

TWG Incentives Guide

Approaches for tin users to advance the implementation of the roadmap for responsible tin mining operations in Indonesian

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Introduction

Mining is a matter of supply and demand, and there is an increasing demand for responsible mining. To encourage the sustainable tin mining economy, mining companies and countries are exploring business models and regulations that go beyond a focus on extraction only, including also environmental and social aspects. After outreach from downstream companies via the IDH TWG, tin mining and smelting companies in Indonesia are now working on the implementation of a roadmap, a long-term plan to transform the Indonesian tin industry into a more environmentally and socially responsible business. Companies that use tin in their products (tin users) can add value to that plan, and incentivize its implementation, by making their contribution and future role more explicit.

This document lists different incentives that midstream and downstream¹ tin users can implement to support a lasting tin industry transformation. The goal of these incentives is to support, engage and

¹ For this incentives guide we make a distinction between three main groups in the supply chain between metal extraction and end user product. TWG members include midstream and downstream industry.

drive the upstream industry in Indonesia towards more responsible practices, in addition to and in support of the efforts already underway within the roadmap. In this document the term “responsible mining” is used to cover a broad scope of mining related activities, including mining, smelting, as well as pre- and post-mining activities including land rehabilitation.

The different approaches to create incentives are grouped under three headings ‘1. Approaches for international coordination and support’, ‘2. Approaches for supply chain policy and transparency, and ‘3. Approaches for direct management.’ Where applicable a distinction between mid & downstream industry has been made to reflect the different approaches available to companies depending on their position in the supply chain. For each approach we indicated whether it is an incentive that can be implemented by all TWG members, or whether it is an incentive that might not be applicable or feasible for each of the TWG members due to the nature of their business, products, supply chain or other reasons.

The members of the TWG have endorsed the principles of this incentives guide and are committed to a shared direction to aspire too and implementing below approaches in their company and supply chain in a way that is appropriate and feasible taking into account each company’s unique characteristics. In February 2016 the TWG consists of the following members: Alpha, Arcelor Mittal, ASUS, Apple, Blackberry, Dell, HP, LG Electronics, Microsoft, Philips, Samsung, Sony, Tata Steel.

1. Approaches for international coordination and support

1.a Contribute to international coordination through membership of the TWG

In addition to support of the responsible tin mining transformation on Bangka Belitung, a (certain level of) continuation of the current international coordination between the down, mid and upstream industry is crucial. This especially concerns overseeing, monitoring and supporting (cheerleading) the implementation of the Roadmap and linking the production of responsible mined tin to international supply chains.

Concrete proposal applicable for all TWG members:

| Midstream & downstream industry |
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| Current TWG members agree to continue with a ‘Downstream TWG’ and ‘light governance’ with monthly update calls. |
| Review & steering committee: A smaller working group of 4 committed TWG member companies (ideally 2 midstream and 2 downstream), FoE, and IDH reps that more actively oversee, steer and participate in the local Indonesian activities linked to the roadmap. |

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1. Upstream industry: local mines and smelters in mining regions
 2. Midstream industry: traders and manufacturers of tin plating, solder, etc.
 3. Downstream industry: component manufacturers and OEMs that use tin solder, plating etc. in their components and final products

1.b Provide financial support to drive implementation of the roadmap

In addition, support for driving the roadmap implementation can be financial. Financial support is needed for:

1. Project management: a local implementation partner to coordinate and engage with key stakeholders
2. To implement the different activities as described in the roadmap; pilot projects, assessments, etc.

Below proposal relates to the financing of the project management (nr 1 above).

Regarding nr 2 above, individual TWG members may decide to contribute financially to e.g. pilots. This financial support could be linked to concrete deliverables (e.g. roadmap and pilot project outcomes) and can be:

- Based on the roadmap budget
- Conditional:
 - Results clearly specified, measurable and achieved within prior agreed timelines (e.g. XX acres reclaimed within XX months)
 - Involvement of local stakeholders is prerequisite (incl. their financial contribution where applicable)
 - Certain pre-conditions met: e.g. compliance to ITRI Code of Conduct (to be developed), EICC code of conduct, standards being developed as part of the roadmap, free and prior consent about exploration and remediation, and applicable laws, local support ensuring a continuous improvement toward longer-term goals, with progressively advanced milestones

Concrete proposal applicable for all TWG members:

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| Midstream & downstream industry |
| Commit to contribute financially to support a local implementation partner to fulfill the role of project manager, coordinate the roadmap implementation and convene key stakeholders in Indonesia. |
| Minimum amount to be contributed by each TWG member is 10,000 Euro for the year 2016. |
| TWG member funding to finance the local implementation partner is to be: <ul style="list-style-type: none">○ Co-funded by IDH○ Agreed upon on a year-to-year basis○ Initial funding is for roadmap phase 1 (12 months) |

1.c Engage with the Government of Indonesia

Long-term, sustainable improvements in the mining sector are everyone's responsibility. Maintaining successes from the roadmap also requires support from Indonesian government. Companies and local implementation partners cannot fully realize the roadmap without government support enforcing regulation and fostering a reliable, predictable, and fair marketplace. Therefore, both upstream and

downstream industry may choose to engage with the government of Indonesia to emphasize the importance of fair markets through consistent regulatory enforcement to drive sustainable improvements to the mining sectors. That engagement may be:

1. Individually and directly, on each company’s own behalf;
2. Collectively and directly, through an organization such as the TWG, EICC, ITRI, or any combination;
3. Individually and indirectly, where each company on its own behalf supports and encourages local industry and civil society organizations to share this message with the Indonesian government
4. Collectively and indirectly, through an appropriate local or international organization to support and encourage local actors to share this message with the Indonesian government

Concrete proposal applicable for all TWG members:

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| Midstream & downstream industry |
| Engage with the government of Indonesia to drive responsible improvements in the mining sector, either individually and/or collectively (e.g. via the TWG). |

2. Approaches for supply chain policy and transparency

2.a Communicate sourcing aspirations to suppliers and publicly

One way to signal demand for social and environmental performance improvement is to publicly disclose policies and expectations on these issues. Companies may demonstrate commitment to responsibly mined tin by publishing their expectations, sourcing aspirations, policies and practices via codes of conduct or voluntary standards, statements on their websites, in annual reports, etc. Convincing the upstream industry that investments in responsible mining initiatives are needed to be able to respond to (future) demand needs to be supported by public commitments from tin users downstream.

