

The Investor Initiative on Responsible Nickel Supply Chains

INTRODUCTION

As governments and corporates around the world take measures to transition towards a green economy built on renewable energy, critical minerals, such as nickel, are facing an increasingly high demand. At the same time, reports on the negative environmental and social impacts of nickel mining activities are mounting. Higher demand and extraction of nickel is creating important social and environmental risks to companies and financial institutions.

As such, the environmental and social challenges in nickel supply chains need to be carefully managed by companies as well as financial institutions. Moreover, given the increased regulatory focus on responsible supply chains in the automotive sector, timely action from companies is crucial to ensuring long-term access to nickel supply chains as well as enhancing long-term shareholder value. To ensure such timely and effective action towards responsible nickel supply chains, there is a need for a nickel-specific investor engagement initiative.

Recognising the influence that investor engagement initiatives centred around social and environmental issues can have, the Dutch Association of Investors for Sustainable Development (VBDO) and Rainforest Foundation Norway (RFN) have set up the **Investor Initiative on Responsible Nickel Supply Chains** initiative. The initiative will address the environmental and social risks along the nickel supply chains, by targeting key companies in the electric vehicle (EV) industry. Such initiatives will complement and reinforce the impact of ongoing investor initiatives (e.g., Mining 2030, Nature 100).

OBJECTIVE

The overarching objective of this initiative is to ensure that EV battery manufacturers and automakers leverage their position along nickel supply chains to raise the environmental and social standards of nickel extraction and refinement. These companies are expected to incorporate responsible mining practices into mineral supply chain policies, conduct enhanced due diligence and disclosure for biodiversity, pollution, climate change, and IPLC rights risks in nickel supply chains, and make time-bound commitments for having deforestation-free nickel supply chains. See the *Investor Expectations Statement* for more information.

SCOPE

Geographical scope: The initiative is focused on Indonesia and the wider Southeast Asia region. This choice is based on the current and expected future impacts of nickel mining activities in the region. The region is particularly vulnerable to negative social and environmental impacts given that it is characterised by having nickel *laterite* deposits that are located in biodiversity and ecologically sensitive areas inhabited by Indigenous Peoples and Local Communities (IPLCs).

Company scope: The initiative will focus on downstream companies along the nickel supply chain, working specifically towards electric vehicle (EV) manufacturers and EV battery producers. The decision to focus on EV downstream companies is grounded in strategic considerations on investor leverage towards companies along the nickel

supply chain, as well as on the leverage that companies can have in the nickel mining sector. Demand projections and current investments indicate that EV battery manufacturing will be the largest source of nickel demand growth in the next decade.

A company shortlist has been compiled as part of the initiative, and investor engagements will target these companies. The companies have been selected based on market share with a view to maximising the impact of investor engagement towards the value chain as a whole. The company shortlist can be found in Appendix I.

ROLES AND RESPONSIBILITIES

The ***Investor Initiative on Responsible Nickel Supply Chains*** is a collaborative engagement: investor-led and civil society supported. VBDO and RFN will operate as facilitators and main knowledge partners.

Civil society: As facilitators and knowledge partners, the Dutch Association of Investors for Sustainable Development (VBDO) and Rainforest Foundation Norway (RFN) will perform tasks such as scheduling and coordinating group meetings, taking and distributing notes, and tracking company engagements. As knowledge partners they will conduct investor targeted research on environmental and social risks in nickel supply chains, facilitate communication with other CSOs and knowledge partners in preparation for engagement meetings, coordinate the engagement process, develop clear expectations for target companies, conduct a company benchmarking, help investor signatories prepare for engagement calls with companies, contribute to assessing company responses, and monitor and report on company progress against investor expectations.

Financial institutions: Financial institutions that wish to participate in the Investor Initiative on Responsible Nickel Supply Chains are expected to sign the Investor Expectations Statement. The initiative will rely on signatory investors to lead and support in dialogues with investee companies, bringing forward the ESG risks and company expectations that have been developed with support from civil society organisations. Signatories are expected to be willing to utilise their stewardship toolkits, and in cases of sustained lack of progress by companies consider making use of escalatory measures, to drive adoption of the investor expectations. Ultimately, the adoption of escalatory measures always rests with the individual investor and will not be coordinated as part of the initiative.

