



RE-SOURCING
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Essentials for a Good Responsible Sourcing Standard: Purpose, Balance & Alignment

Abstract:

This briefing document details the discussions in the 'Regulations & Standards' session at the opening conference of the RE-SOURCING Project: 'Drivers of Responsible Sourcing- Common Ground, Collective Action, Lasting Change' (18-19 January 2021). The discussion focused on the key ingredients required for an effective standard to be constructed, and its interplay with global benchmarks and regulations. A balancing act between the objectives of the multiple stakeholders needs to be maintained, as well as balancing the need for consultation with the need for action. Good standards incorporate a vigorous standard setting process, measurable implementation strategies and be transparent in the trade-offs they incur.

The [RE-SOURCING Project](#) aims to build a global stakeholder platform for responsible sourcing in mineral value chains. The project addresses the challenges that businesses, NGOs, and policymakers are facing in a rapidly evolving ecological, social, business and regulatory world. RE-SOURCING is funded by the European Commission's Horizon 2020 programme and runs from 1 November 2019 to 31 October 2023.

1. Regulations & Standards: Session Focus

The interplay of social, economic, environmental and political factors is currently driving the Responsible Sourcing (RS) Agenda across global value chains in the extractive and related industrial sectors. The actors and processes that support this agenda are well identified, as are the RS frameworks and standards proposed and implemented by them. However, the operationalisation of concrete practices is multifaceted, and the RE-SOURCING Project is keen to promote peer learning and knowledge sharing around the how, what and why.

The session on Regulations & Standards, at the [opening conference](#) of the RE-SOURCING Project, examines the journey from concept to implementation, focusing on [the interplay between policies and standards: A mutually supportive or conflicting relationship?](#)



The session considered the state of play of responsible sourcing standards, global benchmarks and regulations and the required conditions for these processes to improve greater uptake of responsible sourcing implementation. This briefing document summarises the issues discussed, before concluding with remarks on what needs to be done in the near future to improve the useability of regulations and standards to improve RS implementation. The full session recording is available [here](#).

The Session Participants:

- [Bryce Lee](#), Huayou Cobalt
- [Fiona Solomon](#), Aluminium Stewardship Initiative
- [Rebecca Burton](#), Initiative for Responsible Mining Assurance
- [Tobias Persson](#), Swedish Agency for Growth Policy Analysis
- [Tyler Gillard](#), OECD Centre for Responsible Business Conduct

2. The Process of Standard Setting

There are a multitude of standard setting processes, reflective of the objectives they wish to achieve. The process chosen will be dependent on the range of stakeholders to be included, the breadth and depth of issues to be covered, the speed with which an agreement is required and the principles and governance standards around the decision-making process. A standard setting process, largely, needs to meet three objectives:

- A presentation of stakeholder(s) perspective on best practice
- An assurance mechanism that is reflective of these best practices
- An impact assessment – do the best practices have actual value.

“A classic trade-off question is whether to include ASMs in the supply chain. On the one hand, they are more susceptible and vulnerable to risks, such as child labour, but on the other hand, it provides major opportunities for impact investing.”

Tyler Gillard, OECD

2.1 Diversity of Drivers & Trade-offs

A standard setting process will include multiple stakeholders, each with their own objectives and needs. Mid and downstream purchasers, local communities, investors, governments and consumers have different (often overlapping) objectives when it comes to RS implementation. The diversity of the objectives of these drivers can lead to many ‘sticking points’ when it comes to multiple stakeholder consultations – explaining the long time required for consultations for standard settings. Achieving consensus on best practice across all stakeholders is near impossible and therefore trade-offs need to be managed within a standard.

2.2 Setting Assurance, Measurement & Assessment within Standards

The strength of the standard is linked to the best practices it proposes as well as the assurance mechanism that are provided. Assurance mechanisms are therefore dependent on the measurement indicators that are included within a standard and can often be a contentious issue. This is related to two concerns: what to measure and how to interpret the measurement. For example, while GHG emissions are easier to measure (parts/million), the exact range of what is an acceptable GHG emission level has to be decided on the basis of ethical and moral values. In other cases, the ethical assessment is easier, its measurement is not – particularly for social elements. For example, assurances on community engagement need to be provided, but reducing this to the number of meetings held is not an appropriate measure. Both assurance mechanisms and the ethical assessments that interpret these measures require an ethical judgement, which is not easy to achieve.

Considerations for Standard Settings

- Balance the diversity of objectives from multiple stakeholders
- Assurance & assessment mechanisms must be included
- Devising the right inputs for transparency & traceability measures
- Shared responsibilities between multiple stakeholders
- Awareness of power dynamics within stakeholders

2.3 The Spector of Greenwashing in Standard Setting

Advances in information technology (IT) have been a great asset in constructing assurance mechanisms for standards and have contributed to key elements of traceability and transparency. However, they can also contribute to greenwashing, where IT based reporting mechanisms receive inputs that are of little to no value, or do not tell the whole picture. Just because information is provided through an IT based assessment system does not guarantee that it is a useful measure. Greenwashing opportunities can increase where the assurance mechanisms have not been vigorously constructed or require irrelevant or non-priority measures.





