

What's Needed:

**An Overview of Multi-Stakeholder
and Industry Activities to
Achieve Conflict-Free Minerals**



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Responsible Sourcing Network

Responsible Sourcing Network (RSN), a project of the nonprofit organization As You Sow (www.asyousow.org), is dedicated to ending human rights abuses and forced labor associated with the raw materials found in products we use every day. RSN builds responsible supply chain coalitions of diverse stakeholders including investors, companies, government officials, and human rights advocates. Currently, RSN works with network participants to leverage their influence in the areas of conflict minerals from the Congo and forced labor in the cotton fields of Uzbekistan to create positive change for brands, consumers, and the impacted communities.



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ACRONYMS

- 3Ts** Tin, tantalum, and tungsten
- 3TG** Tin, tantalum, tungsten, and gold
- AAFA** American Apparel & Footwear Association
- AGA** AngloGold Ashanti
- AIAG** Automotive Industry Action Group
- AMD** Advanced Micro Devices
- ASM** Artisanal and small-scale mining
- BGR** Bundesanstalt für Geowissenschaften und Rohstoffe (Federal Institute for Geosciences and Natural Resources)
- BSR** Business for Social Responsibility
- CFS** Conflict-Free Smelter Program
- CFTI** Conflict-Free Tin Initiative
- CI** Conservation International
- CoC** Chain of custody
- CTC** Certified trading chains
- DRC** Democratic Republic of the Congo
- EICC** Electronic Industry Citizenship Coalition
- GE** General Electric
- GeSI** Global e-Sustainability Initiative
- GIZ** German Agency for International Cooperation
- GLR** Great Lakes region
- HP** Hewlett-Packard
- ICGLR** International Conference on the Great Lakes Region
- ICT** Information and Communications Technology
- IPC** Originally Institute for Printed Circuits; today its identity statement is Association Connecting Electronics Industries
- IREP** Initiative pour un Investissement responsable en RDC
- ITRI** International Tin Research Institute
- ITSCI** ITRI Tin Supply Chain Initiative
- LBMA** London Bullion Market Association
- MMR** Mining Mineral Resources
- MSG** Multi-Stakeholder Group
- NGO** Nongovernmental organization
- OECD** Organization for Economic Cooperation and Development
- PPA** Public-Private Alliance for Responsible Minerals Trade
- RILA** Retail Industry Leaders Association
- RIM** Research in Motion
- RJC** Responsible Jewellery Council
- RSN** Responsible Sourcing Network
- SEC** U.S. Securities and Exchange Commission
- SRI** Sustainable and responsible investors
- TFM** Freeport-McMoRan Copper & Gold/ Tenke Fungurume Mine
- TIC** Tantalum-Niobium International Study Center
- WGC** World Gold Council
- UNPRI** United Nations Principles For Responsible Investment

EXECUTIVE SUMMARY

The international community has heard the cry from the Democratic Republic of the Congo (DRC or Congo) to stop the violence and change the existing exploitative mining system that has been perpetuating the conflict in that country. As a result, in the last four years several traceability structures, certification schemes, and disclosure legislation have been developed, with some of them overlapping. However, companies new to the issue have found it difficult to implement change while navigating through the plethora of initiatives, schemes, and requirements. In addition, the four conflict minerals—tin, tantalum, tungsten, and gold (3TG)—have an ubiquitous nature, such as tin 3TG embedded in solder, which makes having visibility into the origin of materials even more complex.

A holistic approach that includes transparent, accountable supply chains, supports effective diplomatic action, and contributes to sustainable economic development is needed.

Furthermore, although the U.S. Securities and Exchange Commission (SEC) finally issued the rule for Conflict Mineral Section 1502, legislation is not enough. Disclosing where minerals come from, in addition to creating, verifying, and purchasing conflict-free minerals, will not alone end the conflict. Having a conflict-free environment and controlled

borders is what is needed in the DRC for there to be a supply of minerals from the region that contributes to peace and prosperity for Congolese people. Even though it is the role of governments to create peaceful and stable environments for their citizens, the private sector can encourage governments in fulfilling their obligations. A holistic approach is needed by each company that not only includes transparent and accountable supply chains, but also supports effective diplomatic action and contributes to sustainable economic development.

This white paper is a resource for companies unfamiliar with this issue and for investors expecting corporations in their portfolios to live up to their ethical responsibilities. It provides an overview of existing human rights and conflict mineral frameworks as well as multi-stakeholder and industry activities designed to stop the violence linked to 3TG mineral sourcing. The goal is to educate investors and assist companies in implementing responsible, sustainable, and conflict-free practices with regards to sourcing minerals and supporting initiatives in central Africa's Great Lakes region (GLR). Although Conflict Mineral Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Section 1502) is referenced, this guide is not exclusive to the legislation. Rather, it provides a holistic overview of activities for companies to implement and achieve conflict-free mineral sourcing, resulting in a peaceful, stable, and prosperous region.

This paper also draws attention to initial studies conducted prior to the legislation that connect industry supply chains and the risks of mineral mining in the DRC. Building off those studies, the paper provides a current overview of supply chain initiatives and certification standards, promotes recommended activities across a range of industries to compliment these initiatives, and discusses the risk that conflict mineral sourcing poses to all companies and industries that use these minerals. Since the initiatives highlighted in the paper are very dynamic, the information in this paper may be dated upon publication so online resources are given for up-to-date information.

Investors are looking for companies to take actions that will minimize their material and reputational risks as well as be fiscally responsible. By highlighting initiatives in addition to the Dodd-Frank legislation, this white paper argues that if many companies participate in and coordinate their efforts, then they will minimize costs, improve efficiencies, and reduce risks in both their supply chains and the country where their raw materials originate. Further, this paper aims to assist companies in implementing

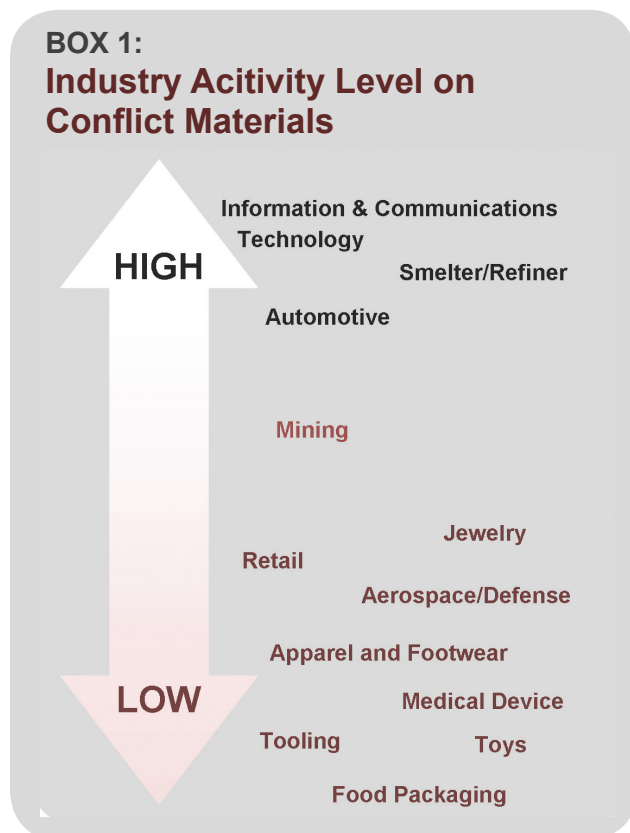
responsible business practices in the Congo and adjoining countries, as opposed to divesting from the region. It is important to emphasize that companies are not encouraged to create a *de facto* ban on Congo minerals and that it is the responsibility of the investor and corporate communities to condone sourcing materials that are conflict-free but not Congo-free.

By coordinating their efforts, companies can minimize costs, improve efficiencies, and reduce risks in both their supply chains and the country where their raw materials originate.

Industry Activities

There are many examples of industry associations as well as individual companies that support sourcing conflict-free minerals from the DRC region. Most notably, the information communication & technology (ICT) industry has been the most active in establishing initiatives. Other industries still have a way to go and are encouraged to follow the lead of the others. If initiatives are in nascent stages, certain aspects of a due diligence system, such as adopting traceability standards, might be most effective and have the lowest cost if it is implemented by the entire industry. Industries that are closest to in-region sourcing, such as the smelter/refiner and mining industries, are a mixture of being active and inactive. It is important that laggard companies in these industries start taking action as soon as possible due to their in-region operations, close proximity to, or influence on the conflict areas.

BOX 1: Industry Activity Level on Conflict Materials



The ICT industry has been noticeably active in addressing conflict mineral sourcing with companies incorporating the Organization for Economic Co-operation and Development (OECD) *Due Diligence Guidance* into their supply chain management systems. Leading ICT companies such as Intel, Hewlett-Packard (HP), Motorola Solutions, and Apple are committed to finding solutions and developing programs contributing to smelter auditing, traceability, and development projects. Advanced Micro Devices (AMD), Apple, and Panasonic are notable for surveying their suppliers, and Intel has committed to making a conflict-free product. Many ICT companies are also active members, and in some cases, founders, of efforts such as the Extractives Workgroup established by Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI), Conflict-Free Smelter Program (CFS), Public-Private Alliance for Responsible Mineral Trade (PPA), Solutions for Hope, and some participate heavily in the Multi-Stakeholder Group

(MSG).

One member of the automotive industry has begun to make progress and is driving the industry to do more through the Automotive Industry Action Group (AIAG). Ford Motor Company has taken major steps to develop traceability systems and is active in multi-stakeholder groups and legislative efforts. Other automotive companies currently participating in AIAG's Conflict Minerals Work Group have not done much more and are encouraged to take further action.

The aerospace/defense industry has not been very active regarding conflict minerals with the exception of General Electric Company (GE), which is much more than an aerospace company. Boeing Company and Lockheed Martin Corporation are participating in the OECD Guidance implementation pilot. Other companies, however, have acknowledged the use of conflict minerals but have not displayed much initiative to eliminate them from supply chains. GE stands out for its efforts to work collaboratively with outside stakeholders and suppliers, and for the extensive contributions it made to the MSG's recommendations to the SEC.

The jewelry sector is supported by recent industry association support and should therefore begin to make more progress. In 2012, certification standards for gold were introduced by the Responsible Jewellery Council (RJC), World Gold Council (WGC), and London Bullion Market Association (LBMA).

The food packaging, medical device, retail, apparel and footwear, tooling, and toy industries have made little to no progress. With a few exceptions, companies in these industries have not taken adequate steps to ensure their supply chain practices are ethical. The Retail Industry Leaders Association (RILA) has worked with EICC and GeSI to make its supplier survey applicable to the retail industry. Lead investors should motivate companies to address value chain due diligence processes and urge companies to begin mapping their supply chains, exercising due diligence, join multi-stakeholder activities, and encourage their respective associations to coordinate industry-wide efforts.

The smelter/refiner and mining industries operate in crucial parts of the supply chain that could have a big impact on the GLR. There exists a fairly comprehensive list of compliant tantalum smelters and a limited list of gold refiners on the CFS list. Smelters for tungsten and tin are starting to become engaged but more encouragement is needed to have them all go through the auditing process. Most of the industrial or semi-industrial mining companies operating in the DRC are not in the conflict zone. Regardless, they have an opportunity to contribute to local economic development efforts. Mining Mineral Resources (MMR), which is part of the Solutions for Hope project, is a good example of partnering with a local cooperative and is supporting numerous social programs. The Banro Foundation and the TFM Community Development Fund support programs that contribute to livelihood and community development, which is important for a vibrant and diversified economy.

Recommendations

Each company needs to develop a holistic approach to achieving conflict-free mineral sourcing that not only includes transparent and accountable supply chains, but also supports effective diplomatic action and contributes to sustainable economic development. Here are the key recommendations for investors and companies to implement that would have the greatest positive impact in the Congo and GLR:

- In addition to publicly disclosing their reports to the SEC, companies should also implement and audit supply chain traceability programs, educate sourcing staff, and contribute to certification processes.
- Investors are looking for companies to be fiscally responsible and to endorse due diligence approaches such as joining industry efforts and participating in initiatives and certification schemes.
- Companies should be engaged with their stakeholders including consumers, suppliers, nongovernmental organizations (NGOs), and industry associations. Industry association engagement is a critical component towards implementing industry-wide standards for conflict-free mineral sourcing and achieving a peaceful, stable, and prosperous Congo.

