Demonstrating value

A guide to responsible sourcing

Contents

Foreword

Increasingly, customers, governments, civil society organisations and consumers are seeking to purchase goods that have been produced in socially and environmentally responsible ways. It is clear that drivers such as climate change, increasing social responsibility expectations of business, and environmental and health and safety regulations are leading to greater scrutiny of practices throughout supply chains.

While the definition of socially and environmentally responsible materials, products and production practices is evolving, model programmes and standards have been developed across a range of industries. Within ICMM, we have been working with our members to help them understand and respond to this challenge – both at the operational level and in the way they integrate with the broader value chains they are a part of.

While members' efforts to ensure responsible production and management of their minerals and metals have been considerable, we are seeing more end-use markets taking steps to demonstrate they are sourcing their raw materials responsibly. To keep pace with market activity, ICMM members need to be able to demonstrate clearly what they have done and determine how they can best partner with end-use markets in a constructive dialogue.

These complementary sides of the responsible sourcing debate – how our members supply minerals and metals and how they purchase the goods and services they require themselves – are the focus of this guidance document. This guide has been developed to help ICMM members understand, navigate and respond to external responsible sourcing initiatives and to improve their own sustainable procurement practices.

We encourage the users and readers of this guidance document to provide us with further examples of best practice which we can share as appropriate in future documents or through other knowledge sharing activities.

Tom Butler
Chief Executive Officer, ICMM

Executive summary

The importance of responsible resourcing is growing as organisations increasingly take the evaluation of environmental and social performance beyond their own operations and integrate it into supply chain and purchasing decisions.

This trend is being driven by specific issues such as climate change, conflict minerals and ensuring fair labour practices. It is also being driven by leading organisations that 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.

The means of defining socially and environmentally responsible materials, products and production practices is evolving, but model programmes and standards have been developed. Outside of our industry, the Forest Stewardship Council's (FSC) forest certification and chain of custody (CoC) system and the standards developed by the Roundtable on Sustainable Palm Oil are examples of how industry has worked with stakeholders to take on the challenge to define leading practices. Within our industry, the Responsible Jewellery Council (RJC) and the Aluminium Stewardship Initiative (ASI) have undertaken similar efforts to define and drive leading practice.

Looking at these and other initiatives, common themes emerge, including: standards of practice related to performance areas such as transparency, traceability, environmental sustainability and fair labour. While there are some commonalities across these responsible sourcing programmes (RSPs), there are also differences. Some of the programmes are narrowly focused on a particular priority issue such, for example, the elimination of conflict minerals in supply chains or the measurement of the carbon footprint of a material or product system. Some activities, such as the European Union's (EU) Product and Organisation Environmental Footprint initiative, focus on the measurement of environmental impact across the life cycle of the product, while others look at a wider range of governance, environmental and social practices along entire supply chains.

ICMM's Sustainable Development Framework is central to our members' contribution to responsible sourcing and is a leading example of how an industry can define its responsibilities. Developed in conjunction with the sector's key stakeholders, our framework is focused on the most important issues for the industry, and sets out a comprehensive set of sustainability principles for our members to follow (see table 1). The reporting and assurance requirements in the framework enable our members to demonstrate how they are managing their environmental and social responsibilities. The framework also provides direction to members on working with others in the minerals and metals value chain to ensure that society gains maximum value from these materials in the long term. This guide is part of ICMM's Materials Stewardship concept, which looks at members' own stewardship practices as well as the shared obligation they have with others in the minerals and metals value chain to ensure their products are used responsibly. ICMM also works through its partner commodity associations to share life cycle data and information on members' products, provide end-use market insights on responsible use and sustainable application of materials, and contribute to the development of strategies and data to enhance the recovery and recycling of minerals and metals.

For ICMM and its members, there are two important aspects of responsible sourcing. Internally, it is about sustainable procurement (SP). Externally, it is about responsible supply.

We understand that there are many challenges in advancing responsible sourcing both within our industry and with our value chain partners. These challenges include:

- how to develop performance criteria and standards that can apply across a wide range of product systems and jurisdictions
- how to design responsible sourcing initiatives and procurement programmes that recognise the capabilities and resources that different sizes of business have available to meet standards and provide information
- how to get market recognition for leadership.

This guide provides ICMM and its members with practical advice on sustainable procurement and responsible supply practices with illustrative examples. The guidance is organised around four main themes.

Theme 1
Mapping the value chain
Theme 1 is focused on developing a better understanding of the value chain of the products ICMM members buy and the minerals and metals they produce. This understanding is critical for building the relationships needed to identify risks and capitalise on opportunities for improvement.

Theme 2
Developing effective programs and standards
Theme 2 provides advice on establishing or enhancing an SP programme and on evaluating and participating as a supplier or a participant in an RSP. This includes guidance on the process for setting appropriate standards for purchasing and guidance for working with other stakeholders within an RSP to define appropriate standards.

Theme 3
Engagement with suppliers and value chain
Theme 3 explores how ICMM members can develop and appropriately share the knowledge required to advance SP and effectively engage in RSPs. It also focuses on supplier and stakeholder engagement approaches that drive co-operation in improving sustainability performance.

Table 1: ICMM's ten sustainable development principles

PRINCIPLES
1. Apply ethical business practices and sound systems of corporate governance and transparency in support of sustainable development
2. Integrate sustainable development considerations within corporate strategy and decision-making processes
3. Respect human rights and the interests, cultures, customs and values of employees and others affected by our activities
4. Implement effective risk management strategies and systems which are based on sound science and account for stakeholder perceptions of risks
5. Pursue zero harm and continual improvement in our health and safety performance
6. Pursue continual improvement in our environmental performance, on issues such as water stewardship and energy and climate change
7. Contribute to the conservation of biodiversity and integrated approaches to land use planning
8. Facilitate and support the knowledge-base and systems for responsible design, use, re-use, recycling and disposal of products containing metals and minerals
9. Pursue continual improvement in social performance and contribute to the social, economic and institutional development of host countries and communities
10. Proactively engage key stakeholders on sustainable development challenges and opportunities in an open and transparent manner and effectively report and independently verify progress and performance

Theme 4
Data and information
Theme 4 suggests actions that ICMM members can take to ensure they have the information and data to enable them to effectively support SP and responsible sourcing initiatives.

The primary audience for the guidance document is the mining and metals companies that are members of ICMM as well as metal commodity associations and national mining associations. The guidance provided in this document will also be of interest to other stakeholders in the value chain of minerals and metals who wish to understand the role of ICMM members in RSPs.

ICMM recognises that responsible sourcing activities are growing and that organisations are continually improving how they evaluate their supply chain partners and materials, and the products and services these partners provide. As such, comments and suggestions on this guidance are welcomed.

Definition of responsible sourcing

An internationally accepted definition of responsible sourcing does not currently exist. The British Standards Institution (BSI) has developed a responsible sourcing sector certification schemes standard for construction products (BS 8902:2009) that defines responsible sourcing as "the management of sustainable development in the provision or procurement of a product".

This is the definition that ICMM has adopted in its work.

For ICMM and its members, responsible sourcing addresses two main activities:

Internally
It focuses on sustainable procurement (SP), which refers to actions undertaken by ICMM members to integrate environmental, social and broader-based cost considerations into their procurement processes. The combined purchasing power of ICMM members is substantial (it has been estimated that over 50 per cent of ICMM members' revenue is spent on suppliers) and provides ICMM member companies with significant leverage to reduce the impacts and optimise the benefits of the wide range of goods and services they purchase.

Externally
It is about the provision or responsible supply of minerals and metals that meet agreed-upon environmental and social performance standards or criteria. This second type of responsible sourcing activity is typically developed or triggered by end-use markets in conjunction with other stakeholders such as non-governmental organisations (NGOs).

Responsible supply requires understanding and, as appropriate, meeting the expectations of downstream customers and other key stakeholders by responding to, or initiating, programmes to document environmental, social and governance performance along a minerals or metals supply chain.

Figure 1 illustrates the scope of responsible sourcing as it applies to mining and metals companies. It can involve:
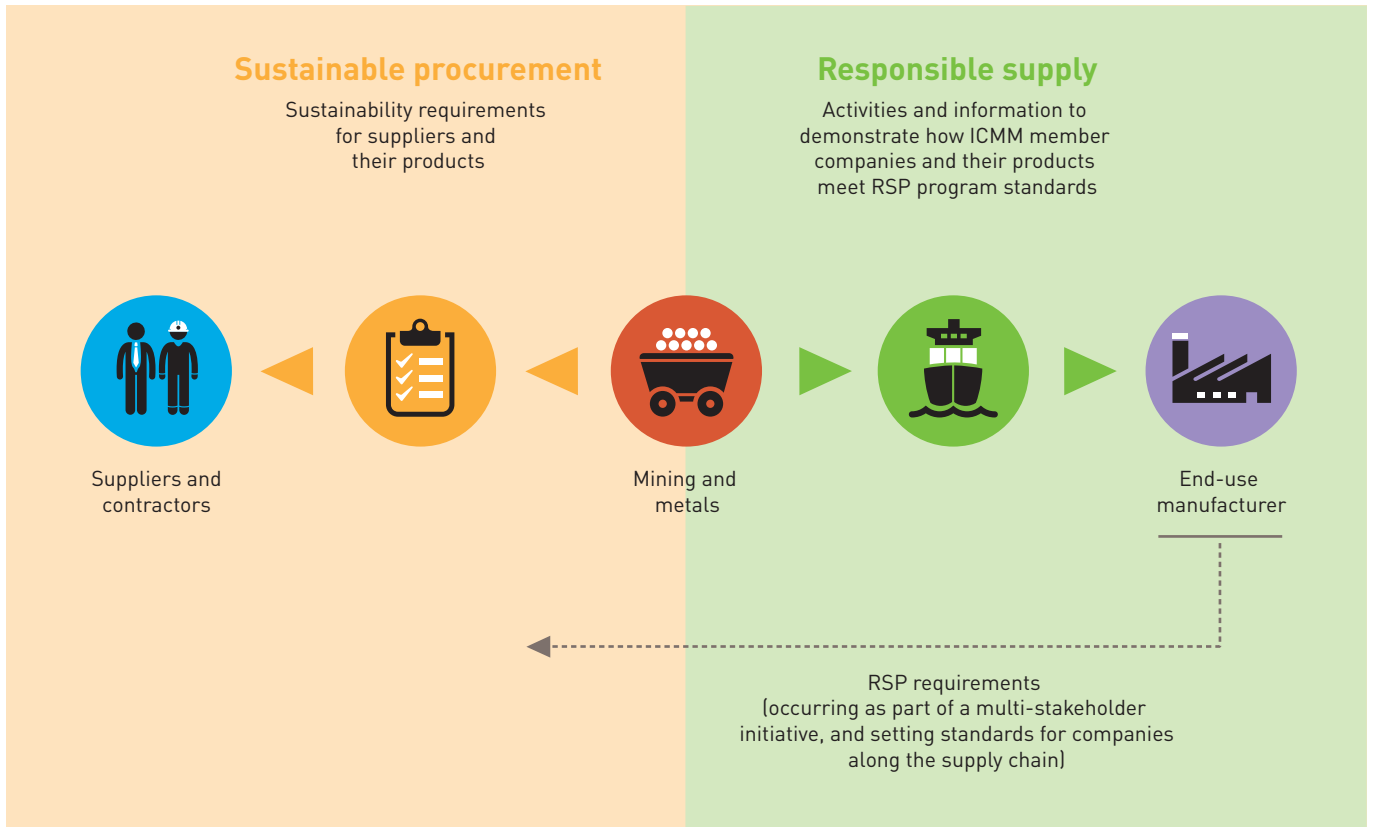
- the sourcing of sustainable products and services for ICMM member operations (orange arrows)
- the supply of information from ICMM members on how their products and services meet sustainability standards from responsible sourcing programmes (RSPs) (green arrows)
- the participation in end-use markets or otherwise initiated RSPs (grey dashed arrow).