2.4 Role of Politics & Rent Seeking in Standard Drafting

The global metals industry (both the upstream and downstream sectors) has been politicised in recent years. With climate change becoming a major international political subject, governments have become involved in the role of mineral value chains. In order to achieve their own targets on climate change, rent seeking behaviour is becoming a concern. The mineral value chain (from extraction to recycling/end of product management) involves a large amount of money. Companies can rally their governments to protect their interests in setting standards and regulations. Governments can choose to protect their global economic interests by using environmental, social and governance standards in international trade and investment policies to protect their economies. Given the limited uptake of RS practices at this time, rent seeking opportunities exist for both companies and governments. With the power dynamics between multiple stakeholders, this can impact standard setting, measurements/assurances and implementation.

2.5 Shared Responsibility within Standards

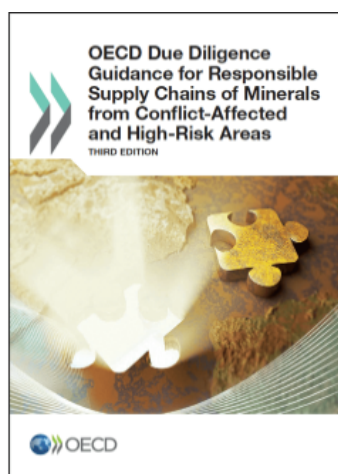
RS needs to be considered as a shared responsibility and not left largely at the door of extractive companies to implement. Thus, the processing & smelting companies, manufacturers, investors and product designers, recyclers and consumer groups need to be part of the RS implementation strategy. Scrutiny and transparency of downstream actors appears to be limited relative to that faced by mining companies. In addition, guidelines should also address civil society and media stakeholders, as the reputational damage they can inflict on a business can be detrimental for the latter's functioning. This is not to suggest that monitoring and reporting activities by civil society and the media need to be curtailed. It however considers that no standard or guidelines have been formulated to address the behaviour of civil society and the media, thus removing scrutiny of their behaviour. The session discussion suggests that where standards are weakly constructed in their implementation or largely divorced from reality, reporting by third parties using those standards can exacerbate the situation for the extractive companies, without leaving the latter to any recourse. An arbitration or grievance mechanism is missing.



3. The Role of Standards in Driving RS

3.1 Standards & their relationship with Global Benchmarks

Global benchmarks, such as the OECD Due Diligence Guidelines on Conflict Minerals, are meant to provide a 'what', leaving it to standards to provide a 'how'. The objective behind a global benchmark is to provide orientation, with further impetus brought by government backing of such benchmarks. Standards should be using this orientation and dependent on the context, jurisdiction, metal or sector specific issues, devise an implementation strategy. It is possible and preferable to have multiple standards that are aligned to singular global benchmarks, as it increases the chances of implementation. However, where standards are weak on accompanying processes and guidance to implement RS practices (the 'how'), and yet are pushed by some



stakeholders to be taken up, they crowd the RS field. Where there are too many RS standards being recommended, it often causes confusion for firms to choose which standard to follow.

Standards can Drive RS by

- Aligning to global benchmarks
- Aligning to similar principles, rather than converging
- Forming the basis for regulations
- Contributing to commercial success of firms
- Act as a diagnostic tool for firms

3.2 Standard Convergence vs. Alignment

As noted in the [International Responsible Sourcing Agenda](#) report, there are a multitude of standards and guidance documents currently in circulation around mineral value chains. Many have evolved from different industry sectors, multiple stakeholder groups and jurisdictions over the past fifteen years. This was a natural evolution, when in the early 2000s multiple calls were made to implement RS and multiple efforts were made to answer this call. However, from this time forward, are these standards more likely to converge or align? The session discussion favours alignment over convergence. As noted above, standards should orientate themselves to global benchmarks, but their best practice standards should reflect the specific issues and stakeholders they are addressing. Given the diversity of these issues, convergence is unlikely to happen, nor would it provide an effective way forward.



3.3 Standards as an Input into Regulations

Standards can be considered as a feeding stage for regulations. They are often based on a stakeholder consultative process, discussions on objectives and impacts have been considered and measurement metrics outlined. Therefore, they can offer a template for governments to convert these voluntary measures into regulatory ones. Regulations can often speed up the process of wider and quicker implementation across players. This process does require a vigorous standard setting process to have occurred in the first place. If the standards are focused on the upstream (mining stage), the government must balance out the impact this can have on downstream (manufacturing) stage actors, and vice versa. It needs access to objective market research and analysis, preferably transparently generated and available in the public domain.

3.4 Standards & Commercial Interests

The implementation of standards mostly remains under voluntary mechanisms, although with increased purchaser and industry peer pressures, they are taking on a more mandatory aspect. Where standards are incorporated under regulations

“The mines that are coming to IRMA aren’t necessarily the best performers. Some were having reputational issues in the past. So we are seeing that this standard has been an effective market leverage.”