- Investors should encourage less-engaged industries such as medical devices, tooling, toys, retail, aerospace/defense, food packaging, and apparel and footwear to take more action. The smelters not yet on the CFS list, especially tungsten smelters, need to start doing their due diligence and go through the verification process as quickly as possible.
- The investor community expects companies to integrate specific transparency, accountability, diplomatic, and development actions in their corporate social responsibility strategies. By having holistic actions embedded into company policies and practices, they can be applied to similar issues in the future.
- To be 100% certain a companies' 3TG minerals are conflict-free, the DRC must be conflict-free. To achieve peace and stability, companies should support national and international diplomacy and policy frameworks, initiatives, and activities as they relate to the Congo and the GLR.
- In addition to supporting social programs such as building hospitals and schools, companies throughout the supply chain should contribute to local capacity building and economic development efforts because this will create stable and conflict-free environments.
- Instead of avoiding 3TG from the GLR, companies should purposefully source certified conflict-free minerals that originate in the DRC and neighboring countries.

Conclusion

Investors should encourage companies from all industries, including those operating at all the different stages in the value chain, to support existing efforts that promote transparency, accountability, diplomacy, peace, and economic development in the GLR. Investors are looking for companies

to take actions that will minimize their material and reputational risks as well as be

fiscally responsible. If many companies participate and coordinate their efforts, they will minimize costs, improve efficiencies, and reduce risks in both their supply chains and the countries where their raw materials originate. Sustainable and responsible investors want companies to source their minerals from the DRC and neighboring countries in a certified ethical and sustainable way so they contribute towards building a conflict-free environment. Due to the hundreds of thousands of Congolese people dependent upon mining for their livelihood, it is extremely important to not support a *de facto* ban on the GLR. Companies are already exercising due diligence processes and participating in measures designed to support a mining sector in the DRC that brings real benefit to the Congolese people and builds a conflict-free Congo. To be successful, existing efforts need support by more industries and companies, and investors can reward companies when they make this happen.

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INTRODUCTION

This paper is an overview of the various responsible business practices that companies, industry associations, governments, nonprofit groups, and international institutions have instigated to create conflict-free minerals. This is in response to the political and economic conflict that has persisted in eastern DRC for over 14 years and has contributed to more than 5.4 million deaths and hundreds of thousands of rapes. Although the conflict was not caused by mineral mining, the UN Group of Experts has clearly documented the link between control of Congolese mineral wealth and the ongoing conflict. A variety of industries are examined, with a focus on investors' expectations of companies regarding 3TG mineral sourcing in the DRC and surrounding region.

Consumers, manufacturers, and investors all have a responsibility to ensure that the way these materials are obtained is not contributing to the ongoing violence.

As with many long-lasting conflicts, there is not one easy solution. Disclosing where minerals come from, in addition to creating, verifying, and purchasing conflict-free minerals alone will not end the conflict. But having a conflict-free environment and controlled borders is what is needed in the DRC so that the economic benefit

of extracting minerals from the region will truly contribute to peace and prosperity for Congolese people. Stakeholders throughout the world who benefit from these minerals, whether they are consumers, manufacturers, or investors, all have a responsibility to ensure that the way these materials are obtained is not contributing to the ongoing violence. Even though it is the role of governments to create peaceful and stable environments for their people, the private sector can encourage governments to fulfill their obligations. A holistic approach is needed by each company that not only includes transparent and accountable supply chains, but also supports effective diplomatic action and contributes to sustainable economic development.

The primary purpose of this paper is to educate socially responsible investors and companies about the many activities being implemented in the GLR and provide a resource for companies to be easily engaged in conflict-free mineral sourcing, diplomatic discussions, and economic development that will benefit Congolese people. This paper touches upon Conflict Mineral Section 1502 since its creation has greatly heightened corporate interest and activity in the region. However, Section 1502 is only addressed within the bigger context of providing an overview for investors and companies of regional and supply chain activities to address conflict minerals, peace, stability, and economic empowerment.

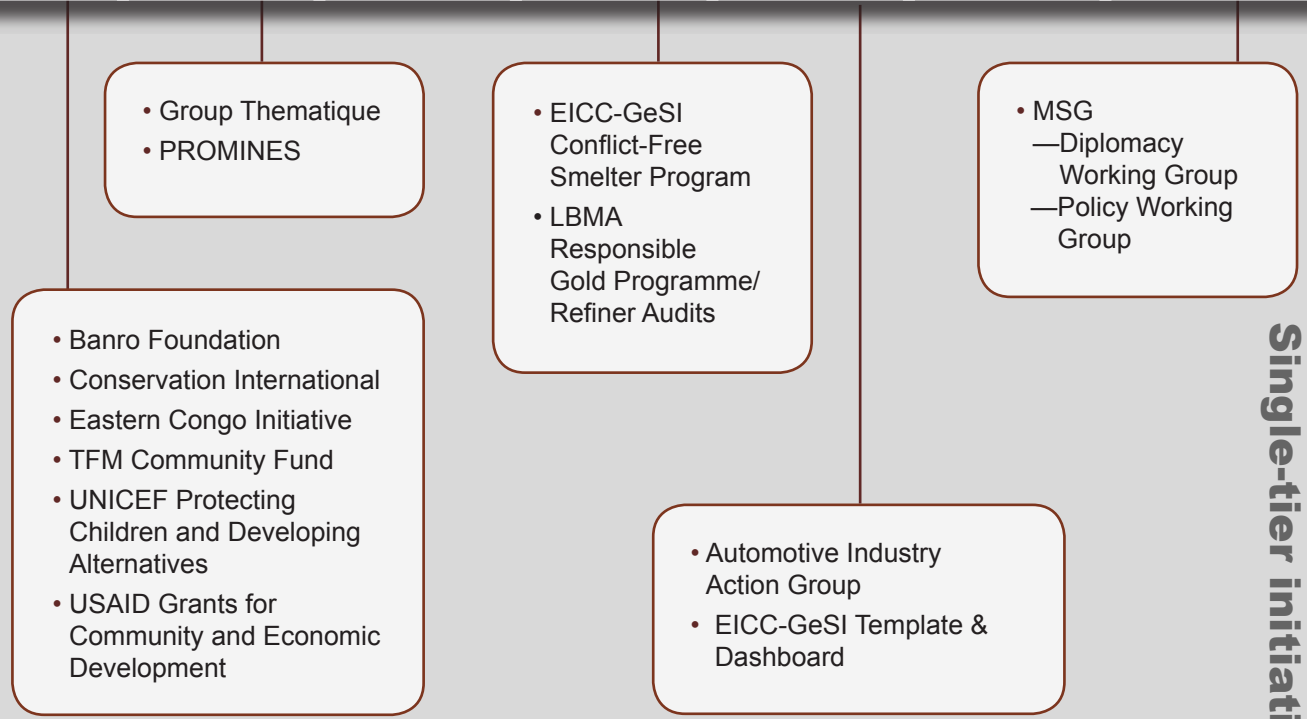
Before the 1502 legislation came into existence, multiple organizations started to look deeper into the link between minerals from the DRC and western electronic products. Numerous Congolese nonprofit organizations, MakeITFair, Pole Institute, Global Witness, Enough Project, RESOLVE, EICC, and GeSI issued mapping or analysis reports that outline the material risk of mineral mining in the DRC. These reports also provide mineral links to the supply chains of electronics and automotive industries. Building on these initial studies, this paper provides an up-to-date overview of supply chain initiatives, promotes recommended activities that compliment supply chain initiatives, and extends the risk of conflict mineral sourcing to other industries unaware of their link to the problem.

The information presented here is the culmination of research conducted by RSN staff including online research and literature review, as well as interviews with and surveying of individual companies, engaged NGOs, and sustainable and responsible investors (SRIs). The initiatives highlighted in the paper are very dynamic and based on the most current available information. Therefore, some of the material may be dated upon publication. In addition, not every initiative around conflict minerals may have been covered

in this paper. Just because it was not mentioned here does not make it any less relevant to the issue. This paper serves both as a guide for investors and corporations as well as a resource for nonprofits and others engaged in the conflict minerals issue. High level information is provided on the DRC geopolitical situation and Conflict Mineral Section 1502. Other existing complementary legislation and frameworks addressing corporate human rights and value chain risks are also explained. Individual industries that use 3TG in their products are then examined and specific company actions are used as examples of responsible business practices in their respective industries. Overviews of industry association activities, certification and traceability schemes, codes of conduct, policy and diplomatic pursuits, and economic development initiatives specific to the Congo are provided as they are all considered equally necessary for achieving peace and stability in the DRC. Tangible next-steps that companies are encouraged to engage in (1) to not only contribute to a conflict-free Congo where minerals are mined responsibly, but to also (2) establish responsible sourcing practices that encompass community investment, fair labor standards, and environmental and health impacts.

The investment community's expectations of companies are also addressed. Investors are looking for companies to take actions that will minimize their material and reputational risks, as well as be fiscally responsible. By highlighting initiatives in addition to the Dodd-Frank legislation, this white paper demonstrates that if many companies participate in and coordinate efforts, then they will minimize costs, improve efficiencies, and reduce risks in both their supply chains in the country where their raw materials originate. Further, this paper aims to assist companies in implementing responsible business practices in the Congo and adjoining countries, as opposed to divesting from the region. As noted by UNPRI, the primary responsibility for peace, security, and development rests with governments. However, the private sector can make a meaningful contribution to stability and security in conflict-affected areas such as the DRC.¹ Therefore, it is important to reemphasize that companies are not encouraged to create a *de facto* ban on Congo minerals. It is the responsibility of the investor and corporate communities to condone sourcing materials that are conflict-free but not Congo-free.

CONTINUUM OF INITIATIVES IN THE SUPPLY CHAIN



**also known as a Comptoir*

BACKGROUND

Democratic Republic of the Congo

The DRC is a mineral-rich country with sizeable deposits of cassiterite (the ore for tin), coltan (the ore for tantalum), wolframite (the ore for tungsten), and gold in its eastern region. Known as conflict minerals, these resources are those

whose systematic exploitation and trade contributes to serious violations of human rights, violations of international humanitarian law, or violations amounting to crimes under international law.ⁱⁱ For example, in the eastern DRC these minerals are used by armed groups to finance their operations. They often use violence to control lucrative mining areas and force people to work under conditions of slave labor. These minerals are resources whose systematic exploitation and trade in a context of conflict contribute to, benefit from or result in the commission of serious violations of human rights, violations of international humanitarian law, and violations amounting to crimes under international law.ⁱⁱⁱ In the context of this white paper, conflict minerals include tin, tantalum, tungsten and gold mined in the DRC or neighboring countries. This reflects the text of Section 1502 of Dodd-Frank which defines *conflict minerals* as:

(A) columbite-tantalite (coltan), cassiterite, gold wolframite, or their derivatives; or (B) any other mineral or its derivative determined by the Secretary of State to be financing conflict in the Democratic Republic of the Congo or an adjoining country.^{iv}

The illicit minerals trade provides rebel groups with tens of millions of dollars a year that are used to buy guns and compete against rivals.

Conflict minerals include tin, tantalum, tungsten, and gold mined in the DRC or neighboring countries

Central Africa's GLR is a frequently cited example of the "paradox of plenty" as the area provides a considerable amount of natural resources that are in high demand on the global market yet this area is marked by adverse effects of ongoing violence from armed groups, illegal

mine control and exploitation, and unlawful trading and smuggling.

Since 1996, over 5.4 million people have died and more than two million people live as war-related refugees whose displacement has been prolonged by the violence related to the trade in minerals.^v The illicit minerals trade and smuggling to neighboring countries provides rebel groups and units of the national army with tens of millions of dollars a year that are used to buy guns and compete against rival campaigns.

