Essentials of Successful Alliances to Support Responsible Sourcing

Abstract:

This briefing document details the discussions in the session 'Industry Frontrunners & Business Alliances' 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 focuses on the key factors for a successful alliance that can support responsible sourcing. Successful alliances need to have clear objectives and balance the need for consultation with the need for action. Their governance structures need to be transparent, and they must clearly articulate the trade-offs their decisions entail. Successful alliances can provide the opportunity for innovative ideas for change, but they also need to have the funding resources to put these ideas into action. Finally, the concept of multiple stakeholders may need to be expanded, to not only include other industrial sectors, but also to shift away from materials focused alliances to jurisdiction focused ones.

1. Industry Frontrunners & Business Alliances: 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.

In the session on Industry Frontrunners & Business Alliances, at the opening conference of the RE-SOURCING Project, the session explored the case for building alliances: challenges & opportunities in strengthening responsible sourcing.

The session discussion focused on the factors contributing to the success of an alliance addressing RS issues. While the necessity for alliances to deliver on the implementation of RS practices is uncontested, it is also clear that there are a number of internal and external balancing acts that successful alliances must undertake. This briefing document summarises some of these balancing acts as discussed in the session before concluding with remarks on what needs to be done further for successful alliance building. The full session recording is available here.

> **The session Participants:**
> - ◼ Alexander Nick, BMW
> - ◼ Badrinath Veluri, Rare Earth Industry Association
> - ◼ Julian Lageard, Intel
> - ◼ Massimo Gasparon, EIT Raw Materials
> - ◼ Guy Ethier, Global Battery Alliance

2. Basis for a Successful Alliance on RS

An alliance serves to formalise the collaborative effort of concerned stakeholders to understand and implement RS practices. Entities usually join alliances for three main reasons:

◼ To gain a seal of approval from peers, other stakeholders, clients and governments

◼ To have a platform to discuss RS challenges with other members of the alliance & external stakeholders

◼ To express dissatisfaction with the current RS status as well as the inaction of other actors & stakeholders.

For a successful alliance, actors joining the group should understand that their collaboration is the only efficient way to meet common RS objectives. Additionally, members should also acknowledge that being part of an alliance can require them to be held to a

A successful alliance must:
◼ Provide a consultation forum
◼ Provide actions that result in real change
◼ Provide a seal of approval from policy makers

common RS standard or benchmark, they cannot pick and choose standards based on their own convenience.

2.1   Clear & Balanced Objectives

While there are many RS challenges facing firms, communities, governments and civil society, an alliance must have a **clear and agreed objective** to achieve from the beginning. The objective should incorporate specific RS issues as well as address the wider impact of the activities of alliance members on the planet.

Alliances have an inherent conflict between consultation and action. A successful alliance must balance the time devoted to stakeholder consultation and that devoted to action, which can be difficult to achieve, but it is nonetheless necessary. Not enough time spent consulting stakeholders will lead to inefficient progress towards the alliance's RS objectives, while inaction will cause members and others to disengage.

An alliance, where appropriate, should also seek **a seal of approval from policy makers**. This is separate from having policy and government agencies as part of the stakeholder group and focuses more on engagement with policy makers to support the RS actions the alliance proposes. Such support can strengthen the confidence and trust that is placed in the alliance by other RS actors.

2.2   The Role of Leadership

The starting point for any alliance is the people who formulate its objectives and initiate the process. While the co-founding members are often companies, the individuals within these companies set the tone and impact the success of an alliance in achieving RS. Individuals who **recognize the need for change** and actively seek to bring about such change create opportunities for success and surpass the initial challenges and resistance during the creation of an alliance.

Leadership within a company that joins an alliance is also important. Membership often has a time and resource cost for a company, without an immediate pay-off. Commitment from senior management will be essential for an entity to participate and fully engage within an alliance.

2.3   Building a Strong Governance Mechanism

Alliances need to have **transparent governance mechanisms** that are publicly available and address decision-making processes and confirm the independence of the decision-makers. Such transparency also allows for building trust with actors (whether communities or policy makers) outside the alliance. Once an alliance loses credibility, it is unable to achieve its RS objectives. The governance structure needs to be agreed from the beginning, where the role played by the executive board, basis for decision-making, reporting requirements from members, levels of information disclosure etc. are defined and agreed.

The governance mechanism should also be capable of addressing the power imbalance within an alliance – for example, community representatives and civil society actors should have the same access to decision-makers of the alliance as company representatives. The multistakeholder nature of alliances (see discussion below) will inherently involve actors that do not have similar access to finance, resources and political power. A successful alliance compensates for such imbalances in its governance mechanisms.

"When the alliance on conflict minerals started, the CEO in charge of global manufacturing and supply chain took it personally and decided that these issues were going to be tackled in his supply chain."

Julian Lageard, Intel

A successful alliance must:

■ Have an open & transparent decision-making process
■ Reflect the concerns of all members
■ Develop a common language to reflect its diverse stakeholders

"One of the key success factors for Responsible Sourcing Alliances include an open and transparent platform for interested stakeholders from upstream, downstream and civil society."