Rebecca Burton, IRMA

(by the State or institutions such as the London Metals Exchange), they become a commercial requirement for operations to continue. There is mixed evidence on RS implementation at the executive board level – some companies speak of firm commitment whilst others evidence RS practices incorporated in their management functions. However, unless commercial interests are addressed, RS implementation will remain weak for all companies. Although the session did not dwell deep into this subject, it was clearly noted that until price/market mechanism starts to reflect the RS agenda, there will always be a gap between companies choosing to or ignoring RS implementation.

3.5 Standards as a Diagnostic Tool

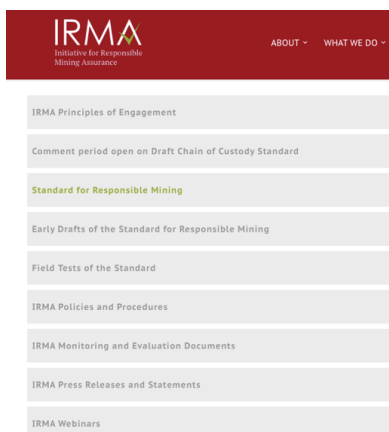
Standards offer more than an assurance mechanism to a buyer or community; they can also be used as a diagnostic tool for a business to understand where it risks and weaknesses in implementing RS lie. Therefore, the practice of compliance in the first instance can lead to firms improving their own processes, so that the next assurance cycle exercise (assessment or audit) shows improved results. As noted in the discussion, it is not always the businesses with the best RS reputation that are seeking to follow standards, those who have suffered reputational damage will often seek compliance with a standard to improve their operations. Companies are also looking to improve their reputations to be able to recruit from the younger generations, who are more concerned with working for sustainable businesses.

4. Next Steps

Addressing three key areas: For standards to have meaningful impact on RS three key ingredients must be present:

- A clear indication of what issues they address
- A clear indication of how the best practices will be drafted, including how they will be measured
- A clear indication of how these measurements will be assessed

While remarkable progress has been made on the first of these ingredients, currently the focus is on the second, while the third ingredient still remains largely unattended.





“The conversation is stuffed with incorrect and biased information about what is sustainable. But IT-Solutions can help to provide access to more objective information”

Tobias Persson, Swedish Agency for
Growth Policy Analysis

Transparency in balancing trade-offs. Given the multi-stakeholder nature of standard setting consultations, there is a trade-off between the objectives of different drivers when the process nears completion. Standards need to be transparent about the trade-offs that have been made, and why.

Linking implementation to impact. Change should not be justified on the basis of ‘change’ alone – there needs to be a clear link between the implementation requirements of a standard and its expected impact. The measurement of impact needs to be realistic, preferably with tools provided on how such impact will be quantified.

Transparency for downstream actors. Downstream actors need to be subjected to a similar level of transparency and accountability as upstream actors. Without RS ownership over the entire value chain, RS implementation will remain fragmented and weak.

Mediation & Arbitration mechanism. While civil society actors and the media play an important monitoring role, the relationship between extractive and manufacturing companies and the former has not been codified or institutionalised under any standard. Operating entities would benefit from standards that include an arbitration or mediation mechanism involving a neutral third party, that allows for them to respond to issues raised against their operations.

Capitalizing on commercial interest. The disconnect between RS standards and their implementation will likely remain until the commercial interest question is fully answered. As long as the RS agenda is not fully priced into commercial activity, or regulations require it as a necessity for doing business, the gap between those who voluntarily adhere to standards and those who ignore them, will remain.

Power dynamics affecting standards. The politization of mineral value chains and the money involved, leave the RS standard setting and regulatory landscape subject to power dynamics between the multiple actors involved. State backing as well as the power of financiers to address RS needs to be understood clearly and used appropriately.

Objective data. As RS standards and regulations move more towards implementation, the importance of objective data, that is transparently sourced and publicly available can no longer be left for a later time. Without such information, decision making for politicians, companies and consumers on RS will remain ineffective.

5. Conclusion

In answering the question on whether the interplay between policies and standards is a mutually supportive or a conflicting relationship, the session sided with there being a mutually supportive role. Standards can provide the template for policies, having undertaken the multi-stakeholder consultation process to arrive at best practice guidance. However, for policies to adequately benefit from standards, the latter must evidence a vigorous setting process, measurable implementation strategies and be transparent in the trade-offs they incur.

The findings from this session will be taken up in the Roadmap development and Global Advocacy Fora being organized under the RE-SOURCING Project over the next three years.

What would be the ONE suggestion for alliances to support front-runners and the business case for RS in the future?

Multi-stakeholders that agree about good practices and can serve as templates for governments.

Rebecca Burton

Objective information and market analysis of supply chains, in a transparent and publicly available way.

Tobias Persson

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RS should be a shared responsibility under a fair platform. We have to do the right thing for all stakeholders to create win-win situations.

Bryce Lee

Regulations have hard consequences for diverse outcomes, so there is still a lot to be done.

Tyler Gillard

Building supply chain ownership to drive implementation.

Fiona Solomon

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