Further, rape, sexual violence, torture, forced labor and use of child soldiers have been used as tools of war to degrade communities and displace people. According to Margot Wallstrom, the former U.N. Special Representative on Sexual and Gender Based Violence, "more than 200,000 rapes have been reported since war began in the DRC more than a decade ago, and the eastern part of the country has been labeled the rape capital of the world."^{vi}

Human Rights Frameworks

Human rights violations are buried in opaque substructures of many value chains. Companies could be exposed to these risks if they do not understand where these violations occur, how they can impact the company, and how to address them. A few frameworks and legislation such as United Nation's *Guiding Principles on Business and Human Rights*, California's Transparency in Supply Chains Act, and the OECD *Due Diligence Guidance for Responsible Supply Chains* provide guidance for companies to identify and address human rights risks in their supply chains at the raw commodity level. RSN's "Theory

of Change” builds the case for companies to support diplomatic efforts and economic development as well as establishing responsible supply chains to promote thriving communities at the harvesting and mining level of a company’s value chain. These frameworks, in addition to others, can aid companies in supporting conflict-free mineral sourcing and contribute to a conflict-free Congo.

Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect, and Remedy” Framework

The *Guiding Principles on Business and Human Rights, or the Ruggie Framework*, provides human rights guidance for transnational corporations and other business enterprises. This framework has been accepted by the UN Human Rights Council and is currently being adopted by many public and private entities. The framework’s three main principles are respect, protect, and remedy, which aligns with OECD’s *Due Diligence Guidance* and covers regular risk assessments of supply chains through stakeholder engagement, audits, and other information sources. The Ruggie Framework can be applied to companies sourcing conflict minerals.^{vii}

Transparency in Supply Chains Act of 2010

California’s Transparency in Supply Chains legislation went into effect on January 1, 2012 and requires companies to disclose via their websites efforts on eradicating slave labor and human trafficking from their supply chains. The act impacts retail and manufacturing companies who conduct business in California and have at least \$100 million in revenue globally. This legislation is important as it helps consumers and investors better understand whether they are supporting companies that are aligned with their own values. The act operates on the premise that by requiring public disclosure, companies will face pressure to implement policies, systems, and tools that will eradicate slavery (which includes documented forced labor) and trafficking and ensure their business practices do not contribute to other egregious human rights abuses in the future. Since forced labor has been documented to exist in Congolese mines, how companies conduct due diligence and mitigate their conflict mineral risk can also be communicated on the SB657 section of their website.^{viii}

Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas

The OECD’s *Due Diligence Guidance* gives recommendations for implementing accountability mechanisms into global mineral supply chains and is intended for use by any company potentially sourcing minerals from conflict-affected or high-risk areas.^{ix} This *Guidance* helps companies avoid contributing to conflict and incorporate human rights through mineral sourcing practices. The high regard of these guidelines is evident by their reference in the SEC rule on Section 1502 and other industry association initiatives.

“Theory of Change”

RSN developed a “Theory of Change” to address the egregious human rights and environmental abuses happening at the raw commodity level of corporate value chains. RSN asserts that due to the complexities and opaqueness of globalized value chains, a holistic, multi-stakeholder, multi-strategy approach is needed to determine and implement sustainable solutions. The “Theory of Change” presents three separate but interconnected strategies. When implemented concurrently with the involvement of corporations, these strategies can help eliminate some of the planet’s worst human rights and environmental abuses. The three strategies include:

A holistic, multi-stakeholder, multi-strategy approach is needed to determine and implement sustainable solutions.

BOX 2:

OECD's *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* and Pilot Implementation Project
www.oecd.org

The OECD is an international economic forum for member nations sharing policy experience with the aim of creating well-functioning domestic and international economies. In 2011, OECD released *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected or High-Risk Areas*, a government-backed multi-stakeholder document designed to provide management recommendations to help companies create and maintain ethical mineral supply chains. The guidelines offer a due diligence process consisting of five steps:

1. Establish strong company management systems
2. Identify and assess risk in the supply chain
3. Design and implement a strategy to respond to identified risks
4. Third-party audit of smelters/refiners' due diligence practices
5. Report annually on supply chain due diligence

This guidance was designed in advance of Dodd-Frank; however, it does assist companies in generating the information required for disclosure by Section 1502 and is available for use by any company potentially sourcing minerals from high-risk areas.

OECD began a pilot implementation phase of this five-step framework in 2011. The pilot is intended to be a peer learning experience for companies that is helping to identify any gaps or challenges in the framework. Three industry associations and 30 companies are participating in the downstream pilot, and all three industry associations and 21 of the companies agreed to disclose their participation. These include: AIAG, EICC, GeSi, and IPC, Alcatel Lucent, Alpha (Cookson), Boeing Company, Circuit Connect, Epic Technologies, Flextronics, Ford Motor Company, Foxconn, Freescale, GE (Lighting Division), HP, KEMET Electronics Corporation (KEMET), Lockheed Martin Corporation, Nokia, Oracle, Panasonic Corporation, Plansee, Royal Philips Electronics, Siemens, Texas Instruments, TriQuint, and UNISEM.

Pilot participants should be commended for their efforts, and incorporating the OECD's *Due Diligence Guidance* into a company's value chain should be seen as a best practice.

1. Promoting corporate social responsibility through supply chain traceability, transparency, and accountability
2. Supporting diplomatic discussions and policy setting by national governments and international institutions
3. Encouraging responsible economic development with the engagement of international financial institutions, national and international aid agencies, and corporate donations^x

Despite the autonomous characteristics of each strategy, collectively they can affect change.

Organizations, Initiatives, and Activities Specific to Conflict Minerals in the Great Lakes Region

There are several initiatives—some government-led, some industry-led, one a combination of the two—that are working to promote multi-sector mineral policies and procedures to establish tracking and certification schemes in the DRC and surrounding GLR. These certification initiatives and closed-pipe projects provide companies assurance that the minerals are responsibly sourced and visibility to chain of custody tracking through the supply chain. Some of the initiatives are also tracking data on a per-country macro scale as a way to identify and minimize smuggled minerals. Some of the multi-stakeholder efforts work across different segments of the supply chain, which aids in promoting alignment between the various standards, audits, and reporting requirements. One program, the CFS, was established by the ICT industry, but companies from other industries can join it or pull its data into their own software management systems.

The International Conference on the Great Lakes Region (ICGLR), MSG, International Tin Research Institute (ITRI) and Tantalum-Niobium International Study Center (TIC) Supply Chain Initiative (iTSCi), Solutions for Hope, Public-Private Alliance for Responsible Minerals Trade (PPA), Conflict-Free Tin Initiative (CFTI), and Federal Institute for Geosciences and Natural Resources, are examples of multi-stakeholder organizations working together to positively influence economic development in the region. The following initiatives highlighted below have just come into play within the past few years. These initiatives, in addition to others, can assist industries either conducting business in or sourcing materials from the GLR to source certified conflict-free minerals.

BOX 3:

International Conference on the Great Lakes Region

www.icglr.org

The International Conference on the Great Lakes Region (ICGLR) is an inter-governmental organization comprised of countries in the African Great Lakes region. The key issue is the missing linkage between the supply chain of natural resources and a formal economy of ICGLR member states (DRC, Rwanda, Burundi, Uganda, Sudan, Kenya, Tanzania, Zambia, Angola, Republic of Congo, and Central African Republic). To meet this need, the ICGLR established a Mineral Tracking and Certification Scheme, which operates under the Natural Resources program. Other programs sponsored by ICGLR are: Peace and Security, Democracy and Good Governance, Economic Development and Regional Integration, Humanitarian and Social Issues, Cross Cutting Issues, and Genocide Prevention. The certification scheme is approved by 12 countries and aims to control cross-border smuggling and provide for sustainable conflict-free mineral chains in and between member states. Participants in RSN's MSG sit on its audit committee.

BOX 4:**BGR Certified Trading Chains**

www.bgr.bund.de/EN/Themen/Min_rohstoffe/CTC/Approach/approach_node_en.html

The Bundesanstalt für Geowissenschaften und Rohstoffe (BGR) [Federal Institute for Geosciences and Natural Resources] is the central geo-scientific authority that advises the German Federal Government on geo-relevant issues and is part of the Federal Ministry of Economics and Technology. In cooperation with the DRC and Rwandan governments, BGR has developed a certification initiative called Certified Trading Chains (CTC) designed to build transparent chain of custody for purchasers and certify mines of tin, tantalum, tungsten and gold in conflict regions. The CTC scheme is comprised of origin verification and trade volume analysis of the four minerals and is based on the OECD's supply chain *Due Diligence* standards. Specifically, the scheme includes transparency of origin, volume, and payment of minerals, child labor prohibition, fair remuneration and work conditions, and company contribution to community economic development. Implementation of CTC involves development of a record-keeping system, regular submission of records to regulatory body, certification, and audits.

BOX 5:**International Tin Research Institute & Tin Supply Chain Initiative**

www.itri.co.uk

ITRI is a membership-based organization that represents tin producers and smelters. ITRI has specialists knowledgeable on tin use in all major sectors and has groups responsible for technology, statistical and market information, regulatory affairs, and sustainability.

Tantalum-Niobium International Study Center

www.tanb.org

TIC is an international nonprofit comprised of 90 members involved in the tantalum and/or niobium industries at various stages along the supply chain.^{xii}

The ITRI Tin Supply Chain Initiative

www.itri.co.uk/index.php?option=com_zoo&task=item&item_id=2192&Itemid=189

iTSCi is a mechanism developed by ITRI and TIC that traces and certifies minerals from the mine of origin to the smelter. Minerals are “bagged and tagged” at the mine of origin, and are given certified documentation throughout each step of the mineral's supply chain. The project's aim is to insure that minerals travelling through the supply chain are not tampered with and to assure the end user that the materials in their products were sourced responsibly. iTSCi minerals meet the CFS protocol requirements once they are confirmed by an independent third party. Participation in iTSCi allows companies to demonstrate their due diligence activities in the mineral sector as outlined in the OECD *Due Diligence Guidance*. At the time of writing, iTSCi is being used in Rwanda and DRC's Katanga Province and is being employed by Solutions for Hope and CFTI, and KEMET's Partnership for Social and Economic Sustainability. Potential iTSCi participants are mining cooperatives and companies, processors, exporters, international traders, and smelters.

BOX 6:**Solutions for Hope**

www.solutions-network.org/site-solutionsforhope

Solutions for Hope was launched in 2011 by Motorola and AVX Corporation as a pilot initiative to source conflict-free tantalum from the DRC. The project employs a closed-pipe supply line and works with a defined set of mines (including artisanal cooperatives), smelters, processors, and manufacturers. Since its inception, the participation list has grown to include Motorola Solutions, AVX, HP, Intel, Motorola Mobility, Coopérative Des Artisanaux Miniers du Congo, F&X, Flextronics, Foxconn, Global Advanced Mining, MMR, Nokia, and Research in Motion (RIM). Solutions for Hope is exploring options for tin and tungsten sourcing. A video is available by Motorola Solutions about the program.