Alexander Nick, BMW

A successful alliance must:

■ Have multiple stakeholders present

■ Correctly identify critical stakeholders

■ Liaison with other alliances to offer greater stakeholder coverage

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2.4   Building Trust & Transparency

One major challenge within industrial alliances is the compromise between discussing business conditions and protecting commercial information when it comes to RS challenges. Apart from the impact on business competitiveness, the **sharing of commercial information** between similar businesses also needs to comply with legal safeguards against collusion and anti-trust activities. To build trust with potential alliance members, particularly with community and civil society actors, there needs to be clarity on what information will be expected of members, how the sharing of the information will be organized and how the information will be used for external engagements.

3.   The Need for Multiple Stakeholders

The panel discussion, with members representing companies, industry and alliances all agreed on the importance of including multiple stakeholder groups within an alliance that addresses RS. Unless the objective of the alliance is very specific, actors from different materials chains, different nodes of the value chain and those addressing different sustainability aspects, should be part of the same RS focused alliance.

For downstream manufacturers that employ thousands of materials in their products (for example automobiles), it is not possible to address individual RS concerns by joining a multitude of materials focused alliances. Similarly, with the number of sustainability challenges, manufacturers will be hesitant in joining alliances that only focus on one or two aspects of the sustainability challenge spectrum. Therefore, alliances with multiple stakeholders, covering multiple issues, provide a better opportunity of engagement as they can address several RS issues through a single forum.

For those alliances that have a single mineral focus (such as only focusing on rare earths), the cross-jurisdictional nature of the value chain still requires multiple actors to come together. The discussion agreed that given the increasing complexity of value chains (both due to product design and in terms of geography, etc.), any 'industrial' alliance must include all major stakeholder groups to be successful.

Where finances do not allow for such direct inclusion, an alliance should engage and **create dialogue with other alliances**, such that its actions at least reflect a multi-stakeholder viewpoint.

3.1   Identifying Key Stakeholders

There is the danger of engaging with too many stakeholders, while crucial groups are still missing. Critical stakeholders can be loosely defined as those who can directly bring forth change or those who are directly impacted by the change. While this is not to suggest that other interested parties, such as academics or technical experts should not be encouraged to join, it is important to ensure that the critical stakeholders are **correctly identified** and engaged as part of the alliance.

Stakeholders in the alliance should also include industry frontrunners, as often these actors bring innovative thought and experience to others. An alliance, by its very nature, will move more slowly than individual companies but does not hamper the

speed of the latter to innovate. In return, industry front runners are unable to effect change by themselves and therefore need support from an alliance.

3.2   Building a Common Language for Engagement

While it may appear obvious that the consultative process is the bedrock of an alliance, the process itself can be challenging. With multiple stakeholders, each trained and experienced in a different contextual setting, **a common language needs to be built**. For example, a smelter operator can have similar concerns about GHG emissions as an environmental group, but the way in which these concerns and subsequent proposals for change are articulated may be very different between the two. The importance of an **agreed glossary** that defines what an alliance means by the terminology it uses is a great challenge, but equally important to determine to achieve the alliance's objectives.

Engagement should not only be understood as the process of having a voice, but also consideration for hearing the concerns from the voices raised (see Briefing Document on The Role of Advocacy in Responsible Sourcing). Within multiple stakeholder alliances, there is a level of anxiety associated with engaging with other actors within the chain, particularly where power dynamics allow for some actors to be more assertive than others. As noted above, the governance mechanism for alliances needs to address these power asymmetries from the start and ensure all voices are heard and reflected in the decision-making process.

3.3   Addressing Diverging Objectives of Stakeholders

With the emphasis on having multiple stakeholders within an alliance, the challenge of diverging RS objectives of the actors will need to be addressed. Some alliance members may wish to go further than others on RS commitments, while others may prefer a different set of actions to achieve it. A successful alliance does not require all members to agree on all issues and actions. As a starting point it requires consensus and articulation of the issues that members do agree on and intend to change. As trust is built over time, more contentious issues can be added to the alliance's RS objectives and actions. This comes with the caveat to avoid either, the lowest hanging fruit or the highest possible RS standard. If an alliance pursues the lowest common denominator, it is likely to lose the support of civil society actors and those demanding real change. If it pursues the course of the highest available standard, it will lose the support of companies that do not believe they are able to meet such standards as a starting point.
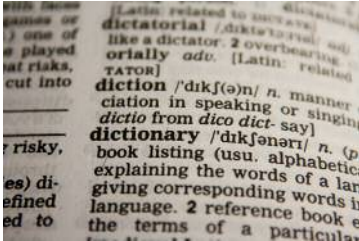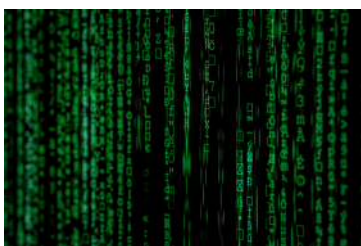
4.   The Advantages of an Alliance

There can be multiple advantages of joining or forming an alliance for multiple stakeholders. This briefing document only addresses two of the advantages here, as discussed by the panel, acknowledging that many more exist, that could not be addressed due to time constraints.