Figure 1 illustrates that RSPs can extend beyond the mine to include suppliers to ICMM members. It is also important to remember that the scope of operations of ICMM members can also extend to fabrication of products as well as metals recovery and re-refining.

Intrinsically, SP and value-chain-based responsible supply activities are a shared responsibility. All actors in the value chain of minerals and metals have a responsibility to develop a better understanding of the environmental, social and fiscal/economic impacts and benefits of their activities. In the case of procurement, ICMM members share this responsibility with suppliers of goods and services to the mining and metals/minerals-processing industry. With respect to responsible supply activities, the industry shares responsibility with a number of different actors along the minerals and metals value chain. These may include fabricators, original equipment manufacturers, retailers, consumers and the recycling industry.[1]

1   Track Record Global (2014). *Challenges in establishing a responsible sourcing scheme for minerals and metals.* Prepared for ICMM.

Figure 1: The scope of responsible sourcing

Sustainable procurement
Sustainability requirements for suppliers and their products

Responsible supply
Activities and information to demonstrate how ICMM member companies and their products meet RSP program standards

Suppliers and contractors

Mining and metals

End-use manufacturer

RSP requirements
(occurring as part of a multi-stakeholder initiative, and setting standards for companies along the supply chain)

Source: ICMM.

"RESPONSIBLE SOURCING IS ABOUT SUSTAINABLE PROCUREMENT AND THE RESPONSIBLE SUPPLY OF MINERALS AND METALS. BOTH SHOULD HAVE AGREED-UPON ENVIRONMENTAL AND SOCIAL PERFORMANCE STANDARDS OR CRITERIA."

About this guidance document

With some exceptions, the development of SP programmes and the participation in responsible supply programmes are relatively recent activities for ICMM members. This guidance document has been prepared to assist ICMM members in developing or enhancing the governance structures, business practices and standards needed for the effective participation in responsible supply initiatives and for the execution of SP programmes.

This guide provides ICMM and its member companies with practical advice on, and examples of, SP and responsible supply practices. The primary audience for the guidance document is the minerals and metals companies that are members of ICMM, as well as metal commodity associations and national mining associations. The guidance provided in this document will also be of interest to other stakeholders in the value chain of minerals and metals who wish to understand the role of ICMM members in RSPs. Suppliers to ICMM member companies that want to better understand how sustainability might be addressed in their customers' purchasing processes will also find information in this document of interest.

The guidance in this document is intended to stimulate thinking and action to improve the effectiveness of ICMM members in designing and engaging in responsible sourcing activities – both internally and externally. The guidance is focused on illustrating leading practice without being prescriptive. The remainder of the guide is divided into the following sections:

Section 1
Context and drivers for responsible sourcing: provides information on the drivers and business case for responsible sourcing

Section 2
Themes and guidance on activities: provides the main themes and recommended activities for ICMM members to enhance their SP and responsible supply activities

Section 3
Integrating responsible sourcing into decision making: provides guidance on further integrating SP and responsible supply activities into ICMM members' business processes

Section 4
The future of leadership: considers the future of responsible sourcing and how expectations will evolve for SP and responsible supply activities

Section 5
Resources: provides additional resources for ICMM members on both aspects of responsible sourcing.

Abbreviations

ASI	Aluminium Stewardship Initiative
BRE	Building Research Establishment
BSI	British Standards Institution
CCE	Coca-Cola Enterprises
CoC	chain of custody
CSR	corporate social responsibility
EICC	Electronic Industry Citizenship Coalition
EU	European Union
FSC	Forest Stewardship Council
GeSI	Global e-Sustainability Initiative
GHG	greenhouse gas
ICMM	International Council on Mining and Metals
ISO	International Organization for Standardization
LBMA	London Bullion Market Association
LEED	Leadership in Energy and Environmental Design
NGO	non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
RJC	Responsible Jewellery Council
RSP	responsible sourcing programme
SEC	Securities and Exchange Commission
SP	sustainable procurement
TCO	total cost of ownership
TRG	Track Record Global
USGBC	U.S. Green Building Council
WBCSD	World Business Council for Sustainable Development
WGC	World Gold Council

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Context and drivers for responsible sourcing

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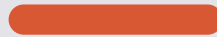
"LEADING COMPANIES WANT TO DEMONSTRATE TO THEIR STAKEHOLDERS THAT THEY ARE MANAGING THE ENVIRONMENTAL AND SOCIAL RISKS AND OPPORTUNITIES OF THEIR OPERATIONS, PRODUCTS AND SUPPLY CHAINS".

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Context and drivers for responsible sourcing

Responsible sourcing is increasing in importance as more organisations take the evaluation of environmental and social performance beyond their own operations and integrate it into the evaluation of their supply chains and purchasing decisions.

Influential policy and market trends

There are a number of policy and market trends that have elevated the importance of RSPs and SP practices and some that are of particular relevance to mining and metals companies are outlined below.

Conflict-free

There are a number of initiatives that are focused on ensuring the proceeds of resource extraction do not contribute to armed conflicts in various politically unstable regions of the world.

- Developed in 2002, the Kimberley Process Certification Scheme sets out requirements for controlling rough diamond production and trade. The scheme, which provides assurance that diamonds being sold internationally have conflict-free origins, was developed with the participation of the United Nations, governments, diamond-producing companies and NGOs.

- In the United States, the Securities and Exchange Commission (SEC) is implementing the Conflict Minerals Statutory Provision (Section 1502) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The rules in the act set requirements governing the use of conflict minerals for issuers who file reports with the SEC under the Securities Exchange Act of 1934. Any company for which conflict minerals (ie gold, wolframite, cassiterite, columbite-tantalite and their derivative metals, which include tin, tungsten and tantalum) are necessary to the functionality or production of a product manufactured, or contracted to be manufactured, must disclose in its annual report whether its conflict minerals originated in the Democratic Republic of the Congo or an adjoining country.

- The Organisation for Economic Co-operation and Development (OECD) has developed a set of guidelines for multinational enterprises that outlines a five-step process for companies to exercise due diligence in sourcing minerals from "conflict-affected and high-risk" areas.[2]

- Industry associations in the gold (World Gold Council (WGC), London Bullion Market Association (LBMA) and Responsible Jewellery Council (RJC) and tin (ITRI/ iTSCi) supply chains and the electronics industry (Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI)) have developed programmes aligned with the SEC and OECD requirements.

Cyanide

Similar to conflict-free initiatives, the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold (Cyanide Code) was developed in response to a specific concern related to the use of cyanide in gold mining. The code is a voluntary industry programme for the gold mining industry to promote responsible management of cyanide used in gold mining, protection of human health and reduced potential for environmental impacts. The code has a set of principles, standards of practice and implementation guidance, as well as an independent, third party auditing scheme.

Sector initiatives

Sectors such as building and construction, automotive and electronics are embedding responsibility requirements into their supply chains. Leading companies in these sectors want to demonstrate to their stakeholders that they are managing the environmental and social risks and opportunities of their operations, products and supply chains. For example, the U.S. Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) green building rating scheme is "certifying 1.5 million square feet of building space each day in 135 countries. LEED is a certification programme for buildings, homes and communities that guides the design, construction, operations and maintenance."[3] The latest version of LEED (LEED v4) provides credits for the responsible sourcing of raw materials, and it marks a move towards full supply chain custody for the resources used in the production of building materials. The credits look at the primary extraction of raw materials and evaluate the business practices from both environmental and social aspects.

2   OECD (2013). *OECD due diligence guidance for responsible supply chains of minerals from conflict-affected and high-risk areas: second edition.* OECD Publishing.

3   www.usgbc.org/About.

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There are also broader initiatives that are influencing the interest in, and adoption of, responsible sourcing practices in industry. These include the following:

Circular economy

The circular economy concept, as defined by the Ellen MacArthur Foundation, calls for shifting industrial systems from a linear take-make-waste model to a circular model where products are designed to optimise product and material recovery and reuse, and where by-products of one system are used as inputs into other product systems. It consolidates many existing strategies and concepts (eg life cycle thinking, shifting to low carbon energy, by-product synergy, resource productivity, remanufacturing, recycling, design for disassembly to name a few) into an overarching model for the next generation economic system. The circular economy has been promoted in various forms for decades, and it is now being advocated by leading organisations such as the Ellen MacArthur Foundation and the World Economic Forum. In 2000, Japan enacted the Fundamental Law for Establishing a Sound Material-Cycle Society, which included a 3R policy and other mechanisms to promote a circular economy. In 2008, the 4th meeting of the Standing Committee of the 11th National People's Congress of the People's Republic of China passed the Circular Economy Promotion Law, which was "formulated for the purpose of facilitating circular economy, raising resources utilisation rate, protecting and improving environment and realising sustained development". In the EU, the Waste Electrical and Electronic Equipment (WEEE) Directive and the End-of-Life Vehicles (ELV) Directive are examples of circular-economy-type policies.

Resource productivity

The Recommendation of the Council on Resource Productivity was adopted by the OECD Council on 28 March 2008 during the meeting of its Environment Policy Committee at Ministerial Level focusing on Environment and Global Competitiveness. The objective of this initiative was "to promote resource productivity by strengthening the Member countries' capacity for upgrading the extent and quality of data on material flows within and among countries and the associated environmental impacts, and implementing measures to prevent natural resource degradation and reduce negative environmental impacts throughout the entire resource cycle".