BOX 7:**Conflict-Free Tin Initiative**

www.solutions-network.org/site-cfti/

The Conflict-Free Tin Initiative (CFTI) is a program initiated by the government of the Netherlands, which, at the time of writing this paper, is being piloted in a cassiterite (tin) mine in South Kivu (a province of high risk for conflict). The goal of the CFTI is to create demand for tin from the DRC. The initiative offers a controlled conflict-free supply chain through utilization of the iTSCi procedures of traceability and due diligence. Current participating companies in the pilot are: Royal Philips Electronics, Tata Steel, Motorola Solutions, RIM, Alpha, AIM Metals & Alloys, Malaysia Smelting Corporation, and Traxys. The pilot is being implemented by ITRI, the iTSCi field advisor and the in-region NGO Pact in cooperation with DRC Ministry of Mines.^{xiii}

BOX 8:**Public-Private Alliance for Responsible Mineral Trade**

www.resolv.org/site-ppa

Launched in October 2011, the Public-Private Alliance for Responsible Mineral Trade (PPA) is a joint project between the U.S. Department of State, USAID, corporations, industry associations, and civil society that serves as a platform for multi-stakeholder coordinated discussion and activities. Stakeholders pool financial and other resources to assist in establishing conflict-free mineral supply chain solutions from the DRC and the GLR. Currently, there are 31 participants in the PPA, including AMD, AT&T, Dell, EICC, Enough Project, Ford Motor Company, GE, GeSI, H.C. Starck, HP, Intel, ICGLR, iTSCi Secretariat, Jewish World Watch, Microsoft, Motorola Solutions, Nokia, Pact, Partnership Africa Canada, Qualcomm, RIM, RESOLVE, RSN, Sony, Sprint, Telefonica, Toshiba, USAID, U.S. Department of State, Verizon, and World Gold Council. The PPA has a website designed to serve as a resource for companies seeking information regarding how to responsibly source from the DRC. The funds that the PPA awards support efforts to advance ICGLR and OECD-compliant, certified, and traceable mines and supply chain routes for 3TG. The PPA made its first awards of \$485,806 to two organizations: one that provides capacity building to local communities and the other establishes a certified conflict-free source of gold.

BOX 9:**Multi-Stakeholder Group**

www.sourcingnetwork.org/minerals

RSN founded the Multi-Stakeholder Group (MSG) to address conflict minerals in the DRC region. The MSG provides informal collaboration among a broad range of stakeholders (companies, investors, and NGOs) to work together to raise awareness, coordinate outreach, promote public policies, and implement multi-sector initiatives that positively influence economic development in the DRC. Since 2009, RSN has hosted monthly conference calls to provide updates and encourage involvement with the various initiatives and the MSG's working groups. There are three working groups within the MSG: Diplomacy Working Group, Policy Working Group, and Economic Development Working Group. The MSG has close interaction with other multi-stakeholder efforts such as EICC-GeSI Extractives Workgroup, CFS, PPA, etc. The Diplomacy Working Group focuses on the root causes of the conflict and the role of the U.S. and other governments to promote peace in the region. The Policy Working Group developed joint recommendations for and interacted with the SEC regarding Section 1502 of Dodd-Frank. The Economic Development Working Group promotes investment in the DRC focused on capacity building and alternative livelihoods (currently under development).

SECTION 1502 OF THE DODD-FRANK ACT

On August 22, 2012 the U.S. Securities and Exchange Commission (SEC) adopted the rule on conflict minerals from the DRC and neighboring countries. Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act aims to increase transparency by requiring companies to report on the use of tin, tantalum, tungsten, and gold in the products they sell. The Act endorses a disclosure approach to address the exploitation and trade of these minerals in the DRC region characterized by extreme levels of violence. This rule specifically identifies the requirements of reporting to the SEC. The details of this rule are extremely important for those who are now required to report.

Companies have been allowed a phase-in period of two to four years (the latter for smaller companies) to report due diligence activities such as determining the country of origin of the minerals. During this time, companies are not required to have this information audited in their reports. Until the phase-in period ends, SRI groups, NGOs, and human rights advocates will monitor company disclosure.^{xiv}

It is in a company's best interest to conduct a "reasonable country of origin inquiry," as mapping its supply chain enables a clear understanding of its exposure to minerals that fuel extreme levels of violence in the DRC.

If the above process has not yet begun, it is in a company's best interest to start conducting a "reasonable country of origin inquiry" now, because mapping its supply chain enables the company to clearly understand its exposure to minerals that fuel extreme levels of violence in the DRC and adjoining countries. Investors and NGOs expect the analysis to not only be performed in "good faith and be reasonably designed" but also

be incorporated into a chain of custody structure for all of a company's products. If a company does find that its products contain minerals from the DRC region, it is required to file a report with the SEC via a specialized disclosure form. The first conflict minerals reports are due to be filed on or before May 31, 2014 and will include data collected in calendar year 2013. The new rule took effect on November 13, 2012 and the SEC created "Conflict Minerals Disclosure: A Small Entity Compliance Guide," which outlines the actions required of small companies.^{xv}

As Section 1502 takes effect, NGOs and investors will play an integral role in monitoring and analyzing what companies disclose. Investors will have access to in-depth due diligence data from companies that are in compliance with Section 1502. Making due diligence practical, consistent, straight forward, and non-overlapping is the way to encourage responsible sourcing from the Congo. A due diligence-based approach to sourcing minerals is not about imposing blanket bans and it is important that the rule is not viewed as a way to incentivize companies to avoid the Congo. Rather, a due diligence-based approach ensures that businesses do not perpetuate armed violence or serious human rights abuses by identifying and mitigating risk.^{xvi}

Section 1502 provides an outline for reporting requirements; however, building a conflict-free value chain does not stop at being in accordance with the rule. Currently the rule does not require that companies participate in the various initiatives and working groups that encourage multi-stakeholder and industry-wide collaboration. Investors are going to be looking beyond the Section 1502 disclosure requirements and observing which companies are participating with the various initiatives and being proactive to encourage conflict-free mineral sourcing from the GLR. Having companies not only manage their risk but also take proactive measures to increase ethical integrity and workability for the entire industry demonstrates a company's leadership and problem-solving capabilities.

In October 2012, the U.S. Chamber of Commerce, Business Roundtable, and National Association of Manufacturers filed a lawsuit against the SEC to overturn the Dodd-Frank Act provision. In November 2012, the DC Court of Appeals approved a request to expedite proceedings and briefings scheduled for January-March 2013 because of the due date of first SEC disclosure filings scheduled

for May 31, 2014. Litigation is expected to be complete before the end of 2013. According to business group petitioners, the SEC's economic analysis of the rule is inaccurate, costly, and not beneficial. Additionally, petitioners of the suit claim that the SEC does not take into account the impact the rule has on small entities. Amnesty International filed to become a respondent-intervener in the case because they have investment and business interests at stake in the enforcement of the conflict mineral rule. The organization believes that if the rule becomes invalidated it would harm their ability to make financially sound and socially responsible investments. In addition to Amnesty International, other parties including sustainable and responsible investors also believe that the conflict mineral disclosure requirements of Section 1502 will improve their ability to assess social (i.e. human rights) and reputational risks in a company's supply chain.^{xvii}

A due diligence-based approach ensures that businesses do not perpetuate armed violence or serious human rights abuses by identifying and mitigating risk.

INDUSTRIES

The following sections provide an overview of industry activities and highlight specific company initiatives as examples of best practices. These initiatives are very dynamic and based on the best current available information at the time of writing. The industries addressed include information and communications technology (ICT), automotive, aerospace/defense, jewelry, smelters/refiners, mining, packaged food, medical devices, retail, tooling, toys, and apparel/footwear.

The section begins with ICT and automotive due to significant steps already taken by companies within these industries. The research also found that significantly less information was available on the packaged food, medical devices, retail, tooling, toys, and apparel/footwear industries, primarily because of their lack of awareness and activity surrounding conflict mineral sourcing. These industries are still relatively new to the issue and are just beginning to join the conversation on conflict-free minerals. As such these industries are currently considered less active.

I. Information and Communications Technology

INFORMATION & COMMUNICATIONS TECHNOLOGY	Tin	Tantalum	Tungsten	Gold
Calculators	✓		✓	✓
Cell Phones	✓	✓	✓	✓
Copiers	✓		✓	✓
Desktop Computers	✓	✓	✓	✓
Digital Cameras	✓	✓	✓	✓
Game Consoles	✓	✓	✓	✓
GPS	✓	✓	✓	✓
Laptop Computers	✓	✓	✓	✓
MP3 Players	✓	✓	✓	✓
Pagers	✓	✓	✓	✓
Plasma Televisions	✓	✓	✓	✓
Printers	✓		✓	✓
Video Cameras	✓	✓	✓	✓

The ICT sector is by far the most advanced in addressing conflict mineral sourcing. Although the majority of the work is done by individual companies, most of the coordination happens through the Extractives Workgroup. In 2008, the EICC and the GeSI decided to combine efforts and create this group to address conflict minerals by improving metal sourcing transparency and establishing standardized accountability mechanisms for the ICT industry. EICC and GeSI members take turns leading the work group and the various initiatives that it implements. In addition to addressing challenges at the manufacturing level, the work group also supports in-region activities and participates with coordinated international efforts, such as establishing OECD *Due Diligence Guidance*.

Leading electronics companies such as Intel, HP, AMD, and Motorola Solutions are making progress in increasing transparency and

conflict-free minerals in their supply chains through the EICC-GeSI Workgroup as well as implementing their own initiatives. In 2010, the Enough Project began ranking ICT companies on their efforts addressing conflict minerals, and in August 2012 released their second scorecard. Since the first report, several leading ICT companies have moved ahead in addressing conflict minerals in their supply chains—not only motivated by the 1502 legislation but also from growing investor, NGO, and consumer activism. According to Enough, most companies improved their scores from the 2010 rankings.

In the 2012 Enough scorecard, Intel, Motorola Solutions, HP, and Apple are noted as “pioneers in progress,” despite delays from the SEC on the rule-making process for Section 1502 of the Dodd-Frank Act. Although some companies used the SEC delay as a justification for their lack of activity, these

leaders pioneered industry-wide solutions and conflict mineral programs that have made it easier for others to follow. These new programs include a smelter auditing program, a subsidy project for smaller, unverified smelters, closed chain sourcing, and a joint-funding project to help the DRC region develop a clean minerals trade. In addition, several companies from the ICT industry, most notably HP, GE, and AMD, worked together with investors and NGOs to draft multi-stakeholder recommendations for the SEC. They also participated in a multi-stakeholder meeting with the special advisor to the Great Lakes region.

Leading ICT companies are addressing conflict minerals in their supply chains, motivated by legislation and growing investor, NGO, and consumer activism.

According to the Enough rankings, Intel was the first company to publicly commit to making a fully conflict-free product by the end of 2013. Intel also serves as the chair on the CFS audit review committee. HP has made a commitment that its suppliers only use audited, conflict-free smelters once a sufficient amount of these smelters meet their needs. HP also sits on the governance committee of the PPA.

HP has also contributed resources and leadership to EICC and GeSI and, since 2004, served on the EICC's steering committee. HP helped develop the EICC-GeSI Reporting Template and Dashboard, a tool used to identify and trace metals and smelters in a company's supply chain. Motorola Solutions is noted for initiating Solutions for Hope, a responsible mineral sourcing program. Apple was the first company to publicly identify the number of smelters in their supply chain and have done two complete rounds of surveys of their suppliers. Apple is proactively working to validate this information. Philips has identified 127 smelters and is the first company to publicly disclose the names of the smelters on their website. AMD has been a leading public policy voice on conflict minerals by testifying at the SEC's roundtable on Dodd-Frank Section 1502, assisting in drafting the MSG recommendations to the SEC, and serving as the co-chair (along with the Enough Project) of the MSG Policy Working Group. AMD and HP also participated in the pilot implementation phase of the OECD *Due Diligence Guidance*.

BOX 10:**Electronic Industry Citizenship Coalition**

www.eicc.info/

Established in 2004, the EICC aims to improve social, economic, and environmental conditions in the global electronics supply chain through use of a standardized code of conduct and industry cooperation to address other challenges. In 2007, the EICC was incorporated as an association to formalize its objectives of supporting its code and other efforts. EICC members are encouraged to address corporate social responsibility issues in the global electronics supply chain and to provide advice and offer solutions to external stakeholders. Over 65 companies are members of the EICC and it has six work groups that coordinate its efforts.

Global e-Sustainability Initiative

www.gesi.org/

GeSI was formed in 2001 with company members from the ICT sector that create technologies and practices fostering economic, environmental, and social sustainability. GeSI's vision is sustainability through responsible ICT-enabled transformation and measures its impact on the ICT industry by the development and use of its tools, broad membership base, and contribution to relevant policies. GeSI supports 10 member initiatives covering climate change, energy efficiency, e-waste management and resource efficiency, responsible supply chain practices, and human rights. GeSI has 31 members consisting of both companies and associations and is partners with the United Nations Environment Program and the International Telecommunications Union.