A first step can be to announce that tin users expect responsibly mined tin and to work with the upstream industry to implement a system to monitor and report about responsible tin mining. This might include advocating – individually or collectively via e.g. the TWG - for the upstream industry to develop and implement a system to monitor and report about responsible mining.

The following signals and actions could be used in relation to the tin industry in Indonesia:

Concrete proposal applicable for all TWG members:

| Midstream industry | Downstream industry |
|--|--|
| Publish and communicate to upstream suppliers the aspiration to source responsibly mined tin from mines and smelters that do business only | Communicate publicly and to major suppliers the aspiration to move towards using responsibly mined tin and encourage mid & upstream actors |

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| with actors that transparently adhere to local law, implement extraction and reclamation best practices and that have a credible system to plan, monitor and report progress (preferably collectively where such a system exists) | and relevant authorities to implement responsible tin mining practices and promote transparency throughout the supply chain. |
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2.b Be transparent on origin of tin

Transparency (based on monitoring on an agreed level of accuracy) on the tin’s origin and mining conditions is important for trust of stakeholders and a vehicle to motivate tin miners and smelters to improve responsible mining performance. Stakeholders and downstream industry will be assured of the general commitment of midstream industry to responsible tin sourcing if they can communicate openly about their tin sources, performance and improvement plans.

Concrete proposal applicable for all TWG members:

| Midstream industry | Downstream industry |
|--|--|
| Disclose publicly and to direct customers the name and location of smelters used in their supply chain. Provide insight to customers and/or publicly on the share of tin from Indonesia and from responsible mining (e.g. MoU signee). | Publish the name and location of smelters used in their supply chain. At least Indonesian smelters. (can be same disclosure as required by Dodd-Frank Act) |

2.c Support development of criteria and systems to identify responsibly mined tin

Another way of supporting transparency is a listing of tin mines and/or smelters that shows their social and environmental performance based on globally agreed criteria for responsible mining. Today there is no definition or criteria for responsibly mined tin. Having a common understanding and agreement of what a “responsible mine / responsibly mined” entails is a precursor to develop a system that can identify responsible sources of tin.

The development of a definition for responsibly mined tin starts with the definition of what is considered legally mined tin. Indonesia’s laws governing tin mining licenses and export requirements are under revision, and may experience further changes in the future. As such, any approach to responsibly mined tin must be robust enough to comply with legal requirements, now and into the future.

This definition and criteria for legal and responsibly mined tin should be developed in close cooperation with the mining industry, and need to be broadly adopted by the upstream industry in order to be effective. Therefore, these criteria need to be based on existing or developing international standards (for example the ITRI Code that is currently in development).

On the basis of such listing with responsible tin mines, companies that purchase tin can efficiently direct their supply chain towards responsible tin sources and communicate to their customers what the “sustainability level” is in its supply chain. The government and/or an independent third-party can

validate the listing for all participating tin mines and/or smelters, which increases trust and reduces costs.

This listing and the underlying criteria, methodology, processes, etc. does not exist yet. It is to be considered a potential option for the future and is included here in this TWG incentives guide as a pathway that can be evaluated further with members of the TWG and the upstream mining and smelting industry.

2.d Improve quality of local transparency and assessment systems

Having processes to monitor and report against developed criteria and systems (e.g. as reflected in 2.c) is important, but it's not enough to reach the goal of responsible mining. The quality and assurance of those processes and related standards is paramount. So improving the quality of local transparency and assessment systems (surveyors) is critical.

Concrete proposal applicable for all TWG members:

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| Midstream & downstream industry |
| Support and contribute to drive improvements in the quality of local transparency and assessment processes, systems, and standards, either individually and/or collectively (e.g. via the TWG). |

3. Approaches for Direct Management

By showing stakeholders where the tin in a mid/downstream company's products originates from, in combination with a public plan to move toward responsibly mined tin, it is clear to supply chain partners that the company is serious about making progress.

3.a Request upstream suppliers to source responsibly mined tin

Steering the supply chain towards responsibly sourced tin can be done by requesting a company's direct suppliers to source from responsible sources. Since supply chains can be long, complex and dynamic, such steering might only be feasible for supplier/buyer relations that are stable. It required cooperation and alignment between mid & upstream industry, as well as between down & midstream industry. A first step would be for upstream industry to have a responsible source and to scale it across the upstream, so that midstream industry has reliable responsible supply to source from., enabling the downstream industry to establish agreements to use that tin in their products. Obviously, this is a system that needs pre-announcement and a careful phase-in.

Concrete proposal applicable for companies with stable supply chain partnerships:

| Midstream industry with stable supply chain partnerships | Downstream industry with stable supply chain partnerships |
|--|---|
| In purchasing contracts, companies can request their suppliers to source according to certain criteria. One of those criteria may specify requirements on the origin and/or "sustainability level" of the tin. | Agree with suppliers to use responsibly mined tin from Indonesia. |