Roadmap to a resource efficient Europe

Created in 2011, the roadmap sees resource-efficient development as a means for the European economy to "create more with less, delivering greater value with less input, using resources in a sustainable way and minimising their impacts on the environment. In practice, this requires that the stocks of all environmental assets from which the EU benefits or sources its global supplies are secure and managed within their maximum sustainable yields. It will also require that residual waste is close to zero and that ecosystems have been restored, and systemic risks to the economy from the environment have been understood and avoided."

Green economy/green growth

The South African government defines the green economy as a "system of economic activities related to the production, distribution and consumption of goods and services that result in improved human well-being over the long term, while not exposing future generations to significant environmental risks or ecological scarcities".[4] Green economic growth calls for decoupling resource use and environmental impacts from economic growth and is characterised by substantially increased investment in green sectors, supported by enabling policy reforms. The concept has also been promoted by other governments (eg Republic of Korea), the World Bank and the African Development Bank, and by the United Nations, which established the Green Economy Initiative in 2008 "to provide the analysis and policy support for investing in green sectors and in greening environmentally unfriendly sectors".

Product footprint measurement and communication

Several initiatives are under way to establish methodologies for measuring the sustainability of products across their life cycles. These include the US-based Sustainability Consortium, the United Kingdom's Product Sustainability Forum and the European Commission's Product and Organisation Environmental Footprint methodologies and related pilot project work. In addition to the measurement methodologies, these initiatives are also exploring how to communicate product-level environmental and social data as well as provide guidance on the characteristics of credible and robust data collection and assessment methods.

Context and drivers for responsible sourcing

Market responses

The market and policy trends noted above are in part causing governments, companies, civil society organisations and individual consumers to increase their activity related to sourcing and purchasing environmentally and socially responsible products and services. This has led to greater demand for credible guidance and standards to support decision makers. While in the past, assurance of responsible practices was typically sought from the product manufacturer or direct service provider, today leading organisations are evaluating responsible practices along the entire value chain (eg from mine to market to end-of-life management of products and materials). This trend can be seen in the growing number of RSPs that have been developed over the last two decades. Examples include:

- Aluminium Stewardship Initiative
- Better Cotton Initiative
- Bonsucro – Better Sugar Cane Initiative
- Fairtrade
- Forest Stewardship Council
- International Cyanide Management Code
- Marine Stewardship Council
- Responsible Jewellery Council
- Round Table on Responsible Soy Association
- Roundtable on Sustainable Palm Oil
- Steel Stewardship Forum
- World Gold Council Conflict-Free Gold Standard.

In general, these programmes provide assurance that the participating organisations meet applicable social and environmental performance standards. The assurance, and in some cases certification, processes within these programmes are often, but not always, operated by a third party to enhance the objectivity and credibility of the programme.

It is worth noting that the mining industry typically participates in an RSP as one of the first players in the value chain. In general, industry participants in RSPs are focused on demonstrating that they are responsibly supplying their material to the next actor in the value chain in conjunction with their own stewardship practices, as well as any specific standards in the RSP. In some cases, RSPs use existing standards (eg conventions of the International Labour Organization, environmental management standards of the International Organization for Standardization (ISO)). In other cases, new standards are developed by the RSP in conjunction with relevant stakeholders. The agreement on what standards should be followed or created is one of the more challenging aspects of RSPs. The ISEAL Alliance has developed a standard-setting code to help participants in RSPs follow a structured approach.

Purchasers with an interest in integrating sustainability into their procurement programmes can use RSPs to ensure that the materials or products they buy have been produced in an environmentally and socially responsible manner. Purchasers may also apply their own criteria where an acceptable RSP does not exist, or they may use other certification and eco-labelling schemes to guide their procurement decisions. There are many sustainable and green purchasing guides and labelling schemes that have been developed to assist organisations in making more environmentally and socially responsible procurement decisions. Many of these guides also provide guidance on integrating sustainability into the purchasing process (see Section 5 for examples).

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"RESPONSIBLE SOURCING PLAYS A VITAL ROLE IN REDUCING RISKS AND RAISING STANDARDS ALONG THE ENTIRE VALUE CHAIN – IT HAS EVOLVED FROM A NICHE ACTIVITY INTO A MAINSTREAM PROCUREMENT STRATEGY THAT'S EMBRACED BY FORWARD-THINKING BUSINESS LEADERS IN ALL SECTORS"

Context and drivers for responsible sourcing

The business case

The business value of establishing an SP programme or participating in an RSP is multifaceted. Some aspects of the business case include the following:

Identification and management of risk
This includes ensuring supplier practices and products adhere to standards and criteria. It may also include reducing the risk of accidents and associated liability where SP activity eliminates or mitigates risks related to hazardous substances, or other health and safety concerns.

Maintaining/growing market access
Adhering to the requirements of an RSP can ensure that companies involved with that programme maintain market but also demonstrate due diligence with respect to environmental and social responsibility to other market actors.

Reducing or avoiding costs
Well-designed procurement programmes can reduce costs associated with material and product management, product use, regulatory reporting and fees related to waste management and hazardous material management.

Brand reputation
Both SP and participation in RSPs can help ICMM members meet or exceed the expectations of investors, employees, customers, communities, consumers and other stakeholders.

Support organisational sustainability objectives
SP and RSPs can support the achievement of internal sustainability goals and targets.

Innovation
Working closely with supplier and value chain partners to improve environmental and social performance can lead to the identification of innovative solutions to technical challenges as well as new approaches to problem solving.

Characteristics of credible responsible sourcing programmes

As experience with RSPs has grown, so too has the understanding of what a good RSP should include. The characteristics of a high-quality RSP include programme goals and objectives that are well defined and processes for engaging stakeholders are effective and inclusive. Having scientifically and technically sound standards of performance and designing programmes that enable participation by companies along the entire length of the supply chain are also important. Another key aspect of a quality RSP is the inclusion of a system to ensure confidence in the Chain of Custody/traceability of material(s) or product(s) that are the focus of the programme.[5] The governance structure of the programme and third party verification to ensure performance standards are met are also important for maintaining the credibility of the programme.

Similarly, SP practitioners are starting to develop a better understanding of the characteristics that are needed to assess the relative sustainability performance of materials and products. These include examining traditional criteria such as cost, quality and technical performance in conjunction with environmental aspects such as life cycle impacts (eg greenhouse gas (GHG) emissions) and the sustainability of the resource base of materials used in the product. Social aspects, such as labour practices associated with companies along the life cycle of the product, are also important. Sophisticated SP programmes take account of the technical, environmental and social aspects of the product in conjunction with information on its life cycle costs, which, depending on the type of product, may include costs associated with emissions and end-of-life management.

Together, RSPs and SP enable companies to source suitable products from responsible supply chains. These programmes are part of a broader trend towards extended producer responsibility wherein governments and other stakeholders expect companies to extend their environmental and social responsibilities to the full life cycle of their product. This is leading to market requirements for systems that enable:

- upstream/midstream companies to demonstrate responsibility

- end-use markets to select responsible suppliers, products and services

- other interested stakeholders to participate and have confidence in the system.[6]

5 Chain of custody (CoC) refers to all steps in a supply chain that take possession of the product, including manufacturers, exporters, traders and importers (source: ISEAL Alliance). Traceability references one type of CoC model where the material in the chain can be traced back to actual sources.

6 Adapted from J Søreide (Hydro). Presentation on ASI to ICMM Materials Stewardship Roundtable 2014.

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Themes and guidance on activities
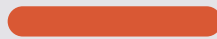
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"UNDERSTANDING THE COMPLETE
VALUE CHAIN OF THE PRODUCTS
YOU BUY AND THE MINERALS AND
METALS YOU PRODUCE IS CRITICAL
TO IDENTIFYING OPPORTUNITIES
FOR IMPROVEMENT".

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Themes and guidance on activities

This section outlines the main themes and associated actions that ICMM members should consider when developing internal SP programmes or interacting with external responsible sourcing initiatives.

For each theme, a description/rationale is provided, potential actions/activities are suggested and illustrative examples are presented. The guidance is separated into advice on SP and advice on responsible supply.

The icons below are used to differentiate between the two types of guidance.

Identifies sustainable procurement guidance and activities

Identifies responsible supply guidance and activities

Theme 1
Mapping the value chain

Understanding the complete value chain of the products you buy and the minerals and metals you produce is critical to identifying opportunities for improvement. Traceability/CoC knowledge and requirements are also the backbone of existing SP and RSPs. Activities/recommendations in this section emphasise how to collect information on your purchased goods/services and downstream value chains. The actions suggested will help ICMM members understand and prioritise expectations of their external stakeholders, evaluate their procurement spending and develop priorities (eg high-volume, high-impact products) for integrating sustainability into purchasing processes.

Traceability at Newmont

Newmont owns 60.64 per cent of the Swiss gold refinery Valcambi, and in 2013 Valcambi was the first gold refinery to produce traceable gold, known as Valcambi Green Gold, sourced only from mines that meet high environmental, safety and human rights standards. Valcambi Green Gold is fully documented, independently validated and processed in a dedicated facility. In 2013, about 75 per cent of the gold refined at Valcambi came from its mines and approximately 20,000 ounces of Valcambi Green Gold were produced, all of which were sourced from Newmont's Nevada mines.

Wal-Mart uses Valcambi Green Gold and since 2008, Newmont has partnered with the retailer and Conservation International on Wal-Mart's Love, Earth jewellery line, the first completely traceable mine-to-market jewellery collection. Wal-Mart requires each manufacturing partner of Love, Earth jewellery to adhere to strict ethical sourcing standards.

Source: Newmont.

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Sustainable procurement

To map the value chain, begin by conducting an analysis of your spending. This can be done in a number of ways. You can start by analysing your procurement spending for high-volume, high-impact products. Typically, this is done through the development of criteria that enable your organisation to better characterise the product categories you purchase relative to their environmental and social impacts and benefits. Or, you can analyse your business procurement processes to better align them with sustainability outcomes. Table 2 provides an example of a high-level spend analysis and Table 3 provides a list of questions that can be asked at different stages of the procurement process.