EICC-GeSI Extractives Workgroup

www.eicc.info/extractives.shtml

EICC and GeSI decided to coordinate efforts and create this industry workgroup to address conflict minerals by improving metal sourcing transparency and establishing accountability mechanisms. In addition to involvement by members from each of their respective organizations, three non-member industry associations and eight independent partnering companies have joined as of November 2012. For a nominal fee, companies or associations from any industry are invited to join. The Extractives Workgroup program activities involve three key sections of the supply chain:

1. Mine to smelter (upstream)
2. Smelters and refiners
3. Smelters to original equipment manufacturer or brand (downstream)

Mine to smelter actions include supporting conflict-free certification processes and the tracking of conflict-free mineral flows to point of export. To address the choke-point of smelters and refiners, the workgroup created the Conflict Free Smelter (CFS) Program, which conforms to OECD *Due Diligence Guidance*. To track the downstream process—from manufacturer to smelter—the workgroup developed the Conflict Minerals Reporting Template and Dashboard, which is available to download for free. This allows companies to trace their metals from smelter to an original equipment manufacturer.

The Workgroup also provides tools and educational materials on methods to evaluate and conduct due diligence research in supply chains. The Workgroup hosts bi-annual workshops that are open to all stakeholders, including non-members of EICC and GeSI. The workshops provide updates on key programs working in and with the DRC and GLR to develop responsible minerals supply chains.

In April 2012, Intel established the Conflict-Free Smelters (CFS) Early-Adopters Fund in collaboration with HP, the GE Foundation, and nonprofit organization RESOLVE. This fund is designed to promote participation of smelters and refineries in the CFS and seeks to support smaller smelters who have fewer resources available to pay for an audit. For each eligible smelter company, the fund will offset a portion of the costs associated with conducting a first-year audit.

Partnership for Social and Economic Sustainability, formerly referred to as Making Africa Work, is a program initiated in 2011 by KEMET, which offers a closed-pipe vertically integrated conflict-free tantalum supply chain. KEMET is slightly different than the other companies referenced in ICT as they are not a typical end user. KEMET is a component manufacturer so it is considered a 'middle of pipeline' company. Conflict-free tantalum ore sourced from the DRC and other countries is used in the manufacture of KEMET's tantalum capacitors. KEMET has also pledged \$1.5 million over a two-year period for social sustainability projects at the mine site and the village of Kisengo in Katanga Province, DRC.

According to the investors at Everence, who are coordinating outreach to the telecommunications industry, Sprint Nextel has been a leader among the telecom companies and is actively participating in the EICC-GeSI Workgroup, the CFS, the MSG, and the PPA, which is driving change in its supply chain. Deutsche Telekom is also proactive in this area through its support of the EICC-GeSI Workgroup and the CFS. Sprint, Nokia, AT&T, RIM, and Verizon are additional telecom companies directly involved with the PPA.

In spite of such leading efforts by ICT firms and growing public awareness of the issue, there are still a number of companies that have not engaged in any publicly known activities to trace their supply chains. Other industries that use conflict minerals such as automotive, aerospace, jewelry, and medical devices are finally taking steps to address the issue due to the SEC legislation. However, with some exceptions, their actions still remain far behind ICT companies.

II. Automotive

AUTOMOTIVE	Tin	Tantalum	Tungsten	Gold
Airbag Protection Systems	✓	✓		✓
Anti-Lock Braking Systems	✓	✓		
Computer Systems	✓	✓	✓	✓

Though not as active as ICT, some members of the automotive industry have begun addressing conflict mineral sourcing.

Ford Motor Company is a clear industry leader. The company has taken the following actions:

- Provided input to the OECD *Due Diligence Guidance* and participates in its pilot implementation phase

- Sits on the Governance Committee of the PPA
- Chairs the Conflict Minerals Work Group of the Automotive Industry Action Group (AIAG)
- Participates in the EICC-GeSI Extractives Workgroup and CFS
- Participates with the MSG

As part of piloting the five OECD *Guidance* implementation steps, Ford revised its policy and supplier guides to address conflict minerals, increased its supplier reporting requirements, and publicly disclosed its use of 3TG minerals in its sustainability report. Since 2011, Ford has been asking suppliers to track the use of 3TG in a materials database with the goal to track smelters in 2012. Ford has stated that it plans to release a formal SEC report by the end of its 2013 fiscal year.

Ford also has engaged quite actively in the policy-making process and has signed on to several of the MSG joint comments to the SEC. In addition, Ford representatives have met with the SEC and U.S. State Department to discuss issues related to procedure and implementation in the automotive supply chain.^{xxii}

Ford has been an industry leader by encouraging the AIAG to coordinate efforts between different car companies and establishing an industry-wide traceability tool to manage the downstream supply chain.

The efforts of other automotive companies are in the fledgling stage. Several have made general commitments to eliminate conflict minerals in their supply chains and comply with the Dodd-Frank Act, but public statements of progress are rare. Several automotive companies participate in industry-wide efforts such as the EICC-GeSI Extractives Workgroup via AIAG's Conflict Minerals Work Group. In addition to Ford, other automotive companies including American Mitsuba Corporation, Chrysler Group, General Motor Company, Honda of America, Nissan North America, Toyota Motor Engineering & Manufacturing North America, Volkswagen, and Yazaki North America are participants in AIAG's Work Group.^{xxiii} Automotive companies would do well to follow Ford's lead by exercising due diligence and implement the new auto industry joint traceability software system and becoming active participants in the CFS, OECD, and MSG working groups.

BOX 11:

Automotive Industry Action Group

www.aiag.org

Founded in 1982 by representatives from Chrysler, Ford, and General Motors, AIAG is an association of automakers, manufacturers, retailers, suppliers, service providers, academics, and government that strives to create effective and responsible automotive supply chains. AIAG publishes standards and offers educational conferences and training to participants. Additionally, AIAG has a Conflict Minerals Work Group that identifies and implements appropriate strategies to create conflict-free automotive supply chains.

In September 2012, AIAG's Conflict Minerals Work Group announced the development of the iPoint Conflict Minerals Platform, the first web-based conflict mineral tracking and reporting system. This data management application pulls information from the EICC-GeSI Reporting Template and Dashboard and is designed to help companies source minerals responsibly and to successfully comply with Section 1502.

Current AIAG Conflict Minerals Work Group members include American Mitsuba Corporation, BorgWarner, Chrysler, Cisco Systems, Deloitte & Touche, Delphi Corporation, DENSO Corporation, DENSO International America, Inc., Dickinson Wright PLLC, Dykema Gossett Law Offices, Federal-Mogul Corporation, Ford Motor Company, Freudenberg-NOK General Partnership, GE Fanuc Automation NA Inc., General Motors Company, Hewlett-Packard, Honda of America Mfg., Inteva Products, Johnson Controls, KPMG LLP, Lear Corporation, Magna International Inc., Navistar, Nissan North America, Oxender Consulting, PTC - Parametric Technology Corporation, PwC, Robert Bosch LLC, RSJ Technical Consulting, Schneider Electric Sustainability Services, Tenneco, Inc., Tetra Tech, Toyota Motor Engineering & Manufacturing North America, Inc., TRW, Inc., Visteon Corporation, Volkswagen, and Yazaki North America, Inc.

III. Aerospace and Defense

AEROSPACE	Tin	Tantalum	Tungsten	Gold
Jet Engines	✓	✓	✓	✓
Rockets	✓		✓	✓

Most aerospace and defense companies have not taken adequate action to begin addressing the use of conflict minerals in their supply chains. With very few exceptions such as Boeing Company and Lockheed Martin Corporation, who are participating in the OECD *Guidance* implementation pilot, the

companies researched for this paper have made no public acknowledgements of the issue or any plans to address it.

GE is a notable forerunner. With businesses in the aerospace and many other major industries, it is hard to place the company in one particular industry category. GE's numerous departments and its location in a number of different supply chain tiers makes it more difficult for it to create a software tracking tool that will meet all of its needs. However, it is in the process of developing its own tracking software system since its divisions are too complex to use an industry-standard tool. Despite these challenges, GE has made a public commitment to work to eliminate the use of conflict minerals as well as support conflict-free miners in the DRC. GE recognizes that identifying sources and removing conflict minerals in its supply chain will be a long-term project and plans to show progress toward its goal each year.

As part of its long term commitment, GE communicates with suppliers on a regular basis and will subject its program to third party audits. The company is currently conducting a risk assessment of its most significant suppliers in order to develop appropriate tracking tools and is engaging outside stakeholders to prepare for filing its first conflict mineral report with the SEC. GE's supplier training materials are in the process of being updated and it will soon incorporate information on this issue into its new supplier due diligence process. In a few of its divisions, GE works directly with a small, finite group of smelters and has informed these smelters of its expectations that they will be certified as conflict-free under the EICC and GeSI's CFS or an equivalent program.

GE is also active in multi-stakeholder efforts such as the EICC-GeSI Extractives Workgroup, the PPA, and the CFS program. GE is participating in the pilot implementation phase of OECD's *Due Diligence Guidance* and has played a significant role in the development of the MSG's joint recommendations to the SEC. In addition, the GE Foundation supported Business for Social Responsibility's (BSR) interim report, released in February 2012, on how responsible companies can support development and capacity in eastern DRC.^{xxiv} (See Box 19.)

Other aerospace and defense companies have not made as much progress as GE. While some acknowledge human rights issues in their supply chains and have attended the EICC-GeSI workshops, the companies researched have not taken enough steps to report on what they are doing to address conflict minerals in their supply chains. Since tungsten is used heavily in aerospace parts, it would be beneficial to see other companies in the aerospace and defense industries join GE to establish ethical sourcing systems and encourage their tungsten smelters to go through the CFS audit process.

IV. Jewelry

	Tin	Tantalum	Tungsten	Gold
Jewelry	✓		✓	✓

The jewelry industry is in an unusual position with regard to conflict minerals. Jewelry companies have already been under scrutiny for human rights abuses in their diamond supply chains. Many of them have participated in the Kimberly Process

and adopted conflict-free diamond policies as a result. Some companies have developed gold sourcing policies that address the environmental impact as well, but they are typically vague about the methods used to ensure ethical human rights practices.

Tiffany & Co. is an interesting exception. In 2011, Tiffany & Co. sourced 48% of its gold from a U.S. mine and 52% from recycled sources. The company is currently exploring the possibility of sourcing metals from artisanal mines. The Tiffany & Co. Foundation provides grants to organizations that promote responsible mining of precious metals, diamonds, and gemstones, as well as organizations that assist communities where mining occurs.^{xxv} Tiffany & Co. should be commended for its commitment to responsible sourcing and supported in sourcing gold from artisanal mining options.

In addition to Tiffany & Co., other jewelry companies such as Signet Jewelers Limited and Cartier participate in the Responsible Jewellery Council (RJC), which is an international industry association established to advance responsible business practices throughout the diamond, gold, and platinum jewelry supply chains. RJC has developed a voluntary chain of custody (CoC) certification system that aims to identify conflict-free and responsibly-sourced jewelry materials. Jewelry companies can be certified against the CoC standard through an auditing process. Certified entities are publicly available on the RJC website.^{xxvi}

BOX 12:

Responsible Jewellery Council

www.responsiblejewellery.com

This association fosters human rights and environmental practices through the diamond and gold jewelry supply chain from mining to retailer. RJC requires all members to be audited for compliance with their Principles and Code of Practices. These audits cover company policies and management systems. In March 2012, RJC also initiated a voluntary audit program for members called “Chain-of-Custody Certification” to be used as a tool to support responsible sourcing and conflict-sensitive due diligence.

In September 2012, RJC joined forces with CFS and London Bullion Market Association (LBMA) to announce their mutual cross-recognition of gold refiner audits.^{xxvii} Currently, all three associations have audit programs in place. This mutual cross-recognition will increase the efficiency of the gold refiner auditing process and increase the number of verified gold refiners listed publicly on the CFS website.

The SEC’s rules for Section 1502 indicate that companies can comply with the Dodd-Frank Act by exclusively using refiners that have been certified as conflict-free by programs such as RJC, CFS, and LBMA.^{xxviii} Companies would do well to participate in these associations and use their certified refiners in order to ensure ethical sourcing and compliance with Section 1502.