4.1　Industry Standard Streamlining

One purpose of alliances is to hold actors within multiple value chains to the same or similar RS standards and offer a level playing field for members. Mining companies are facing a plethora of RS requirements from downstream actors (manufacturers etc) (See RE-SOURING, 2020: The International Responsible Sourcing Agenda). Given the volume of these often-overlapping demands, with unclear assessment measures, these can act as a hurdle in the effective implementation of RS practices by these companies.

An alliance allows for **streamlining the RS requirements** from manufacturers (informed by civil society, academia and technical experts) to a manageable and implementable level by extractive companies. It also allows for the process to flow both ways – extractive companies can propose the use of their RS standards they have developed to be considered acceptable by a majority of the downstream actors. Alliances proposing a **unified approach on standards**, focusing on the impacts of their RS activities rather than trying to meet multiple standards, are more likely to be successful than others.

4.2　Supporting the Role of Innovation

A successful alliance will need to be innovative in its approach and discussions on RS, going further than what individual entities may be able to achieve. The combined experiences and resources of all parties involved can lead to creative and new measures, approaches and solutions to tackle chronic RS issues faced by the members. The individual interventions of companies will be limited to the value chains they can impact. Given the cross-jurisdictional and planet-wide impact of most RS issues (climate change, biodiversity threat, gender rights, poverty) full risk mitigation cannot be accomplished by a single entity. Given the multiple mineral products that feed into downstream entities, a global/collective approach for tackling RS issues is imperative. Therefore, an alliance provides an opportunity for collective innovation that can lead to collective risk mitigation for a large number of actors.

5.　Next Steps for Alliances

The discussion on the future steps to form successful alliances on RS acknowledged that progress has been made, but further areas need to be addressed:

Articulating the trade-offs. It is not possible for multiple stakeholders to agree on the same actions, and trade-offs need to be made by alliances. To support transparency and build trust, these trade-offs should be clearly articulated. Where possible, alliances should also consider and publish the costs (whether in economic, social or environmental terms) of taking an action as well as the cost of in-action to support the decisions made.

Addition of an IT component. Given the increasing role of IT in RS implementation, alliances also need to incorporate an IT component within their core model. IT based systems can share information between alliance members on their RS performance and plans, present data and information for external actors, track common value chains for downstream actors, track downstream actor demands for upstream entities

> "A lack of standards, legislation, transparency, and monopoly structures lead to volatility in the rare earths value chain. This can inhibit innovation [by individual companies."
>
> **Badrinath Veluri, Rare Earth Industry Association**

– in essence providing a common data and knowledge platform for all stakeholders.

Financial capacity. As noted, one ambition for an alliance is to generate innovative ideas to tackle common issues. However, it is not enough to generate these ideas, an alliance must also have the capacity to put such projects into action. This requires funding capacity. Collaboration between alliances can also help address funding shortfalls.

Involve other sectors. The scope of multiple stakeholders can be expanded across industrial sectors. While common alliance strategy has been to involve actors around mineral value chains, RS issues are found in other industrial sectors as well, such as forestry, agriculture, chemicals. Therefore, actors from other industrial sectors should also be considered in the consultative process. For example, minerals-based alliances can collaborate with forestry and other natural resource-based alliances to share solutions.

Shift focus away from materials. The current focus of most RS based alliances is on materials – whether it be conflict minerals or aluminium, for example. Given the momentum achieved for individual minerals, alliances need to consider shifting their focus to a wider perspective. One consideration is to focus on producer countries and involve the governments of these countries as active members of an alliance. Improving the RS context of a jurisdiction will address multiple minerals, as well as addressing the wider issues related to creating a level playing field.

6.   Conclusion

In exploring **the case for building alliances**, it is clear that the RS agenda requires a unified effort; a single entity does not have the resources or scope of influence to enact effective change. With the growing complexity of mineral value chains, a multiple stakeholder approach is required. For alliances to be successful, they need to have clear objectives and balance the need for consultation with the need for action. Their governance structures need to be transparent, as well as the articulation of the trade-offs their decisions entail. Alliances carry the opportunity to provide innovative ideas for change, but they also need to have the funding resources to put these ideas into action. Finally, the concept of multiple stakeholders may need to be expanded, to not only include other industrial sectors, but also to shift away from materials focused alliances to jurisdiction focused ones.

Companies and stakeholders can benefit in the furthering of their own objectives and RS agendas by working within alliances. However, as the discussion shows, certain characteristics must be present for an alliance to be successful.

The findings from this session will be taken up in the Road Map 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?

Have the right players, such as EPRM, involved. In addition, bring in the countries of origin of the minerals, as well as different sectors.

Julian Lageard

The objective should not be to support front-runners, but there should be a common objective for the whole alliance.

Guy Ethier

Apply the existing standards, for example from IRMA, instead of creating new ones.

Alexander Nick

The ability to provide a real estimate of social, environmental and economic cost of not doing something. In addition, alliances need the financial means to implement projects.

Massimo Gasparon

Have a unified glossary, a mutual understanding and a common language to bring in engagement from different stakeholders along the value chain. Include the downstream side.

Badrinath Veluri

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