practice
- UN Global Compact participant

RJC Code of Practices Certification:

- Standards for business management, human rights and responsible supply chains, labour rights, HSE, product disclosure, and responsible mining.

RJC Chain-of-Custody Certification:

- Sets framework of strong management systems, risk assessments (including conflict-sensitive sourcing) and chain-of-custody for these precious metals.



Covering the whole supply chain

RJC Certification is open to companies globally, from mine to retail in the gold, diamond and PGM jewellery supply chain.

- Includes mining, refining, alloying, assaying, jewellery and watch manufacturing, retailing.
- Trade associations can also join RJC to encourage uptake of responsible practices with their own members.



PRODUCER



REFINER



DIAMOND TRADING,
CUTTING & POLISHING



MANUFACTURER



RETAILER

Q&A

What do you think are the main challenges that RJC Members struggle with to achieve a conflict-free supply chain and what type of support do you offer to overcome those challenges?

- Sequencing: upstream efforts are required first for downstream companies to source from. Current focus is on refining and mining. Jewellery supply chains can be very complex, as for all industries.
- Wanting to achieve a step-change: many companies are not keen to differentiate their products range between known and unknown, so early efforts are not always publicly communicated.
- RJC provides guidance, training, workshops and help desk support. We've been actively involved in the development of the OECD Due Diligence Guidance to help ensure its relevance to the jewellery supply chain. We are also involved in a multi-stakeholder group looking at conflict issues for precious stones and the possibility of new guidance/initiatives.

Q&A

Why did RJC hold on the development of a chain of custody certification for diamonds, and what you think are the main challenges for traceability in that area?

- In 2010-11 when RJC was developing its CoC standard, it was envisaged to cover diamonds, gold and PGM. In late 2011 it was decided to apply to the CoC standard to precious metals only, with further consideration to diamonds in future.
- RJC included a Provenance Claims provision in the Code of Practices 2013. Interest at the moment for diamonds relates to ‘synthetic-free’ claims.
- Challenges to developing a new CoC initiative include existing programs eg KPCS being seen as sufficient; concerns about overlap with existing proprietary programs eg Canadamark and Forevermark; and concerns in the diamond cutting/trading sector that implementation might be complex but expectations raised for supply.

The World Gold Council

Stimulating and sustaining demand for gold

- The global authority on gold and the first source of informed opinion
- Develop insights into future role of gold across the multiple sources of gold demand
- Collaborate with partners, intervene to deliver solutions and create new markets, which increase and sustain the demand for gold



The Conflict-Free Gold Standard

What is the Conflict-Free Gold Standard?

- A common approach by which gold producers can assess and provide assurance that their gold has been extracted in a manner that does not cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law

Why have we developed it?

- An industry-led approach to address concerns that link gold mining to the financing of armed conflict
- Designed to “operationalise” the OECD Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas
- Intended to promote responsible mining and encourage investment in conflict-affected areas when it is appropriately undertaken
- Endorsed by LBMA and aligns with their Responsible Gold Guidance

Question 1: World Gold Council

- The Conflict Free Gold Standard has been recently created and was implemented for the first time last year; what kind of inspiration have you drawn from existing standards?



Question 2: World Gold Council

How do you balance the need for increased precautions when extracting from conflict-affected areas and the risk of member companies avoiding those areas altogether?



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ArcelorMittal

ArcelorMittal's approach to managing conflict minerals

Presentor: Arvind Pandey, Global Purchasing

September 2014

ArcelorMittal – Safe Sustainable Steel

- ArcelorMittal is the world's leading steel and mining company supplying quality steel products in all major markets including automotive, construction, household appliances and packaging.
- ArcelorMittal is present in more than 60 countries and has an industrial footprint in over 20 countries: <http://corporate.arcelormittal.com/>
- We spend over \$50 billion a year on our supply chain on a wide range of products and services from raw materials, capital expenditure, transport and logistics.