In addition to RJC, a number of efforts for the jewelry and gold refining industries have been coordinated through the World Gold Council (WGC). In 2012, WGC created Conflict-Free Gold Standard to audit the upstream supply chain (mines to refiners). Please see the Mining section for further information.

V. Smelters/Refiners

By converting distinguishable mineral ore and recycled scrap metals into indistinguishable refined metals or derivatives, smelters and refiners play a critical role in the mineral supply chain. Furthermore, relatively few smelters and refiners process 3TG in the supply chains of electronic components, especially in comparison to the quantity of mines and exporters, and purchasers of the refined metals globally. Given these small numbers, smelters/refiners have been called the “choke point,” making them an important component in addressing the flow of conflict minerals. The EICC-GeSI CFS Program was launched in 2010 and is a tool to facilitate companies’ conflict-free supply chain goals. At time of writing this report, there are compliant smelters and refiners listed on the CFS website for tantalum and gold. Tungsten and tin smelters have not yet come up with the requisite three compliant smelters in their respective industry; therefore, there are currently no smelters listed on the public CFS website (a minimum of three compliant smelters is needed before making the list public for anti-trust purposes).

As of November 29, 2012, the 15 compliant tantalum smelters listed on the CFS website were: Exotech Inc., F&X, Gannon & Scott, Global Advanced Metals, H.C. Starck GmbH, Hi-Temp, Mitsui Mining & Smelting, Ningxia, Plansee, RFH, Solikamsk Metal Works, Taki Chemicals, Telex, Ulba, and Zhuzhou. With the exceptions of RFH and Solikamsk Metal Works, all of these smelters have a conflict-free policy. The country of origin of these smelters ranges from Australia to China, to Russia and Kazakhstan, to the DRC, as well as the United States. The smelters are labeled according to country level, which indicates to what extent the country has exposure to ore produced within or near conflict regions.^{xxx}

As of October 3, 2012, there were 11 compliant gold refiners: Asahi Pretec Corporation, DOWA, Matsuda Sangyo, Metalor USA Refining Corporation, Metalor Technologies SA, Metalor Technologies Hong Kong, Nihon Material Co. LTD, Ohio Precious Metals, LCC., Perth Mint Refinery, Royal Canadian Mint, and Tanaka Kikinzoku Kogyo K.K. Country of origin for these smelters includes Japan, United States, Canada, and Australia. Three of the gold refiners were added to this list via the CFS-LBMA-RJC cross-recognition audit protocol. With the exception of Tanaka Kikinzoku smelter, all of the gold smelters have a conflict-free policy.

In addition to the CFS Program, other Extractives Workgroup activities in support of smelters and refiners include smelter visits, comparative analysis between the international programs, *OECD Due Diligence Guidance* pilot implementation, and the CFS Early-Adopters Fund. The CFS Program employs a system that is accessible to all levels of all industries. Such a platform is also critical to enable companies tracking the origin of their materials for their 1502 report to only have to track to the smelter. If companies start mandating that their suppliers and sub-suppliers only purchase from compliant smelters, the economic demand for certified conflict-free minerals will grow.

The RJC Chain of Custody, LBMA Audit Guidance, and the CFS program all established transparent certification systems that address human rights, labor, ethical, and environmental issues, and aligned their efforts to avoid duplication. All of those involved in establishing these certifications should be commended and more should be encouraged to support them. However, it should be noted that the absence of developing country sources for gold from the CFS is a critical weakness. The LBMA and RJC programs, while only deal with gold, cover a broader geographic base and are focused on *OECD Due Diligence Guidance*. The CFS, LBMA, and RJC programs are all examples of great efforts in terms of outreach, multi-stakeholder engagement, and collaboration. The main disconnect has been that the gold sector has

largely been on a separate track than the sectors involved with the 3T's and not all stakeholders have engaged in both sectors. OECD stakeholders, including CFS, RJC, LBMA, and WGC are working to bring the 3Ts and gold tracks back together so there can be more cross-fertilization. In that sense, the RJC, LBMA, and CFS cross-recognition of gold refiner audits is a good example of the collaboration efforts across sectors.

BOX 13:

Conflict-Free Smelters Program

www.conflictreesmelter.org/

The CFS Program is a global, voluntary program developed and managed by EICC and GeSI. Independent third party auditors evaluate smelter and refiner procurement activities and determine if the smelter or refiner demonstrated that all the materials they processed originated from conflict-free sources. Although initiated by the ICT industry, other industries have started supporting the program and more are encouraged to contribute to its efforts.

The countries where smelters source their materials are divided into different levels of scrutiny. The closer the country is to the DRC, the higher the risk. If smelters are sourcing from the DRC or adjacent countries, they must be purchasing from a certified conflict-free mine. Many of the significant processors are based in Australia, China, Malaysia, Russia, Canada, Indonesia, and the U.S. Audits are conducted by third party assessment firms who are responsible for conducting on-site due diligence reviews of smelter facilities. Smelters have to be re-audited every two years. The CFS Program is aligned with the OECD *Due Diligence Guidance*, as well as the ICGLR, iTSCi, and BGR CTC certification standards. The CFS has also aligned its requirements with industry standards by LBMA, WGC, and RJC.

BOX 14:

London Bullion Market Association

www.lbma.org.uk

The LBMA is an international trade association based in London and represents the wholesale market for gold and silver. The association's work includes refining standards, good trading practices, and standard documentation.

In 2012, LBMA developed a Responsible Gold Programme, which requires that all LBMA Good Delivery Refiners comply with the LBMA Responsible Gold Guidance. The LBMA supports the work of the OECD in supply chain due diligence and based its guidelines on the OECD's *Due Diligence Guidance*. Along with RJC, the LBMA was involved in drafting the Gold Supplement section of the *Guidance*. The LBMA has also produced an audit guidance document to further add transparency and consistency to the Responsible Gold Programme. The first mandatory Good Delivery Refiner Audit Reports are due end of 2013.

VI. Mining

Minerals are a major source of foreign direct investment for some of the world's most vulnerable communities and are a large driver of infrastructure and development.^{xxxii} As such, mining can be considered a foundation industry, which jump-starts the creation of vital infrastructure such as transport, telecommunications, electricity, and piped water.

The mining industry can be divided up into three sectors:

1. Industrial
2. Medium/semi-industrial
3. Artisanal/small-scale mining

Industrial mining companies with operations based in the DRC play an important role in the mineral supply chain, especially because the industry has such a large presence in the country, both physically and financially. In some cases, the Congolese government requires small to medium or semi-industrial mining companies to partner with local cooperatives. In countries such as the DRC, artisanal mining is illegal and, as a result, unregulated. Efforts are underway to formalize all forms of mining in the DRC since mining is a source of livelihood for millions of people.

As is already known, some mining activities can have and continue to have adverse effects on Congolese communities. However, industrial mining companies are in a position to establish responsible mining practices that are transparent and promote local economic development. By contributing to creating stable infrastructures that benefit communities, mining companies can help bridge the disconnect between the financial value of minerals and underdevelopment in the Congo. In 2013, RSN issued a paper entitled *Resource Sharing in the DRC: Exploring the Role of Trusts* that looks at innovative structures for mining companies to support the communities in which they operate.^{xxxiii}

The mining company Mining Mineral Resources (MMR) is a substantial participant in the Solutions for Hope project and KEMET's Partnership for Social and Economic Sustainability project. Both projects aim to develop closed-pipe supply chain systems that trace ore mined from government-approved sources through to manufacturer. The mined minerals originate from one or more of MMR's Mai Baridi, Kisengo, or Luba mines, which are all located in DRC's Katanga province (which is currently conflict-free). MMR has partnered with a local mining cooperative, Coopérative Des Artisanaux Miniers du Congo, to manage the diggers at all three mine sites. MMR is the responsible party to weigh and log the minerals for traceability, coordinate with the certification bodies, and transfer the ore to their depot for export. MMR established the Vinmart Foundation to manage the economic development component of these projects, which include building roads, schools, and medical clinics, as well as installing solar street lighting and fresh water wells.

Canadian gold mining company Banro Corporation has production mines located in the provinces of South Kivu and Maniema, which are also known as the Gold Belt and at high risk for conflict. In 2005, the company started the Banro Foundation, based in Bukavu, to benefit local communities, especially women, in South Kivu and Maniema through investments in education, health, and infrastructure development. The Foundation also focuses on economic development for women-led community groups by supporting micro-financing projects. The Banro Foundation has completed 60 projects in the past seven years.^{xxxiv} These projects include: building schools, granting scholarships, constructing health care facilities, providing medical equipment, building potable water systems, and rehabilitating roads and bridges.

AngloGold Ashanti (AGA) is headquartered in Johannesburg, South Africa and has 20 gold mining operations in 10 countries. It is currently constructing a mine in the DRC and is also part of a joint venture constructing a second Congolese mine. The company is a member of the WGC, LBMA, and RJC. Although AngloGold Ashanti was accused in 2005 of paying off a militia in Ituri, the company has made improvements.^{xxxv} In October 2012, AGA developed a strategic framework to facilitate a structured approach to managing the issues associated with illegal artisanal and small-scale mining (ASM) on its concession in the DRC. The framework is reported to be anchored in multi-stakeholder engagement at national, regional, and local levels to co-create solutions for addressing ASM challenges. The engagement will cover key elements including security, environmental and health impacts, formalization of artisanal mining, and alternative livelihood opportunities. AGA has ongoing engagement with development agencies such as USAID to align its support of socio-economic initiatives and conflict-free mineral production and trading in Ituri.

Freeport-McMoRan Copper & Gold's Tenke Fungurume Mine (TFM) is an industrial copper and cobalt mine in Katanga province, which is currently a conflict-free province. Although copper and cobalt are not classified as "conflict minerals" under the Dodd-Frank Act and OECD Guidance, TFM upholds procedures to ensure that its mine processes and sells only minerals that originate in the company's mining concession. These procedures include a system for tracking copper and cobalt products from the mine to the point of transfer to the customer.^{xxxvi} TFM contributes 0.3% of the company's annual net sales revenues (less transportation costs and marketing fees) to the TFM Social Community Fund towards supporting the local

BOX 15:

World Gold Council

www.gold.org

Based in the UK, the WGC is an association with 23 members from gold mining companies that represent 60% of corporate gold mining and is the market development organization for the gold industry. WGC works with the investment, jewelry, and technology sectors in sustaining gold demands and engages with governments and central banks.

In October 2012 The WGC developed the Conflict-Free Gold Standard with member companies, leading refiners, governments, civil society groups, investors, academics, independent experts, and supply chain participants. It is a common approach through which gold producers can assess that their gold has been extracted in a manner that does not cause, support, or benefit armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law. Member companies must publicly issue a Conflict-Free Gold Report and such disclosures are subject to independent assurance. The Standard is available for use by any gold-producing entity. Like the *OECD Guidance*, the Standard applies to conflict areas globally. The Standard includes required assessments and disclosure of whether operations are located in areas considered to be conflict-affected or high risk. Company performance requirements reflect internationally-recognized benchmarks such as the *OECD Guidance*, the *UN Guiding Principles on Business and Human Rights*, and the *Voluntary Principles on Security and Human Rights*. Standard conformance disclosure is expected to be useful to: refiners, governments, law enforcement agencies, local communities, and civil society groups and donor organizations looking to support formalization of ASM and responsible mining practices. Audits will occur in the upstream supply chain (mines to refiners). Information from the WGC audits is accepted by and will feed into the CFS, RJC, and LBMA refiner audits. The WGC sits on the PPA Governance Committee.

communities living on the TFM mining concession. The Fund supports infrastructure, health, education, and agricultural services. In 2011, the Fund was registered as a Congolese not-for-profit entity. It is managed by a Board of Directors comprised of a representative appointed by the provincial government, two representatives nominated by the local community, and four company representatives. At the time of writing, there are 26 approved projects including construction and rehabilitation of schools, a community center, health centers, a program to increase potable water access for rural populations and a feasibility study for electrification of urban population centers.^{xxxvii} Pact, an NGO that supports corporate community engagement and is also involved with the iTSCI's conflict-free certification, launched a joint project with TFM to help local entrepreneurs become suppliers to the mine. These activities are now carried out by TFM's Community Development Department to assist local entrepreneurs with developing business skills and plans, technical support, and access to finance to assist in attaining commercial contracts with the company.^{xxxviii}

VII. Less Active Industries

OTHER INDUSTRIES	Tin	Tantalum	Tungsten	Gold
Packaged Food				
Food	✓			
Pet Food	✓			
Home Appliances	✓		✓	
Medical Devices				
Hearing Aids		✓		✓
Pacemakers	✓	✓		✓
Prosthetic Devices		✓		
Rods		✓		
Skull Plates		✓		
Surgical Instruments	✓	✓		
Suture Clips		✓		
Wire Meshes		✓		
Tools				
Cutting Tools	✓	✓	✓	
Drill Bits	✓	✓	✓	
Rotary Burrs	✓		✓	
Sanding Disks	✓		✓	
Wear Restraint Tools			✓	

The following are industries that have been much less active in addressing human rights abuses at the raw commodity level than the ICT, automotive, aerospace/defense, jewelry, smelter/refiner, and mining industries. Investors expect that the following industries start taking action to address conflict minerals in their value chains as many products outside of electronics have exposure to 3TG.