Other specific SP activities include:

- conducting a baseline study of spending to identify social and environmental hotspots associated with main product categories and services

- conducting training of procurement professionals on sustainability and how to integrate social and environmental considerations into purchasing and product specifications

- determining if specifications that incorporate environmental and social aspects exist for product categories or services you purchase

- determining if there are credible eco-labelling or certification schemes available for product categories or services you purchase

- conducting training with suppliers/vendors to educate them on your environmental and social policies and how you are integrating these aspects into procurement policies and product and service specifications

- pursuing collaboration with key vendors on specific environmental and social aspects of concern

- documenting costs savings and impacts that have been reduced/avoided through your SP initiative, where possible integrating performance measures and tracking into contracts.

Table 2: Example of a high-level spend analysis

	ITEM	RATING
Cost	Average annual spend	
Sustainability aspects	Significant environmental impacts	
	Significant social impacts	
	Additional costs beyond purchase price (eg labelling personal protective equipment requirement, waste handling costs)	
Product/service and vendor characteristics	Adherence to credible certification programme or eco-labelling scheme	
	Environmental management system in place	
	Availability of social and environmental data	
Score		

Themes and guidance on activities

Table 3: Example procurement questions

	QUESTIONS
Procurement planning	Has the existing product/service/project reached the end of its useful life?
	If the product is a consumable item, has the rate of consumption been optimised?
	Have the key environmental and social impacts of the product/service/project been identified? Eg waste, energy, emissions, water, worker health, etc
	Are the key environmental and social impacts a priority for your organisation?
	Has the optimum means of meeting the need been determined? Eg leasing, rental, service, ownership, refurbishment, repair, etc
	Has the "total cost of ownership" been calculated for all alternatives that meet the need?
	Does the product/process comply with any existing standards, regulations or policies, and can this be verified?
Market evaluation	Can suppliers/vendors provide information on the key environmental and social impacts of their product/service/project?
	Can the market/vendors supply an eco-labelled product/service? If not, can the market/vendors supply an environmentally preferable alternative?
	Have all bidders been informed of your organisation's environmental and social priorities and relevant policies?
	If the product is disposable, are there durable, non-disposable alternatives that meet the need?
	If the product/service/project consumes energy during its use, are more energy-efficient alternatives available?
	Are there any social impacts of concern in the production of the product?
Specifications	Does the specification target the key environmental and/or social impacts?
	Has a recognised eco-labelling or social performance specification been used to establish the performance specification?
	Have requirements related to the vendor been integrated into the specification? Eg an environmental management system, free from environmental fines, take-back requirements, off-peak delivery, larger and fewer deliveries, no conflict minerals, no child labour, reusable delivery containers, etc
	Where market/vendor capability to respond is unknown, can a "variant" or "alternative" be used?
Proposal evaluation	Have all bidders been informed of the importance of the environmental and social factors in the award of the contract?
	Have predefined evaluation criteria and/or weighting been determined that link to the key environmental and social performance aspects?
	Can any increased first price/cost be justified through lower total cost of ownership?
	Have vendors identified any environmental or social costs or benefits not covered by the specification?
Contract administration	Have contract clauses been linked to the performance of the contract? Eg take-back requirements, off-peak delivery, etc
	Is there a verification procedure in place to ensure environmental and social specifications are being followed/ fulfilled?

2

Responsible supply

There are a number of situations that can arise when trying to integrate responsible sourcing initiatives for products into supply chains. Four possibilities are listed below.

There is no current RSP and the demand for one is unlikely

If this is the situation, it may be valuable to elaborate why an RSP is not required so that this can be communicated to, and discussed with, the relevant stakeholder should the lack of an RSP be raised.

Downstream market activity is demanding an RSP, and your organisation needs to respond

In this case, you can take a number of steps which include:

- identifying the key stakeholders in the value chain and determining their social, environmental and governance concerns and expectations

- determining existing practices relevant to those expectations and your business

- evaluating different RSP models to identify the appropriate structure elements that might work for your value chain

- discussing the business case for engaging in the development of an RSP internally and identifying the implications for your operations.

You anticipate the demand for an RSP will arise or believe there is business value in establishing one

Initiate discussions with key value chain actors and consider doing all of the actions under the previous scenario as well as:

- determining if there is sufficient demand in end-use markets for "certified" products

- identifying credible partners from inside and outside the value chain to work with – work with them to begin the process of developing standards where none exists and to determine the detailed governance structure and business models that will be needed.

There is an existing RSP and you need to evaluate whether or not to participate

In this case, it is a matter of evaluating the RSP to determine whether you should participate. Some key questions to ask in this evaluation include:

- Does the RSP have a robust governance structure?

- Does the standard-setting process involve knowledgeable stakeholders with an understanding of the mining and metals industry?

- Are the stakeholders involved respected or considered credible by the key end-use markets and NGOs who may be evaluating the RSP?

- Is there any available evidence that there would be a critical mass of value chain actors involved to create enough "certified product" to meet demand?

- What are the costs and resources required for your organisation to participate in the RSP?

- What would be the business risks/implications of not participating?

Themes and guidance on activities

Theme 2

Developing effective programmes and standards

This section provides guidance on establishing/ enhancing an SP programme and on evaluating and participating in RSPs. Guidance is provided on the process for setting appropriate standards for purchasing (eg developing criteria and evaluating third party labelling systems), for working with other stakeholders within an RSP to define appropriate standards and on how to evaluate an RSP to ensure it is robust and provides a good "fit" for your organisation.

Local procurement at Anglo American

Anglo American's vision for procurement is "sustainable, responsible local procurement that positively contributes to a resilient supply chain and the economic and social development of the communities in which we operate". The vision is supported by a set of underlying principles and a policy that contains specific commitments such as:

- developing procurement guidelines, standards and supporting tools that are actively promoted in the workplace and embedded in business processes

- allocating appropriate resources and building the required internal capacity to enable effective delivery of a strategy for local procurement

- having a strategy for local procurement for each operation and project

- minimising barriers for small and medium enterprises in the procurement process

- supporting the development of commercially viable local businesses that meet Anglo American requirements

- reporting internally and externally on the company's local procurement progress and assessing compliance with its policy.

Source: Anglo American.

Sustainable procurement

Implementation of SP programmes requires a coherent management framework within which activities can be systematically applied and integrated into the regular operations of an organisation. Elements of such a framework might include:

- an SP policy documenting the organisation's direction, commitments and priority social and environmental concerns

- a communications plan that focuses on communicating the SP policy to key internal staff and external partners outlining why it was adopted and how it will affect the organisation's approach to procurement

- a senior-level steering committee to oversee implementation of the SP practices and a working-level committee to co-ordinate specific implementation activities such as the integration of SP into organisational goals and objectives and the development of specific measures to track progress

- training of core procurement personnel as well as those responsible for setting specifications

- analytical tools to support SP decisions, specification writing, and product and service evaluations

- creation of performance indicators by developing and tracking metrics such as impacts reduced, costs saved, local suppliers supported, etc

- linkage of SP to existing programmes and activities (eg cleaner production, environmental management systems, supplier engagement activities).
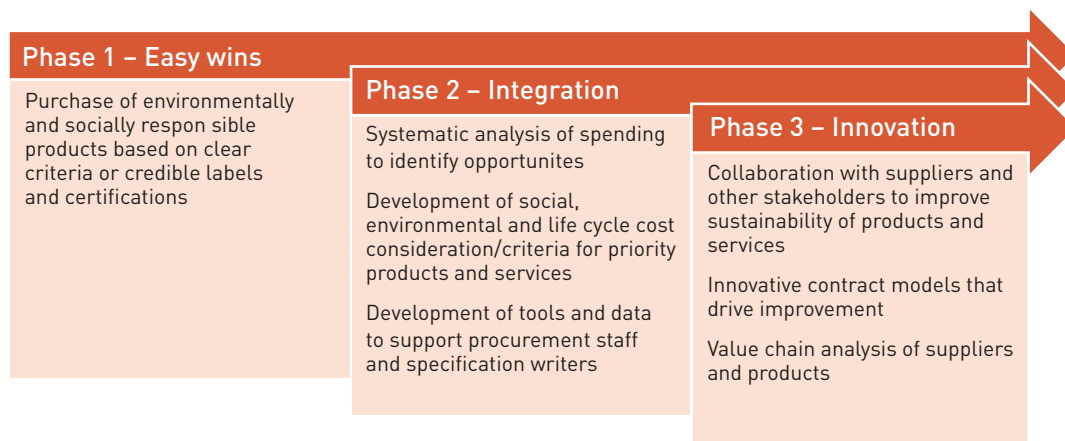
Table 4 provides some examples of best practices related to elements of an effective sustainable purchasing programme.

Typically, an organisation implements a sustainable purchasing programme in a phased manner where the early stages are focused on relatively straightforward choices based on limited criteria (eg energy, water and waste considerations, local or indigenous suppliers). In later stages of implementation, the organisation may develop a more comprehensive set of environmental and social criteria, and it may engage in projects with strategic suppliers to reduce impacts and optimise benefits. Figure 2 illustrates the evolution of SP within an organisation.

2

Table 4: Examples of good practice in sustainable purchasing

COMMON ELEMENT	EXAMPLES OF BEST PRACTICE
Policy and guidelines	Formal, written policy for SP approved at a high level within the organisation
	Phased implementation of policy
	Mandated requirements to purchase certain socially and environmentally responsible products/commodities
	Policy linked to other organisational goals/initiatives (eg environmental health and safety policy or carbon policy)
Tools for integrating sustainability criteria into purchasing decisions	Life cycle approach to procurement and use of "total cost of ownership" tools
	Pilot testing of purchasing protocol or template on a specific common commodity
	Use of questionnaires to evaluate supplier environmental and social impacts and to encourage improvement
	Selection of credible labels and responsible sourcing programmes
Assigned responsibilities	Senior management/executive-level buy-in and endorsement of the procurement policy
	Individual champions at the implementation level (with appropriate training, authority to make changes, key performance indicators developed)
	Cross-disciplinary, multi-departmental teams managing implementation of strategy
Communications	Ability to effectively convey the purchasing policy objectives, required actions and responsibilities to employees, suppliers and other stakeholders
	Ensure communications staff are educated in the organisation's sustainable purchasing activities and sensitive to outside concerns, as environmental matters can be scientific, complex and open to misinterpretation
Training and awareness raising	Executive- or management-level training to raise awareness and gain support. Operations-level training in the use of practical hands-on tools
	Training tailored to the role of the employee in the organisation (differing levels of detail)
	Partnerships with other parts of the organisation to develop training materials and workshops (eg with individuals responsible for capital projects)
Measuring and reporting	Quantifiable measures in place to assess sustainable purchasing performance
	Processes for incorporating improvements into the sustainable purchasing programme defined
	Sustainable purchasing efforts reviewed, evaluated and reported on
Partnerships/ support	Networking and partnering with other organisations striving for similar goals is an effective way of using time and resources, as well as a source of ideas and information