Underpinning all our operations is a philosophy to produce safe, sustainable steel

ArcelorMittal's Responsible Sourcing Tools

ArcelorMittal promotes sustainable business practices across its supply chain through:



1. Number of employees who have completed training

2. Number of suppliers who have been sent the code

3. Number of suppliers who have acknowledged the code

Key Performance Indicators to monitor and report our progress on responsible sourcing

Conflict Minerals: A case of Traceability ArcelorMittal



Exposure

- Limited number of products contain tin and tungsten

Approach

ArcelorMittal developed a conflict minerals procedure, closely aligned with the OECD due-diligence guidance:

- Put in place a conflict minerals program management systems
- Identified and assessed risks in our supply chain
- Put in place a strong risk management programme

Results in 2014:

- All Tin and Tungsten Suppliers identified and assessed
- 100% Response rate: understanding of our supply chain / origin of the concerned raw material
- Filing to the SEC performed on time



Advice to other companies looking to trace their commodities

- Engage with others internally and externally (other companies, regulators, international bodies, forums)
- Put in place internal procedures and policies
- Work in partnership with your suppliers
- Choose a well respected framework
- Educate both Colleagues(buyers) and Suppliers
- Centralized Purchasing
- Allow Yourself Time
- Challenge the status quo

But we are still learning and improving our processes

Questions & Discussion

For more information, see:

www.corporate.arcelormittal.com/corporate-responsibility/transparent-governance/responsible-sourcing

Thank You

Question: ArcelorMittal

What is your interest in improving traceability? What benefits have you experienced since you've been doing so?



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Business for Peace (B4P)

A Business Leadership Platform



Business for Peace



Business for Peace: Demonstrating Leadership

Business for Peace supports companies to operationalize their commitment to the Global Compact Ten Principles when operating in high-risk and conflict-affected areas of the world.

With its emphasis on companies going beyond doing no harm to engage other businesses and stakeholders in collective approaches to peace, B4P is the next stage of corporate sustainability.

Already the platform has been recognized in Forbes Online as one of the "top 5 areas defining the future of CSR".

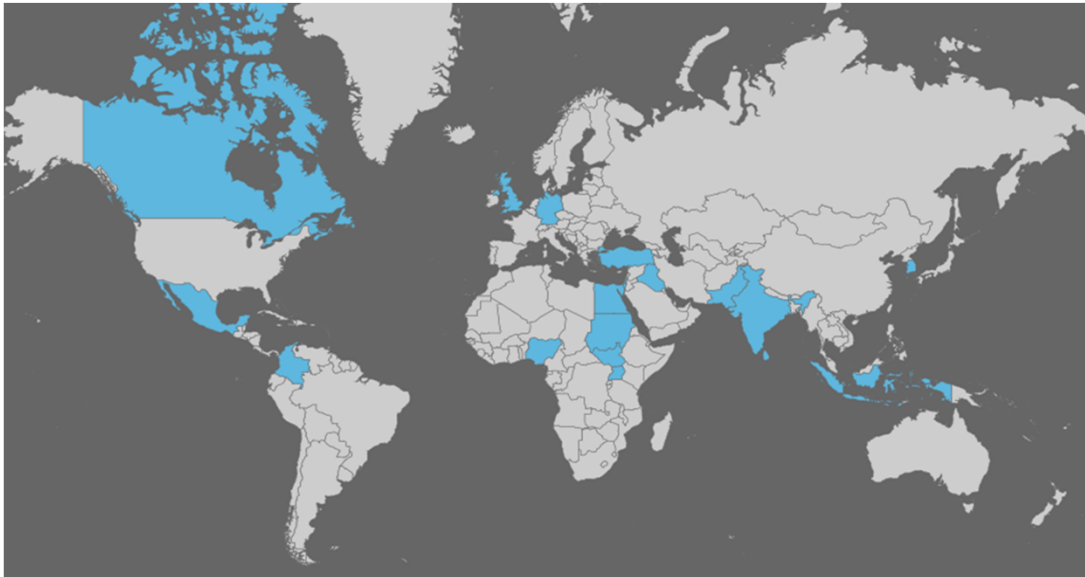


Business for Peace



B4P Global Reach and Local Engagement

Since its inception 100+ Companies have become Business For Peace signatory



Themes being developed by Local Networks

- Diversity and the Workplace
- Job Creation and Employment
- Security and Human Rights
- Natural Resource Management
- Responsible investment

B4P was structured as a locally-driven platform.

17 GC Local Networks have joined the initiative, committing to support companies with operations in complex environments



Business for Peace



Thank You



b4p@unglobalcompact.org

Q & A



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Thank You

Thank you for joining us today.

Presentation slides and a recording of the webinar will be available on the UNGC website.

If you have any additional questions, please contact:

Elena Bombis: bombis@unglobalcompact.org



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