Packaged Food

RSN's online research found that little has been done to address the use of conflict minerals in the food packaging industry. Some companies do not seem to be aware of the issue or believe that it is necessary for them to conduct conflict minerals due diligence. This is a cause for concern as tin is used in cans and other packaging materials. At a minimum, food companies will need to report to the SEC on the origin and condition of the minerals in the packaging of their food. Therefore, it is in their best interest to take cues from what other industries are doing and start to map out the supply chains of their packaging materials.

Medical Devices

Tantalum, tin, and gold are used in a large variety of medical devices like hearing aids, pacemakers,

and surgical instruments. Very little has been done to address the use of conflict minerals in the medical device industry. However, it should be noted that Medtronic is a signatory on RSN's MSG letter to the SEC, which included a series of comments to guide the development of the Section 1502. These companies need to begin taking action on this issue since they will need to report to the SEC on the origin and condition of the minerals in the manufacturing of their products. It is in their best interest to take cues from other industries and map their supply chains to identify their smelters. Medtronic and its peers may also consider developing a tracing tool for the medical device industry similar to what the ICT and automotive industries have done.

Retail

Retailers may have to report to the SEC if they contract to manufacture private label brands in the categories of canned food, electronics, toys, and even apparel, footwear, and accessories.^{xi} All of these products are likely to contain tin, tantalum, tungsten, or gold. The SEC rule states that if retail companies have actual influence over the design or manufacturing of the product, they will have to report to the SEC. Despite this risk, most retail companies researched have not taken much action regarding conflict minerals.

Walmart plans to include this issue in their overall sustainability strategy and has alluded to conflict minerals and responsible sourcing standards in its corporate social responsibility report. However, it has mainly identified this as an area for improvement and has not yet made much progress. Walmart currently communicates with suppliers regarding labor standards and requires certification that materials were obtained in compliance with forced labor and human trafficking laws.

The Retail Industry Leaders Association (RILA) is currently developing retail-focused training to fill out the EICC-GeSI questionnaire, help suppliers understand the OECD due diligence requirements, and identify the smelters in their supply chains. Premier members of RILA such as Walmart could benefit by supporting the association's work in developing these resources so they become established and used by the retail industry.

Although primarily a media and entertainment company, The Walt Disney Company is also a licensor and retailer of branded products. As a retailer, Disney has indicated plans to address conflict minerals in the near future. Disney has ethical sourcing and labor standards currently in place and has attended at least one EICC-GeSi Extractives workshop. The company appears to be moving in the right direction.

Other retail companies should begin work on risk assessments and due diligence in order to eliminate the use of conflict minerals in their supply chains. As noted in Box 16, it may be in the best interest of the industry to adopt a single, widely recognized approach, aligned with the OECD Guidance, to gain transparency and identify smelters. It is also important to note that both Walmart and Disney have supported Conservation International with conservation and economic development projects in the DRC. Although not related to mining, it is important that various economic development projects are supported to create vibrant and diverse communities.

BOX 16:**The Retail Industry Leaders Association**

www.rila.org

RILA is a national trade association representing some of the largest retailers in the U.S.

With the inclusion of the retail industry in the SEC's draft conflict mineral rule and the growing awareness by retailers throughout 2011, many RILA members identified the need to develop an understanding of the compliance obligation and the tools needed to meet it. The EICC and GeSI's CFS Program and accompanying supplier questionnaire seemed ideal for a consistent approach across various industries to help determine mineral origin. RILA joined the EICC-GeSI Extractives Workgroup in late 2011 and has examined if this approach would be usable for the industry. RILA was pleased that EICC-GeSI members agreed to expand the scope of the supplier questionnaire to include retail-specific needs and product level declarations.

RILA members also worked with BSR throughout 2012 to develop effective and easy to understand retail-focused training for the questionnaire. The training covers due diligence requirements for suppliers and how they should seek to identify the smelters in their supply chains. This supplier training also reviews company obligations under Section 1502 and explains how they can exercise appropriate due diligence. This retail training, along with the EICC-GeSI questionnaire, were piloted and fine-tuned with select suppliers in August and September of 2012.

RILA members continue to agree with other industries and NGOs that a single, widely recognized approach, aligned with the OECD *Guidance*, will consistently produce more accurate smelter information from across many industries. This industry-wide approach will be most effective in educating participants throughout the supply chain, resulting in greater transparency. The premier members of RILA are: Best Buy, Dollar General, The Home Depot, JCPenney, Lowe's, Target, Sears Holding, Walgreens, and Walmart.

BOX 17:**Conservation International**

www.conservation.org

CI works with corporate partners such as The Walt Disney Company, Walmart, and Starbucks to help communities in the DRC with financial and technical support necessary to stimulate local economies and preserve the landscape. CI has helped indigenous people develop monitoring and protection systems for biologically diverse nature reserves and assists in establishing funding for community development initiatives such as universities, orphanages, radio stations, and hydropower stations.

Apparel and Footwear

Although not as prominent as the ICT industry in terms of the amounts of 3TG it uses, the apparel and footwear industry is also affected by conflict minerals in its supply chain. In particular, tin and the far removed derivative organo-tin are the most commonly used. They can be found in items such as buckles, zippers, fasteners, buttons, in PVC materials found in the soles of shoes, luggage and purses, and in components that are soldered. Further research is needed in this industry and it should be encouraged by the investor community. While tin and other minerals are used less often in apparel and footwear, there is no *de minimis*, or minimal amount required, of 3TG specified in the Dodd-Frank regulations. This means

all industries with any trace of these minerals in their products will have to report to the SEC. As noted by the American Apparel & Footwear Association (AAFA), it is difficult for companies in this industry to gather information from their suppliers beyond the first tier; therefore, the association is working to develop useful resources. The AAFA is the leading association group in this industry addressing conflict minerals in apparel and footwear supply chains and is interested in the idea of standardized tools.

BOX 18:

The American Apparel & Footwear Association

www.wewear.org

Formed in 2000 through the merger of the American Apparel and Manufacturers Association and Footwear Industries of America, the AAFA (or wewear) is a national trade association representing more than 75% of the U.S. apparel and footwear industry and their suppliers. AAFA promotes and enhances its member's competitiveness, productivity, and profitability in the global market by minimizing regulatory, commercial, political, and trade restraints.^{xli}

Due to the fact that no *de minimis* was stipulated in the SEC rule, the breadth of products potentially affected by Section 1502 is currently being researched by the AAFA. The association is developing a multi-pronged approach for informing the apparel and footwear industry on conflict mineral disclosure and actions companies, brands, and manufacturers need to take to comply by the SEC rule. AAFA has published a preliminary risk assessment available to its members and intends to publish more information on a component by component basis. The association is also investigating whether to develop an education template to help companies reach out to second and third tier suppliers or use the template questionnaire provided by EICC-GeSI. AAFA is collaborating with key component suppliers such as zipper, sewing, and fastener companies and is also working with the RILA and National Retail Federation to interpret provisions of the SEC rule.

Tooling

Tungsten, and to a lesser degree tin and tantalum, is used in items such as drill bits, cutting tools, rotary tools, and sanding disks. Therefore, it is very likely that many tooling companies use materials sourced from the DRC. However, few companies in this industry have taken action to begin exercising due diligence and create conflict-free supply chains.

Sandvik is one tooling company that has made progress on this issue. The company requires country of origin certification and audits all suppliers classified as high risk. During its supplier evaluation processes, Sandvik pays particularly close attention to sourcing exposure from the DRC and avoids buying materials that may be connected to conflict areas. The company states that while they source materials from the DRC, it does not source from conflict zones to the best of its knowledge. It is particularly difficult to track where 100% of the ore comes from since the tungsten smelters have been the slowest to respond to being audited and validated.

Toys

The toy companies researched for this paper have taken little action regarding conflict minerals. None have publicly acknowledged the issue, however due to the increasing amount of blinking lights, sounds, and electronics, as well as PVC imbedded in toys, companies in this industry have just as much exposure to conflict minerals and Section 1502 requirements as other industries mentioned. Therefore, it is in the best interest of this industry to begin looking into supply chain mapping, risk assessments, and due diligence for conflict minerals.

ECONOMIC DEVELOPMENT

The challenge, and thus opportunity, is to leverage the wealth from mineral deposits and associated activities in the DRC to establish prosperous and stable local communities. Companies throughout the supply chain should contribute to local capacity building and economic development efforts because this will allow local communities to prosper, thereby creating stable and conflict-free environments. Lessons can be taken from the Solutions for Hope and Partnership for Social and Economic Stability closed-pipe supply chain systems that include support for social development. USAID is also looking to direct some of its funding for eastern DRC towards mining communities that are working toward conflict-free certification and a diversified foundation to achieve long-term economic stability. RSN's *Resource Sharing in the DRC: Exploring the Role of Trusts* also looks at the intersection between mining and economic development such as agriculture.^{xliii}

When local communities directly receive benefits from mining operations such as schools, clinics, clean water, and roads, mining companies are strengthening their social license to operate. If companies take this one step further and contribute to capacity building to diversify and expand small business development, economically independent communities could flourish. Providing economic alternatives to joining a militia or illegal mining in dangerous conditions is imperative to creating a conflict-free Congo.

Funded by the GE Foundation, BSR also reached a number of these conclusions, which it published in *Going Beyond the Supply Chain in the Democratic Republic of the Congo: Responsible Multistakeholder Action on Development and Capacity-Building in Eastern DRC*.^{xliii}

The MSG's Economic Development Work Group is not yet fully developed; however there are still plenty of opportunities for companies to individually support economic development efforts in the region. Once a number of the other supply chain and policy efforts are underway, there may be interest in formalizing the Economic Development Work Group, whose aim is to promote investment in the DRC focused on capacity building and alternative livelihoods. Although the PPA's main goals are to promote alignment of certification schemes and promote conflict-free minerals in the region, its secondary goal is to consider additional activities that support the vision of conflict-free minerals extraction and trade in the GLR. Economic development projects could potentially fall into this third category in the future.

In addition to the efforts previously mentioned in this paper, there are many other economic development projects being implemented in or near mining communities. These range from small-scale alternative livelihood programs to large-scale endeavors for DRC mine reformation. The following organizations and initiatives are just a few examples of efforts companies could support to assist in capacity building and economic growth in the DRC. Investing to expand other economic sectors in addition to mining is needed to create stable, diverse, and thriving communities where a peaceful, conflict-free world will thrive. Having a conflict-free Congo is one way to be certain that minerals coming from the region are 100% conflict-free.