Figure 2: Example of a phased approach to sustainable procurement

Phase 1 – Easy wins

Purchase of environmentally and socially respon sible products based on clear criteria or credible labels and certifications

Phase 2 – Integration

Systematic analysis of spending to identify opportunites

Development of social, environmental and life cycle cost consideration/criteria for priority products and services

Development of tools and data to support procurement staff and specification writers

Phase 3 – Innovation

Collaboration with suppliers and other stakeholders to improve sustainability of products and services

Innovative contract models that drive improvement

Value chain analysis of suppliers and products

Themes and guidance on activities

Responsible supply

Standards within RSPs are developed in the context of the overall initiative. ICMM members should be able to effectively evaluate an RSP to determine if its governance structure and membership are conducive to developing effective standards, and work within an initiative to develop robust standards that will drive improvements in performance. The Track Record Global (TRG) report on responsible sourcing (see footnote 1) noted a number of structural aspects that need to be in place for a successful RSP. This includes:

- clarity of purpose – a clear message of its key objectives and identification of an overall focus

- building membership at the outset – this should include recognised and respected value chain operators, traders, respected third parties, actors in the middle of the value chain and end-use companies

- effective multi-stakeholder processes – a balanced multi-stakeholder consultation process is the most efficient means of building a robust, well supported and credible RSP

- engagement of all value chain actors – engaging processors, recyclers, end-users, operators and governments will ensure effective implementation of an RSP through sharing information and explaining standpoints

- balanced governance systems – stakeholders must have confidence that no specific interest groups are favoured by the RSP

- transparency of RSP development processes – there is potential for suspicion and mistrust when communication about any aspect of a programme is limited or unclear, especially when an RSP includes a wide and diverse set of stakeholders

- focus on priority or material issues – typically, it is not possible to address all of the sustainability issues associated with the RSP, so there should be mechanisms in place to identify and focus on the most significant performance areas.

In addition, TRG noted that an RSP has to deliver on content, which includes:

- delivering sustainability – this ensures the RSP meets the environmental and social performance outcomes expected by stakeholders such as NGOs and governments

- certification – external, independent quality control processes build credibility and confidence in the RSP; in particular, assessment and validation systems for qualifying compliant businesses need third party certification (it should be noted that not all third party certification programmes are effective and that the design and business model and rigour of such programmes have to be evaluated to ensure they add more value than existing internal auditing processes)

- traceability and CoC – a transparent and independently verifiable CoC between the source and the end-use market is key for marketplace credibility and to prevent accusations of "greenwashing" (it should be noted that some programmes, such as the WGC and the LBMA conflict-free efforts, are credible but have only a limited CoC component).

Finally, TRG noted the following with respect to costs:

- participation costs for supply chain actors – these should be minimised by reconciling with established initiatives such as the Global Reporting Initiative, the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) legislation, the Conflict-Free Gold Standard, the United Nations Guiding Principles on Business and Human Rights, the OECD's due diligence guidance and ISO standards

- commercial leverage – RSPs work if actors close to the market use their commercial leverage to drive requirements along the supply chain

- market uptake – there must be a critical mass of supply chain actors at the market end of the value chain who are willing to purchase certified products

- setting a realistic programme scope – the principles and criteria for the programme must be clearly defined and practical, and this will require a higher level of performance than that required for legal operation; but it also must be attainable by "good", smaller operators (confidentiality must be a major consideration as many value chain operators will want to keep business relationships confidential).

2

Responsible supply at Hydro

Hydro is participating in the Aluminium Stewardship Initiative (ASI), which is working towards greater sustainability and transparency in the aluminium industry by addressing the environmental, social and governance aspects of the entire aluminium value chain.

Launched in 2012, ASI is a result of multi-stakeholder engagement that started in 2009. ASI's main goal is to develop a global standard for sustainable resource management across the entire aluminium value chain. Hydro is participating with 13 other companies from the aluminium value chain – including automotive and packaging firms – to develop the ASI standard.

The scope of the standard is illustrated below.

ASI standard		
Governance	**Environmental**	**Social**
Policy, planning and monitoring / Business ethics / Transparency / Materials stewardship	Energy and GHG / Emissions, effluents and waste / Water use / Land use and biodiversity	Human rights / Labour rights / Occupational health and safety

Source: Hydro.

Today, leading practice is for RSPs to follow the ISEAL Standard-Setting Code. The ISEAL Alliance is a non-governmental organisation whose mission is to strengthen sustainability standards systems for social and environmental benefit. Its goals are to improve the impacts, credibility impact and uptake of sustainability standards. ASI is using the ISEAL Standard-Setting Code (v5.0) to guide its work on standards.

The general requirements of the ISEAL Standard-Setting Code (v5.0) are as follows:

- multi-stakeholder engagement
- balanced influence between industry and non-industry stakeholders
- open consultations
- transparent treatment of feedback
- regular revisions.

Themes and guidance on activities

Theme 3
Engagement with suppliers and value chain

Designing well-structured, credible and lasting SP and responsible sourcing initiatives requires appropriate levels of transparency and co-operation, as well as thoughtful input from a range of internal and external stakeholders. This section provides guidance and suggests actions on how ICMM members can develop and appropriately share the knowledge required to advance SP and effectively engage in RSPs. It also focuses on supplier and stakeholder engagement approaches that will drive co-operation in improving sustainability performance.

Supplier engagement at Coca-Cola

In 2014, Coca-Cola Enterprises (CCE) surveyed its suppliers to identify their views on the best ways to seek ideas for sustainability innovation. Suppliers identified supplier collaboration (87%), customer collaboration (86%) and employee contribution (84%) as the top three ways to spur innovation.

CCE also has supplier awards, which recognise performance on quality, service, value, corporate responsibility and sustainability.

In 2014, CCE held a webinar with 150 suppliers to discuss ways to collaborate on sustainability.

Source: CCE.

Supplier engagement in sustainable procurement

As noted in Theme 2, advanced procurement strategies are based on collaboration and drive innovation. Many environmental and social procurement practices to date have focused on ensuring that suppliers adhere to codes of conduct, fill in assessment questionnaires or provide certified products. While all of these techniques have a role in the procurement process, there are other techniques that can help drive innovation and collaboration. These include the following:

- Communicate your environmental and social priorities and policies (if they exist), to suppliers and ask them for suggestions on how they can help you address them.

- Issue a request for information to key suppliers on products/services with high environmental and social impacts to assess how these impacts are being addressed.

- Recognise suppliers who provide innovative solutions. Companies are always looking for ways to demonstrate client satisfaction, and a sustainability recognition programme can be a motivator for some suppliers.

- Integrate sustainability criteria into the selection process for new suppliers. Sometimes existing suppliers are reluctant to change. With new suppliers, there is an opportunity to identify those that are predisposed to consider the environmental and social performance aspects of the goods and services they supply. For example, some logistics companies provide GHG calculation services to their customers, and there are also trucking companies that participate in programmes to reduce fuel use and emissions. These types of partners can help ICMM member companies with their own emissions reduction strategies.

- Share the benefits. Sustainability innovations often lead to cost savings in addition to environmental benefit (eg energy efficiency or improved logistics). Be open to sharing the cost savings with suppliers

2

Stakeholder engagement in responsible sourcing programs

Participating in an RSP is a significant investment of time and resources. The interest and involvement of stakeholders from along, and outside of, the value chain can bring significant benefit, but it also can carry risks. The primary risk is that the expectations of stakeholders in the RSP are not met and, as a result, they leave and/or criticise the programme. Depending on the particular stakeholder, this could put the programme at risk and undermine the credibility of the programme in the market. It is therefore critical to ensure that effective engagement of stakeholders occurs in the design and operation of the RSP.

At the design stage of an RSP, the engagement process is focused on the need for the RSP, its structure, desired participants, anticipated outcomes, the specific expectations of its stakeholders and other factors. A stakeholder-mapping exercise should be undertaken to:

- identify key stakeholders that should be consulted on the design of the RSP

- document the perspectives of these stakeholders on the appropriate design of the RSP

- capture specific expectations/anticipated outcomes the stakeholders would like to see from the RSP.

Annex A provides an illustrative example of a process for conducting an initial stakeholder-mapping exercise.

If the RSP is already in place, and you are evaluating the aspects required of all stakeholders to determine if they have been done well, the first question to ask is, was a comprehensive stakeholder-mapping exercise conducted at the outset of the programme? It would be prudent to review that exercise with the original architects of the RSP to ensure that it aligns with your key stakeholder concerns. Some other questions to ask include:

- How are stakeholders involved in the standards-setting process?

- Is there a public consultation period for the comment on draft standards?

- Are the participation levels/activities of different stakeholders clear?

- Did the standards-setting process follow the ISEAL standard, or equivalent processes?

"THE INTEREST AND INVOLVEMENT OF STAKEHOLDERS FROM ALONG, AND OUTSIDE OF, THE VALUE CHAIN CAN BRING SIGNIFICANT BENEFIT, BUT IT ALSO CAN CARRY RISKS."

Themes and guidance on activities

Theme 4
Data and information

The ability of organisations to develop, maintain and disseminate information on the sustainability performance of materials, products and suppliers is growing rapidly. This can include data on management activities, specific performance indicators and proof of adherence to standards, as well as characteristics of the material or product in question. This section suggests actions that ICMM members can take to ensure they have the information and data to enable them to effectively support SP and responsible sourcing initiatives.

The ABB Supplier Sustainability Development Programme

ABB prioritizes suppliers to participate in the programme according to a risk matrix, which includes criticality of the supplier, country risk, commodity risk based on operations characteristics, and spend volume. The selected suppliers receive training about ABB's global requirements regarding sustainability standards and on practical ways to improve their performance. They then conduct sustainability assessments at the suppliers' premises to identify remaining gaps and help suppliers to develop improvement plans. After that, they assess the timely implementation of these plans.

Source: ABB.

Sustainable procurement

To procure more sustainable products requires the merger of traditional purchasing criteria (quality, price, security of supply) with environmental and social criteria, as well as total cost of ownership (TCO) considerations. In addition to the spend analysis recommended under Theme 1 (see Section 4.1), the following activities can support obtaining the data needed to facilitate SP decisions.

- Evaluate available eco-labelling, RSPs or sustainability certification programmes for the highest impact products/services. Ensure that the labelling programmes are credible. Credible labelling programmes are:

  – based on a performance standard that is accredited by a standards certification body (eg ISO)

  – developed in an open, transparent, consensus-based process with participation of all relevant stakeholders

  – life cycle based or are designed to effectively address a specific issue.