TIMELINE

The initiative takes place across several phases. The investor statement will be published in January 2024. The next phase shall be to discuss among the signatories the engagement approach with the companies. The engagement will take place from February 2024 onwards. We aim to coordinate and facilitate an engagement process in which each company is assigned to a lead investor. RFN and VBDO will, in close collaboration with each lead investor, prepare and finalise engagement letters for each company to be sent out by the lead investor. RFN and VBDO will continue to organise (short) informational sessions with knowledge partners on certain companies and/or developments. The coordination of the engagement as a whole is with VBDO and RFN (as knowledge partner). After the initial engagement, an impact assessment will be conducted.

Appendix I. Companies to which the expectations are directed

This statement is directed at companies (and their brands) in the downstream electric vehicle sector, including (but not limited to) those listed below.

EV Manufacturers	ISIN
BMW (Bayerischen Motoren Werke AG)	DE0005190003
Dongfeng Motor Company	XS2394012103
Mercedes-Benz Group	DE0007100000
Ford Motor Co	US3453708600
General Motors Co	US37045V1008
Great Wall Motor Company Limited	CNE100000338
Honda	JP3854600008
Hyundai Motor Co	USY384721251
Kia Corp	KR7000270009
Nio Inc.	US62914V1061
Nissan Motor Corporation	JP3672400003
Renault SA	FR0000131906
SAIC Motor Corporation Limited	CNE000000TY6
Scania	XS2464422075
Stellantis NV	NL00150001Q9
Tesla	US88160R1014
Toyota	JP3633400001
Volkswagen AG	DE0007664039
Volvo Car AB	SE0000115446

EV Battery Producers	ISIN
BYD Co. Ltd	CNE100000296
CATL (Contemporary Amperex Technology Co. Ltd)	CNE100003662
China Aviation Lithium Battery Co., Ltd (CALB)	CNE100005LL8

Farasis Energy	CNE1000041T4
Guoxuan High-tech Power Energy Co., Ltd	CNE000001NY7
LG Energy Solutions	KR7373220003
Panasonic Corporation	JP3866800000
Samsung SDI	US7960542030
SK Innovation	KR7096770003
Sunwoda Electronic Co., Ltd	CNE100001260

Appendix II. Frequently asked questions

This appendix sheds light on some potential questions being raised based on this document and the subsequent investor expectations statement.

1. What is the reasoning behind referencing IRMA in the investor expectations document?

There are a number of reasons why we explicitly refer to IRMA in the first expectation, including:

- IRMA is the only third-party certification of industrial-scale mine sites for all mined materials that is governed equitably by the private sector, local communities, civil society, and workers.
- IRMA is not mineral specific, thus applicable to a range of minerals. There is no nickel-specific mining standard yet.
- IRMA is part of the ISEAL Alliance.
- IRMA has the best standards for waste and tailings management.
- IRMA includes the best FPIC guidelines that exist in the sector and the strongest biodiversity guidelines too.
- The following listed companies have already joined IRMA: Ford, Volkswagen, Tesla, BMW, Mercedes, General Motors (GM).

2. What is understood with “cut-off date of 2025” in the third expectation of the investor expectations statement?

When we say “cut-off date of 2025” it implies that after 2025 any mining concession is subject to be non-compliant with the deforestation or biodiversity goals, commitments, targets, or other obligations set by the company.

Cut-off dates for deforestation should be no later than the date the policy or commitment is issued (i.e., meaning when the company makes the public commitment), because if the cut-off date is later than the date of the commitment’s issuance it increases incentives for additional deforestation or conversion in advance of the cut-off date.

The latest recommended cut-off date that we see in agricultural supply chains is 2020. The Science Based Targets Network No-Conversion target has a cut-off date of 2020 for all natural ecosystems, all commodities.

We would not like to see or encourage cut-off dates later than 2025, for three main reasons:

1. The risk of delaying company actions and reducing ambition of the initiative.
2. The slow implementation of such commitments in practice (from the learned experiences of agricultural supply chains).
3. The need to eliminate deforestation by 2025 to reach global biodiversity and climate objectives.

3. What is the process for selecting companies?

To engage with companies, we have exclusively added publicly listed companies. We only list companies, and not their brands, although in some cases the ownership structure asks for a more detailed approach. For instance, Volvo is owned by Zhejiang Geely (82%), yet Volvo Cars AB remains a publicly listed company for 18% on the Nasdaq. Audi is part of Volkswagen for 99.5%, but the remaining 0.5% is listed on the German stock exchange. We have set the bar for including publicly listed brands at a minimum of 10%, thus not adding Audi to the list of target companies.