BOX 19:

Business for Social Responsibility

www.bsr.org

Business for Social Responsibility (BSR) is a membership-based nonprofit organization that assists companies with a variety of environmental and social responsibility efforts. BSR offers services such as assessment of company activities, supply chain strategy, policy development, supplier engagement plans, tools, due diligence execution, and stakeholder engagement strategies. BSR has a global network of over 300 member companies and has offices in Asia, Europe, and North and South America. BSR, which assisted with establishing EICC, has heavily researched the mining industry, consults to companies and the EICC-GeSI Extractives Workgroup on establishing downstream traceability and due diligence, and is working closely with the OECD on its *Due Diligence Guidance* and pilot.

The BSR interim report outlines local development needs and opportunities in the DRC with which end-user companies and other stakeholders can support. For example, companies can encourage programs that support stable local economies, which provide alternatives to conflict. The report highlights the expectation of companies to contribute to community development as part of a continuing effort to sever the link between minerals trade and conflict in the DRC.

The BSR report emphasizes that development and capacity-building are just as necessary as supply chain responsibility and government engagement in order for the DRC conflict to be fully addressed. The report also emphasizes that multi-stakeholder action and partnerships between companies and NGOs are needed beyond the supply chain and are a crucial component to transitioning towards a peaceful country with an organized and transparent mining sector. Issues that company-NGO partnerships can collaborate together on are: livelihood improvement, encouraging diplomacy and good governance, strengthening mine reform, and infrastructure development. BSR also emphasizes that companies should build on and contribute to current existing multi-stakeholder initiatives such as the PPA and the Clinton Global Initiative DRC Action Network.

BOX 20:**Select Economic Development Projects****Eastern Congo Initiative**

www.easterncongo.org

A project of the New Venture Fund and founded by actor Ben Affleck, this initiative works to increase public and private funding that supports DRC communities, raises public awareness, and increases U.S. government engagement.

PROMINES

www.pactworld.org/cs/promines

Is co-funded by the World Bank and UK's Department for International Development and works in collaboration with DRC Ministry of Mines and Pact. With a focus on artisanal and small-scale mining, PROMINES provides technical assistance to reform the DRC mining sector, helps strengthen state management capacity, and expands benefits of mining into growth and development. PROMINES supports and helps improve the legal status, working practices, and economic return of artisanal mining in the DRC.

USAID Grants for Community and Economic Development in Eastern DRC

http://eastafrika.usaid.gov/en/Place/1005/Congo_DRC

20 million USD has been committed by the U.S. government to support community and economic development projects in eastern DRC. USAID is currently accepting proposals from NGOs on projects that promote alternative livelihoods and market access, and support civil society in capacity building, advocacy, and conflict resolution.

UNICEF Protecting Children and Developing Alternatives

www.unicef.org/socialprotection/framework/

A UN project focused on children in five mining communities in the DRC's Kivu region. It will offer protection services, return children to school, and reunite separated children with their families. In partnership with the World Bank and USAID, UNICEF is looking for and partnering with corporations to develop economic alternatives, strengthen communities, and protect children in the DRC.

DIPLOMACY WORKING GROUP

Having stable, diverse, and prosperous communities combined with certifying mines and minerals as conflict-free does not guarantee the conflict will end. Controlling the borders, settling disputes between bordering countries and ethnic groups, holding parties responsible for past atrocities, and demilitarizing the region are all needed to bring lasting peace to the region. The private sector is not in a position, nor is it the mandate, to achieving these results. However, it can encourage local and international governments to do their part.

To engage the U.S. government and encourage its appropriate agencies to step up and use their influence to encourage peace talks and activities in the region, the MSG created a Diplomacy Working Group. This group focuses on broad political, human rights, and governance issues and take steps to encourage positive interaction by the U.S. and other governments with the DRC and countries in the GLR. Although the two co-chairs of the Diplomacy Working Group are currently NGOs (Free the Slaves and Falling Whistles), multi-stakeholder participation is encouraged. The group is stronger and the messages it sends have more leverage when investors, companies, and NGOs are all aligned with a common message that is communicated to the U.S. Department of State and other agencies.

In January 2012, the Diplomacy Working Group coordinated a letter to Secretary of State Clinton and in July 2012, drafted another letter and had an in-person meeting with Special Advisor to the GLR, Ambassador Barrie Walkley. The letter to Ambassador Walkley asked for the U.S. government to support the strengthening of peace and security in eastern DRC, especially in light of increased military presence by the rebel group M23 and the souring relationship between the DRC and Rwanda. The companies that either signed the letter or attended the in-person meeting included AMD, HP, Intel, KEMET, Motorola Solutions, Pamoja Minerals, Philips, and RIM. These companies are commended for joining forces with NGOs and sending a strong message to the U.S. government to push for peace. Shortly after this meeting, Ambassador Walkley visited the region and sent a strong message to both countries, demonstrating the effectiveness of this approach.

For the ongoing conflict in the DRC, as well as with other politically-challenging countries that are linked to a company's business practices, it is in a company's best interest to insist on empowered civil societies and enforced rule of law. Therefore it is encouraged that companies incorporate diplomatic engagement that promotes human rights norms into their CSR strategies.

POLICY WORKING GROUP

With the passage of the Dodd-Frank legislation in July 2010, the SEC announced it would receive public comments and input on Conflict Mineral Section 1502 prior to issuing a draft rule. A few MSG participants agreed it would be beneficial to develop consensus policy positions and jointly submitted multi-stakeholder recommendations to the SEC. As a result, the MSG created a smaller Policy Working Group tasked with drafting the positions and recommendation letters and circulating them to the larger MSG for the opportunity to sign. The co-chairs of the group are a company and an NGO: AMD and Enough Project. Both organizations played a crucial role in negotiating challenging consensus positions, along with the convener, RSN.

To develop recommendations for the SEC that companies, investors, and NGOs could all agree to, the MSG created a few ground rules and general understandings:

- The option to sign an MSG letter or statement is on a case-by-case basis and there is no requirement that all MSG participants have to sign all statements.
- If a consensus position cannot be reached, then the MSG will not comment on that specific position in its recommendations.
- MSG members can submit separate letters to the SEC as an individual entity or as part of another group, but the positions in the other letters can not contradict the positions in the MSG letters.
- In face-to-face meetings with SEC staff and commissioners, if an individual position or opinion is mentioned that is not an MSG position, it must be noted.

The MSG was the only multi-stakeholder group that submitted several comments, had multiple participants in the SEC's roundtable discussion, and was engaged with the SEC throughout the entire process. The SEC appreciated the consensus recommendations from the MSG and referenced them more than comments from any other group.

Determining policy positions on regulations that impact a company's daily business practices can be difficult, but the Policy Working Group is committed to finding solutions and recommending a pragmatic implementation approach. All of those involved in the drafting and signing on to the letters should be commended. Companies that signed on to one or more of the four comment letters include AMD, Dell, EMC, Ford, GE, HP, Intel, KEMET, Medtronic, Microsoft, Motorola Solutions, Philips, Sprint, and Unity Minerals.

Although legislation is not always welcomed by the business community, it can level the playing field so laggard companies no longer externalize their costs. Leading companies who have already volunteered to implement a new policy or procedure to address a challenging issue such as conflict minerals, should embrace legislation. When possible, it is recommended that companies work together with SRIs and NGOs to positively influence legislation so it addresses the challenges at hand and meets the concerns of the largest quantity of diverse stakeholders possible.

RECOMMENDATIONS & NEXT STEPS

To help put an end to one of the worst conflicts in history, everyone has a role to play. Stakeholders throughout the world who are using these minerals in the products they consume, manufacture, or are invested in all have a responsibility to ensure that the materials contained in them are not contributing to the ongoing violence in the DRC. Even though it is the role of governments to create peaceful and stable environments for their people, the private sector can encourage and support governments in achieving their obligations. A holistic approach is needed by each company that not only includes transparent and accountable supply chains, but also supports effective diplomatic action and contributes to sustainable economic development.

Each company needs to take a holistic approach that fosters transparent supply chains and contributes to economic development in the Congo.

There are many activities related to the DRC and the GLR provided in this paper, which is a resource for companies to be easily engaged in conflict-free mineral sourcing, diplomatic discussions, and economic development in the region.

- Each company needs to take a holistic approach to sourcing its 3TG. In addition to presenting disclosure reports to the SEC, companies should not only communicate and publicly disclose their policies on conflict minerals, but also implement and audit supply chain traceability programs, educate sourcing staff, and contribute to certification processes.
- Investors are looking for companies to be fiscally responsible and to take actions that will minimize their material and reputational risks. If companies participate in and coordinate their efforts, they will minimize costs, improve efficiencies, and reduce risks in both their supply chains and the countries where their raw materials originate.
- Companies should be engaged with their stakeholders including consumers, suppliers, NGOs, and industry associations. Multi-stakeholder groups and industry associations groups can collectively contribute to downstream traceability systems, smelter audits, in-region certification systems, diplomatic discussions, or economic development activities. Company engagement with respective industry groups is a critical component towards implementing industry-wide standards for conflict-free mineral sourcing and achieving a peaceful, stable, and prosperous Congo.
- Investors should encourage less-engaged industries such as the medical device, tooling, toy, retail, aerospace/defense, food packaging, and apparel and footwear industries to follow the lead of their more engaged counterparts in the ICT, jewelry, and automotive sectors. The smelters not yet on the CFS list, and tungsten smelters especially, need to start doing their due diligence and go through the verification process as quickly as possible.
- The investor community expects companies to take specific accountability, diplomatic, and development actions in addition to abiding by the transparency requirements of Section 1502. These actions will help establish proactive corporate responsibility policies and practices that companies in each industry should adopt so they can be applied to similar issues in other aspects of their value chains in the future.
- To be certain that a company's 3TG minerals are conflict-free, the DRC must be conflict-free. In addition to supply chain disclosure, peace and stability in the Congo must also be a priority. To achieve this, companies should support the national and international diplomacy and policy frameworks, initiatives, and activities discussed in this paper.
- Companies throughout the supply chain should contribute to local capacity building and economic development efforts because this will allow local communities in the GLR to prosper, thereby creating

stable and conflict-free environments. There are a plethora of development projects and foundations in need of companies' financial support to promote community development, peace, and stability in the DRC.

- Rather than just sourcing 3TG minerals from other global sources, investors should encourage companies to source conflict-free material originating in the DRC and neighboring countries. Companies should not encourage a *de facto* ban on DRC minerals since hundreds of thousands of people depend upon mining for their livelihood and there are several closed-pipe solutions that are already operational.

CONCLUSION

Digging into a supply chain beyond the first or second tier can be a daunting task. However, if any of the materials inside a manufactured product can be linked to violence in the DRC, there is responsibility that needs to be taken. Although the rule for Section 1502 is at last finalized, legislation is not enough. Disclosing where minerals come from, even in addition to creating, verifying, and purchasing conflict-free minerals, will not end the conflict. Having a conflict-free environment and controlled borders is what is needed in the DRC for there to be a supply of minerals from the region that contributes to peace and prosperity for Congolese people.

Even though it is the role of governments to create peaceful and stable environments for their citizens, the private sector can encourage governments in fulfilling their obligations. A holistic approach is needed by each company that not only includes transparent and accountable supply chains, but also supports effective diplomatic action and contributes to sustainable economic development.

Investors should encourage companies from all industries operating at all stages of the value chain to support existing efforts that promote transparency, accountability, diplomacy, peace, and economic development in the GLR. Investors are looking for companies to take actions that will minimize their material and reputational risks as well as be fiscally responsible. If many companies participate in and coordinate their efforts, they will minimize costs, improve efficiencies, and reduce risks in both their supply chains and the countries where their raw materials originate. Sustainable and responsible investors want companies to source their minerals from the DRC and neighboring countries in a certified ethical and sustainable way so they contribute towards building a conflict-free environment. Due to the hundreds of thousands of Congolese people dependent upon mining for their livelihood, it is extremely important to not support a *de facto* ban on the GLR. Companies are already exercising due diligence processes and participating in measures designed to support a mining sector in the DRC that brings real benefit to the Congolese people and builds a conflict-free Congo. To be successful, existing efforts need support by more industries and companies, and investors can reward companies when they make this happen.

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