- Review available life cycle studies, hotspot analysis and environmental specifications on major product categories.

- Send out requests for information to suppliers of major product categories on known impacts and possible innovations.

- Develop an understanding of the TCO of major product categories. TCO is a concept and an approach for determining total costs associated with the acquisition and subsequent uses of a product or service. Tools are readily available for this, and they enable decision makers to look at standard costs along with capital and operational costs when making a purchasing decision.

- Develop and execute a supplier assessment questionnaire.

- Subscribe to green specification providers. You can also develop your own specifications incorporating social and total cost information into an existing green specification.

2

"THE AVERAGE SMARTPHONE MAY CONTAIN UP TO 70 DIFFERENT MATERIALS, WHICH MEANS THAT AT A PRODUCT LEVEL, RESPONSIBLE SOURCING BECOMES A COMPLEX AND CHALLENGING ACTIVITY"

Themes and guidance on activities

In mining, there is a lot of specialised equipment for which there are no existing environmental and social specifications. However, a recent study undertaken by ICD Research revealed that the industry actively incorporates sustainability into the procurement of a wide range of products and services, including "surface and highwall mining equipment, health and safety services and equipment, pumps, compressors, valves and actuators, and power supply, engines, transmission and drives". This indicates that there may be opportunities to share non-competitive data and information with companies that have already implemented SP practices.

Responsible sourcing standards in the mining and metals industry

In addition to the development of ASI referenced under Theme 2 there are a number of other voluntary responsible sourcing standards in use in the industry. These include:

- **The WGC Conflict-Free Gold Standard**
  This is an industry-led approach to combat the potential misuse of gold to fund illegal armed conflict and associated human rights abuses. The standard operationalises the *OECD due diligence guidance and Supplement on gold*. Conformance with the standard is subject to external assurance.

- **The RJC Code of Practices**
  The RJC is a not-for-profit, standards-setting and certification organisation. It has more than 600 member companies that span the jewellery supply chain from mine to retail. RJC members commit to, and are independently audited against, the RJC Code of Practices – an international standard on responsible business practices for diamonds, gold and platinum group metals.

- **The LBMA Responsible Gold Guidance**
  The association represents the interests of the participants in the wholesale gold market, and its guidance includes refining standards, good trading practices and standard documentation. The LBMA framework is mandatory for all refiners wishing to sell into the London Bullion Market, and is intended to assure investors and consumers that all London gold stocks are conflict-free due to compliance with an audited, conflict-free process.

Source: WGC, RJC, LBMA.

7   ICD Research (2012). *Sustainability in the global mining industry 2012–2013 – market trends and opportunities, profitability and budget forecast, mining industry procurement and marketing initiatives.* ICD Research.

Responsible supply

As noted above, evaluating an existing or proposed RSP requires a considerable amount of information on its governance structure, membership, standards and processes. Key data needed includes:

- market data on end-use customer interest in purchasing products from the RSP

- data on the initial and ongoing costs of implementing the standards and practices required by the RSP

- information on the initial and ongoing third party certification costs, if applicable

- information on the robustness of the businesses and partners participating in the RSP

- information on any regulatory initiatives that might affect the RSP

- for a new RSP, information on the time and resources required to participate in establishing the programme (eg steering/working committee, standards development time)

- estimates of internal resources required to implement the standards

- estimates of sales and marketing time to communicate with customers, supply chain partners and other stakeholders

- information on how stakeholders were identified (in the case of a new RSP, what the plan for stakeholder engagement is).
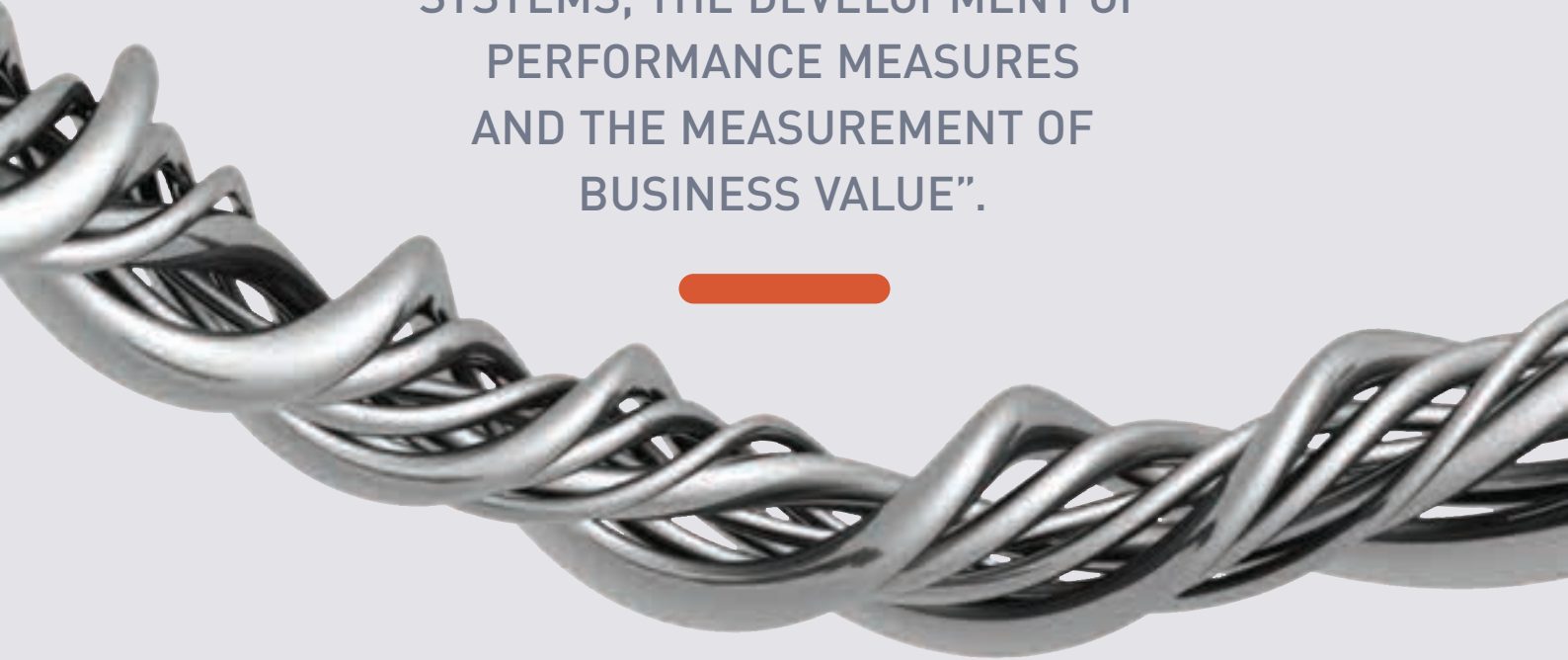
3

Integrating responsible sourcing into decision making

—

"HIGHLIGHTS KEY SUCCESS
FACTORS AND PROVIDES GUIDANCE
ON INTEGRATION INTO MANAGEMENT
SYSTEMS, THE DEVELOPMENT OF
PERFORMANCE MEASURES
AND THE MEASUREMENT OF
BUSINESS VALUE".

—

Integrating responsible sourcing into decision making

This section provides guidance on integrating SP and responsible sourcing practices into business processes. It highlights key success factors and provides guidance on integration into management systems, the development of performance measures and the measurement of business value.

Illustrative examples are used throughout this section to demonstrate ways in which ICMM members and other companies have integrated SP and responsible sourcing expectations/requirements into their business processes.

Sustainable procurement

Implementing SP is a modification of your existing procurement process. It typically involves a new policy, new information and tools, and adjustments to processes, and it is subject to the usual change management challenges associated with adjusting business practices. Conversely, SP can originate at a business unit, and the success factors, practices and tools are then spread to other parts of the company. As noted in Figure 3, entry-level activities can be as simple as developing a policy and making a commitment to buying certified environmentally and socially responsible products, where available. More sophisticated actions can involve collaboration with suppliers to drive innovation, reduce costs and minimise impacts.

As illustrated in Figure 3, there is a hierarchy of actions for SP that starts with evaluating the need for a product or service through to actually offsetting the impacts of procurement activity (eg purchasing carbon offsets to "neutralise" the carbon footprint of goods purchased).

Although some aspects of the SP hierarchy may be new to your organisation, it is helpful to recognise that some aspects of the hierarchy are consistent with good procurement practices that you may already have in place, such as efficient inventory management, minimisation of waste and cost optimisation. Because of this, it is important to look at SP as an innovation and opportunity for business improvement. Approaching SP with this mindset makes it easier to rationalise changes and engage procurement staff and managers.

Figure 3: Hierarchy of SP approaches

Buy less, reduce consumption, eliminate need, reduce activity level

Rent, lease, service, own?

Rationalise, improve efficiency, durability, reduce risk/liability

Buy environmentally and socially responsible alternatives, innovation, new technologies

Energy recovery, offset impacts

Source: Adapted from Five Winds International.

3

Other success factors that can help your organisation successfully implement SP include the following:

Senior management commitment and leadership

As with any new business activity, clear direction from the top of the organisation helps ensure alignment of goals and management accountability of performance measurement and actions.

Clear articulation of expectations and early-stage support for SP

The cascading of SP policy throughout the organisation requires clear goals, targets (measurement framework) and definition of roles and responsibilities. Training, management oversight and, where appropriate, incentives can help kick-start new, or accelerate existing, SP programmes. Training should involve those in purchasing as well as those involved in setting specifications.

Open lines of communication and co-operation across the organisation

SP typically requires co-operation across departments and business units to ensure that changes work for those specifying purchases (eg capital project groups), those executing the purchase (procurement) and those dealing with the product or service (eg operations and maintenance). The process to develop an SP programme should involve all of these groups, as should training and evaluation of progress.

Successful pilots

Pilot projects that demonstrate how SP can reduce costs and impacts are a key early-stage activity in an SP programme. These pilots will become the "stories" used to communicate the benefits of SP throughout the organisation.

A focus on innovation and action

A willingness to try new contract models, test new products and collaborate on solutions with suppliers will lead to more innovative solutions.

Successful implementation of SP in an organisation also requires a coherent management framework. The framework should allow for implementation activities to be systematically applied and integrated into the regular operations of the organisation. Integrating SP into existing management systems typically involves:

- linking SP into current systems and approaches for developing policy; setting priorities; and developing goals, objectives and performance indicators

- ensuring a plan–do–check–act cycle.

