Conflict Minerals: the Current State of Play

International Copper Study Group ICSG/EEC38/1
Environmental and Economic Committee meeting

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About GeSI

**Who we are:** a strategic partnership bringing together companies active in the **ICT sector** and international organisations committed to creating and promoting technologies and practices that foster **economic, environmental** and **social sustainability**, while driving **economic growth** and productivity.

**Our mission:** to be the globally recognized thought leader, partner of choice and **proactive driver** of the **ICT sustainability agenda**.

**Our vision:** A sustainable world through responsible, **ICT-enabled** transformation.
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Background

Conflict resources/commodities: natural resources extracted in a conflict zone and sold to perpetuate the fighting

- “Blood diamonds” (Angola, Sierra Leone)
- Timber (Liberia, Cambodia)
- Conflict minerals (Great Lakes Region)

Dodd-Frank Act, § 1502 focuses on the 3TG:

- Columbite-tantalite refined into tantalum (Ta)
- Cassiterite refined into tin (Sn)
- Wolframite refined into tungsten (W)
- Gold (Au)

Mined in the Democratic Republic of Congo and adjoining countries → accounting for 17% of the global production of Ta, 4% of the global production of Sn, 3% of W and 2% of Au
Global initiatives (1/2)

Dodd-Frank Act §1502

- Requires US-listed companies to report to the Securities & Exchange Commission (SEC) and disclose annually their due diligence efforts on the origins of 3TG used in their products
- Mandated the SEC to develop implementing regulations → SEC final rule on compliance with Dodd-Frank Act
- First reports submitted by May 31, 2014

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

- Government-supported, multi-stakeholder initiative
- Non-binding recommendations for use by any company potentially sourcing minerals or metals from conflict-affected and high-risk areas
Global initiatives (2/2)

**ITRI Tin Supply Chain Initiative (iTSCi)**
- Assists upstream companies (mine to smelter) in conforming with OECD Guidelines when sourcing cassiterite from the Great Lakes Region
- Designed for use by industry, with oversight from government officials
- Includes mineral chain-of-custody information in keeping with the requirements of the EICC-GeSI Conflict-Free Smelter Programme

**Responsible Jewellery Council (RJC) Certification**
- Two certification programmes supported by standards
  - RJC Member Certification, addressing a variety of supply chain-related issues
  - RJC Chain-of-Custody Certification, applicable to the flow of precious metals (gold, platinum, palladium and rhodium) in the supply chain

**London Bullion Market Association (LBMA) Responsible Gold Guidance**
Conflict-Free Sourcing Initiative (CFSI)

A joint GeSI-EICC initiative, launched in 2010 to help companies meet their reporting obligations through:

- Support to in-region sourcing schemes
- **Conflict-Free Smelter Program (CFSP)** requiring the application of the OECD Guidelines to identify smelters and refiners sourcing conflict-free minerals
- **Conflict Minerals Reporting Template (CMRT)** to help companies gather due diligence information in a common format
- Company assurance – Due diligence practices
- Cross-sector work for improved efficiency and best practice sharing

Currently gathering over 200 companies from 7 sectors
In-Region Sourcing Schemes

CFSI works closely with iTSCi to support legitimate mining

- iTSCi validates mine sites and material shipments through “bag & tag” approach → two types of bar-coded tags, mine tag and negociant/processor tag, attached to minerals bags at the first two points of the supply chain (extraction and processing)

- Incidents in the supply chain reported to CFSI and other iTSCi members

- Flexible to work with existing or new programs implementing OECD Guidelines

Source: ITRI – All rights reserved
Conflict-Free Smelter Program (CFSP)

Why here?
- Conversion of distinguishable starting material into an indistinguishable product
- Small numbers → 3TG smelter/refiners <500 companies globally
1. Sends request to direct suppliers

2. Sends request to sub-suppliers

3. Cascades through supply chain until smelters identified. Sub-suppliers return template to suppliers.

4. Direct suppliers return aggregated roll-up template

5. User returns final aggregated roll-up template

Customer

Original User

Direct Suppliers

Sub-Suppliers

Smelters
Company Assurance – Due Diligence Practices

Development, integration and maintenance of tools and processes supporting downstream companies’ management systems and risk assessment activities:

– CMRT
– Establishing resources and processes to support data collection and analysis
– Release of revised **White Paper** providing practical steps for downstream companies to:
  • Interpret the OECD guidelines
  • Link to SEC reporting obligations
  • Incorporate use of CFSI tools and programs
– Release of **FAQ** document on company assurance and conflict minerals disclosure
Effects on the ground*

Initial feedback on Dodd-Frank Act and the SEC rule

– “Chilling effect”: all mining activities **halted** in the DRC for six months after law’s signature (autumn 2010)

– Process to **involve government** in conflict-free certification proceeding at slow pace → Only 11 out of >900 mines in South Kivu certified by the government as conflict-free in October 2014

– **Enough Project report** released in June 2014:
  
  • Price of minerals not certified as conflict-free decreased by 30 to 60% thus reducing profits for armed groups trying to sell them
  
  • Armed groups not present anymore at 67% of the 3T mines surveyed**
  
  • Gold continues to finance armed groups due to high smuggling rates (an estimated 98% of the artisanal gold mined in the DRC)
  
  • >40% of the global 3TG smelters/refiners have passed third-party conflict-free audits.

*This slide presents a literature review **which does not necessarily reflect the opinion of GeSI or its members**

** Survey carried out on 14 mines in Eastern Congo
The EU approach

Commission proposal published in March 2014
– Sets up a self-certification scheme for companies placing raw materials on the EU market
– Focuses on 3TG regardless of geographic origin
– Proposes a joint EU-OECD “white-list” of certified smelters/refiners

Parliament INTA Committee adopted report on 14 April 2015
– Makes scheme mandatory for EU-based operators (5% of the global industry)
– Introduces a “responsible importer” label for 3TG importers and a “certification of responsibility” for downstream operators
– Foresees technical and financial assistance to SMEs to encourage uptake of the self-certification initiative

Plenary vote expected in May (tbc)
The broader context

- Multiple requests to companies for increased transparency on supply chain practices
- Holistic approach to supply chain management
- Responsible sourcing and management of natural resources
- Supporting democracy and rule of law in developing countries
- Trade policy
- Foreign policy
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Further reading

- CFSI website
- CFSI White Paper
- CFSI FAQ

- Dodd-Frank Wall Street Reform and Consumer Protection Act
- Conflict minerals compliance blog

- Proposed EU Regulation on conflict minerals – Legislation tracker
- Enough Project report “The Impact of Dodd-Frank and Conflict Minerals Reforms on Eastern Congo’s Conflict” (June 2014)
- Civil society open letter on the conflict minerals approach in the DRC (September 2014)
- Enough Project guidelines for companies investing in the DRC’s minerals sector (July 2014)