The textbox indicates how Rio Tinto integrates sustainability into its procurement principles, which address all aspects of its commitment to sustainable development.

Specific activities that can be undertaken to support a management system approach to SP include:

- establishing senior-management-level and working-level committees to monitor progress and drive implementation

- integrating SP into current sustainability, environmental and social policies, as appropriate

- developing specific goals, objectives, performance measures and, where appropriate, targets.

Sustainable procurement at Rio Tinto

Within Rio Tinto, sustainability is integrated directly into its procurement policy and principles. The company's approach is available to all employees, contractors and suppliers through their *Procurement principles* document, which states:

"Our *Procurement principles* reflect Rio Tinto's four core values: Accountability, Respect, Teamwork and Integrity. They outline the way we want to operate in partnership with our customers and suppliers. They also capture our expectations of each employee and contractor."

Examples of environmental responsibility areas addressed in the principles include:

- responsible environmental management
- waste minimisation
- responsible resource utilisation
- product stewardship
- reducing climate change impacts including GHGs
- a precautionary approach to environmental challenges
- development and diffusion of environmentally friendly technologies.

Examples of social responsibility areas addressed within the principles include:

- human rights
- supporting local and indigenous suppliers
- bribery and corruption.

Source: Rio Tinto.

Integrating responsible sourcing into decision making

Responsible Sourcing Programme

In regard to business integration, the main consideration for RSPs is to ensure that agreed-to standards are communicated to the appropriate parts of the organisation and are implemented. Performance reporting requirements need to be adhered to, and internal auditing procedures may need to be adjusted to include the new standards. If third party certification is included in the RSP, then preparation for these audits will be required.

Many of the success factors for integrating RSP requirements into an organisation are similar to those for SP, in particular, ensuring leadership commitment and open lines of communication throughout the organisation. It is also important to have a clear description of the business value for the organisation's participation in the RSP to facilitate the co-operation and data gathering required for demonstrating adherence to standards. Marketing and sales integration is also necessary for ensuring the organisation is getting reputational and market benefits from its participation in the RSP.

Responsible procurement at Mitsubishi Materials

The vision of Mitsubishi Materials is to "become the world's leading business group committed to supporting [a] recycling-oriented society through materials innovation, with use of our unique and distinctive technologies".

Mitsubishi Materials believes that companies should take social factors, such as human rights and environmental considerations, into account at every stage of the process, from procuring raw materials through to supplying finished products. It has a set of corporate social responsibility (CSR) procurement standards aimed at encouraging and monitoring social and environmental awareness among raw material and product suppliers. Mitsubishi Materials also works with its suppliers to enforce sound chemicals management and is working on enhancing initiatives aimed at preventing complicity in human rights violations throughout the company's global supply chain. In 2014, Mitsubishi Materials' targets and achievements for integrating CSR in procurement were:

- publication of CSR procurement guidelines on the company website resulting in an increase in awareness of the company's CSR procurement standards among its suppliers

- development of an internal framework to address the issue of conflict minerals and the formulation and release of a company-wide policy related to this issue

- establishment of a standard point of contact for corporate customers to share information.

Source: Mitsubishi Materials.

3

"DEMANDS FOR COST EFFECTIVENESS WILL EXIST IN PARALLEL WITH DEMAND FOR ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE ACTIONS, LEADING TO NEW PARTNERSHIP AND OPERATING MODELS"

World Economic Forum and Boston Consulting Group, 2015

Integrating responsible sourcing into decision making

Performance measures

Sustainable procurement

Quantifying the benefits of SP practices is critical for demonstrating value and ensuring ongoing commitment. There are a number of different types of metrics that can be used, but typically the organisation will look at the following:

Management metrics
These are measures that enable the organisation to track changes in its purchasing activities that will result in the long-term integration of environmental, social and broader cost considerations into procurement activities. An example of this type of metric would be the percentage of contracts that have specific environmental and social requirements.

Results metrics
These are measures that enable the organisation to track environmental and social impact reductions or benefits associated with procurement activities. An example of this type of metric would be the percentage of total spending associated with local suppliers. Examples of ways to quantify benefits include:

- specifying in contracts that vendors provide, where possible, an analysis of the potential energy savings, and emissions and waste reductions, associated with the products or services they provide

- tracking the number of suppliers that are able to demonstrate compliance with social and environmental requirements

- conducting total cost analysis on product or service options being considered

- utilising information from labelling programmes on the environmental and social benefits associated with labelled products.

The following are examples of metrics that can be considered:

- per cent or number of staff with purchasing responsibilities who have completed the SP training course

- per cent or number of staff with specification writing or reviewing responsibilities trained in SP

- number of specifications developed and implemented into contracts

- per cent, number or total monetary value of contracts that include standard SP policy wording/clauses

- ratio of total monetary value of contracts that include sustainability specifications to total monetary value of contracts

- ratio of total monetary value of contracts to total monetary value of products/services purchased that meet environmental specifications

- money saved through products/services based on life cycle cost analysis versus traditional criteria (baseline).

Responsible sourcing program

Measuring performance of an RSP is challenging. Ideally, participating in an RSP will result in deeper relationships with customers, greater market share and a price premium that will cover participation costs. To date, the price premium benefit has only manifested itself in a small number of programmes, and it is hard to put a value on less tangible reputational benefits that may arise if the RSP is recognised more widely as a leadership initiative. Cost and risk reduction benefits may also occur through the implementation of leadership standards (eg on energy efficiency and emission management).

4

The future of leadership
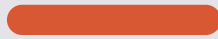
"A NUMBER OF ORGANISATIONS
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DEVELOP POSSIBLE SCENARIOS ON
WHAT THE WORLD MIGHT LOOK
LIKE IN THE FUTURE".

The future of leadership

This section looks out beyond 2030 and how expectations will evolve for responsible sourcing. Predicting the future is a difficult, if not impossible exercise, but a number of organisations have looked at current trends and companies are using this information to inform their strategies – including those related to responsible sourcing.

The world beyond 2030

Organisations such as the Rockefeller Foundation, the World Business Council for Sustainable Development (WBCSD) and Shell have looked at current trends and used this information to develop possible scenarios on what the world might look like in future.

Companies and advisory firms (eg BASF, PwC, Frost & Sullivan) have also documented mega-trends to inform their actions or the actions of their clients. In the environmental field, the United Nations Environment Programme Global Environmental Outlook reports and the Intergovernmental Panel on Climate Change's scientific assessment reports inform our understanding of the challenges and trends related to environment and climate change. The International Energy Agency in its *World Energy Outlook 2014* report provides projections of energy trends through to 2040.[8]

The World Economic Forum publishes a *Global Risks* report that looks at occurrences "that cause significant negative impact for several countries and industries over a time frame of up to 10 years".

When these efforts are examined, many trends, risks and possible scenarios of direct relevance to responsible sourcing emerge.

- Global population growth and demographic changes will drive consumption and intensify social and political instability. In particular, the rising influence of China and India – in terms of population, consumption patterns and geopolitical influence – will have an effect on the global economy and the environment.

- Increasing scarcity of resources and growing environmental pressure will affect soils, air quality, water quality and availability, biodiversity and climate.

- Advancements in technology and data will enhance information tracking and sharing and enable new technologies and products, but will also create negative outcomes such as degradation of privacy and vulnerability to cyber-attacks.

- A global energy shift to a less carbon-intensive economy is happening, but the pace of investment in low-carbon supply is far below what is necessary to reduce emissions to a level that will stabilise human-induced aspects of climate change.

- Increased urbanisation will require new infrastructure and massive amounts of resources, but at the same time, in established urban areas, there will be significant infrastructure failure and costs associated with repairs.

- Sociopolitical instability will increase due to a number of factors such as income inequality, failure of global governance structures, rise of conflicts over resources, resource nationalism and terrorism.

8   International Energy Agency (2014). *World energy outlook 2014*. Paris, International Energy Agency

9   WBCSD (2010). *Vision 2050: the new agenda for business*. Geneva, WBCSD.

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Reflecting on these trends and potential risks, it is clear that a shift to a future based on collaboration, improved economic and governance models, new sociopolitical relationships and innovation is the most desirable path forward. In its Vision 2050 report, the WBCSD lays out a pathway to such a scenario. The report, developed in collaboration with CEOs, experts and over 200 companies and external stakeholders in some 20 countries, defines the "must haves" that need to occur over the coming decade to make a sustainable planetary society possible. With respect to materials such as minerals and metals, the WBCSD calls for a shift to a closed-loop society where a variety of mechanisms are used to ensure that, wherever possible, materials are continually cycled in the economy (see Figure 4).

This perspective is consistent with the circular economy concept, as well as with ICMM's long-standing position on materials stewardship. Selected highlights include:

- incorporating the costs of externalities, starting with carbon, ecosystem services and water, into the structure of the marketplace

- doubling agricultural output without increasing the amount of land or water used

- halting deforestation and increasing yields from planted forests

- halving carbon emissions worldwide (based on 2005 levels) by 2050 through a shift to low-carbon energy systems and improved demand-side energy efficiency, and providing universal access to low-carbon mobility

- shifting to a closed-loop material society.

Figure 4: WBCSD vision of the material life cycle
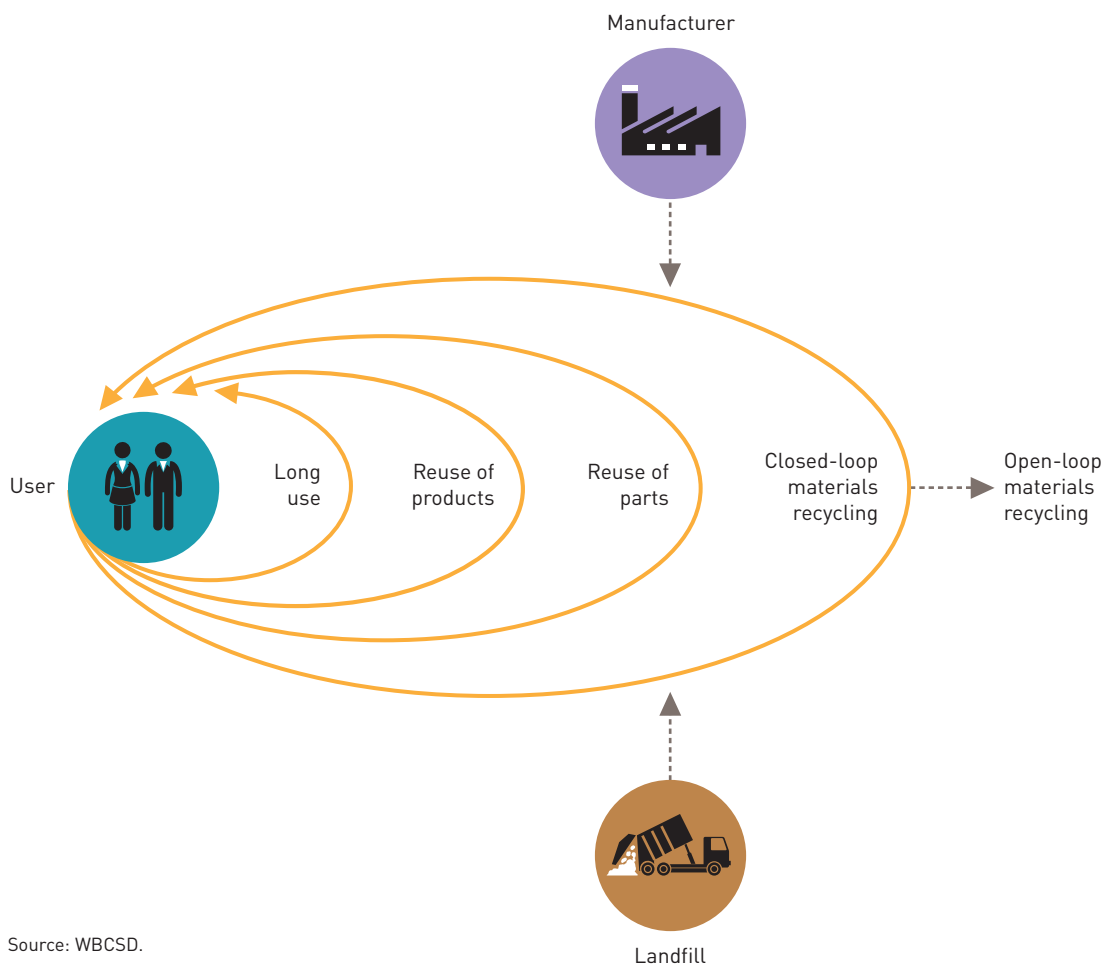
Source: WBCSD.

The future of leadership

The implication for sustainable procurement and responsible sourcing

If we are to move to a more sustainable future, such as the one envisioned by the WBCSD, it is likely that current trends in SP and responsible sourcing will intensify. These include:

- increasing demands for transparency in the value chains of minerals and metals – information on where and how they are produced

- more comprehensive evaluation criteria for determining the sustainability of minerals and metals – social, environmental, governance and broader costs data

- further development of second party and third party auditing and certification systems to ensure adherence to standards – broadening from current efforts in aluminium, diamonds, gold and conflict minerals to other minerals and metals

- further application of sustainability criteria in the procurement practices of ICMM members as a natural outcome of the above

- acknowledgement of the importance to society of minerals and metals for technological innovation and the sustainable benefits this enables – for creating a balanced approach in RSP and SP.

The guidance in this document and the resources referenced in Section 5 support ICMM members in attaining leadership in SP and responsible supply activities. Some typical examples of leadership practices anticipated to address these trends are also provided in Table 5.

Table 5: **Some leadership practices in sustainable procurement and responsible supply activities**

LEADERSHIP PRACTICES	
Sustainable procurement	**Responsible supply**
Integration of sustainability into procurement processes from strategic sourcing to spot purchases	Proactive identification of partners to develop RSP programmes
Established policy, goals and targets linked to reduction of material impacts and enhancement of social and environmental benefits	High standards of performance that can transfer to RSPs and that are progressively revised to drive improvement
Collaboration with suppliers to drive innovation, reduce impacts and optimise opportunities for improvement	Deeper relationships and partnerships with value chain partners within an RSP that lead to innovative outcomes and greater value for the participants
Sharing of approaches, participation in purchasing networks and collaborative initiatives to identify ways to improve the sustainability of products and services	Collaboration between RSPs to share best practices and develop harmonised approaches on common issues (eg certification and auditing, performance indicators)

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Further information
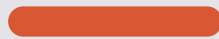
"THERE ARE SOME KEY ELEMENTS
THAT CAN HELP ENSURE YOU
ARE BUILDING AN UNDERSTANDING
OF WHO THESE STAKEHOLDERS
ARE AND WHAT THEIR
EXPECTATIONS ARE".

Further information

Resources

BS 8903:2010: *Principles and framework for procuring sustainably: guide*
http://shop.bsigroup.com/ProductDetail/?pid=0000000 00030203003

The BSI is a leading developer of sustainability standards. BS 8903 provides a framework and guidelines for implementing SP in public and private sector organisations. It provides guidance on best practice in procuring goods, works and services. There is an accompanying document that provides further advice and examples on implementing SP.[10]

Sustainable purchasing 2.0
www.businessandsociety.be/DuurzaamAankopen2.0_en/

Business & Society Belgium is a network for companies that works with stakeholders and shares an interest in contributing to the development of a sustainable society. It has produced an interactive user guide to help organisations make more sustainable purchases in line with the principles of the circular economy. The guide is aimed at both businesses and government bodies.

A global guide to green procurement
http://pbe.eea.europa.eu/pbe/ManagementConcepts/ Greenp/F1056727684

EnviroWindows is a European Environmental Agency online platform for knowledge sharing and development. The platform includes a section entitled "A global guide to green procurement" that provides a range of resources (guides, case studies, tools) for organisations interested in implementing green procurement practices.

ISEAL Alliance
www.isealalliance.org/

The ISEAL Alliance is a global membership association dedicated to developing and promoting sustainability standards. Its mission is to "strengthen sustainability standards systems for the benefit of people and the environment. Its membership is open to all multi-stakeholder sustainability standards and accreditation bodies that demonstrate their ability to meet the ISEAL Codes of Good Practice and accompanying requirements, and commit to learning and improving."

Guide to responsible sourcing
www.iccwbo.org/products-and-services/trade-facilitation/guide-to-responsible-sourcing/

The International Chamber of Commerce's *ICC guide to responsible sourcing* (2008) presents basic steps that companies can take to influence and monitor social and environmental performance in their global supply chain. The International Chamber of Commerce defines responsible sourcing as "a voluntary commitment by companies to take into account social and environmental considerations when managing their relationships with suppliers".

BES 6001 Responsible sourcing of construction products
www.bsigroup.com/en-GB/bes-6001-responsible-sourcing-of-construction-products/

The Building Research Establishment (BRE) is a UK-based research consultancy, testing and training organisation. It has developed BES 6001, a standard that helps construction product manufacturers "ensure and then prove that their products have been made with constituent materials that have been responsibly sourced". The standard provides guidance on establishing "a framework for the organisational governance, supply chain management and environmental and social aspects that must be addressed in order to ensure the responsible sourcing of construction products".

Ceres: Supplier Self-Assessment Questionnaire (SAQ): Building the Foundation for Sustainable Supply Chains
www.ceres.org/resources/reports/supplier-self-assessment-questionnaire-saq-building-the-foundation-for-sustainable-supply-chains/view

Ceres is a US-based non-profit organisation advocating for sustainability leadership. Its mission is "Mobilizing investor and business leadership to build a thriving, sustainable global economy". The Supplier Self-Assessment Questionnaire is designed for "companies seeking to strengthen their supply chain engagement". It draws on leading practices in the field and addresses environmental, social and governance issues.

Green building design and products for sustainable construction
www.greenspec.co.uk/

GreenSpec is an independent organisation based in the United Kingdom that "promotes sustainable building products, materials and construction techniques".

10 Berry, C (2011).
   The sustainable procurement guide: procuring sustainably using BS 8903.
   London, BSI.

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Annex A
Stakeholder mapping for responsible sourcing programmes

RSP design stage stakeholder-mapping exercise

Stakeholders for an RSP can involve a large number of individuals and groups spread across different sectors and regions. There is no one, single approach to follow. However, there are some key elements that can help ensure you are building an understanding of who these stakeholders are and what their expectations are. Follow the steps below to map out the expectations of your stakeholders (see Table 6 for an illustrative example).

Objectives

- Get a better understanding of who the main stakeholders (individuals or groups) are for the RSP

- Identify different environmental and social needs/expectations of these groups and why they are important for the RSP

- Begin the process of identifying potential participants in the RSP.

Step 1. Who are your stakeholders?

These could include community groups, local governments, customers, fabricators, employees, church groups, labour organisations, other levels of government and regulators along the value chain:

- Identify the main stakeholder groups

- Consider the value chain of the product system that is the target of the RSP:

  - Who influences it most?

  - Who are the actors along the chain?

- Consider the physical life cycle of the product (from material extraction to production, the use of the product and its end of life):

  - Who is affected positively and negatively?

Step 2. What does each stakeholder group want or expect from your business?

- For each stakeholder group, reflect and record what you know, and think about its expectations with respect to social, financial and environmental performance

- For those whose expectations you are unable to identify, contact them directly, or look at publicly available information to try to determine their expectations/issues of concern.

Table 6: Example of an RSP design stage stakeholder-mapping process

STAKEHOLDER	EXPECTATIONS	
	ISSUES OF INTEREST	IMPORTANCE FOR THE RSP DESIGN (high–medium–low)
NGOs (different NGOs should be listed separately)	Worker health and safety standards are being met along the value chain Businesses in the chain paying a fair wage Businesses along the supply chain are reducing wastes and pollution	High – the NGO is highly respected and can bring significant expertise to the design of the RSP
Customers (different customers should be listed separately)	Data on GHG emissions is provided for the product Worker health and safety standards are documented Environmental management system is being implemented	High – not meeting these expectations may mean losing the customer, which will affect revenue and profits
Local governments	Companies are paying taxes Resource companies are providing fair return/rent Companies are contributing to local community development projects Companies are meeting community and worker health and safety standards	Low for taxes and compliance – compliance with laws and regulation is assumed for all participants in the RSP High for community contributions

Step 3. Determine whether all your stakeholders are important to approach for participation in the RSP

- For each group/stakeholder, determine why it is important for them to participate in the RSP

- Assess what would happen if they did not participate.

Step 4. Develop an approach for engaging your identified stakeholders and implement it

- Determine if stakeholders need to be engaged collectively (eg within a group discussion on the RSP) or if bilateral meetings are required to better understand their expectations and perspectives.

- Determine the type and level of information that should be shared with your identified stakeholders and the most appropriate formats for doing so.

- Meet and engage, as appropriate.

- Document outcomes and use this information to inform your approach to the RSP.

Further information

Acknowledgements

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