

## **Sustainability Investment News**

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### **Investors Urge Companies to Keep Minerals from War-Torn Congo Out of Supply Chains**

by Robert Kropp

Minerals smuggled out of the Democratic Republic of the Congo are funding the conflict there by entering the corporate supply chains of several industries, and investors are requesting that companies take steps to end the process.

SocialFunds.com -- A coalition of 59 investors, representing almost \$200 billion in assets under management, have issued an Investor Statement requesting that companies in the electronics and other industries ensure that minerals from the Democratic Republic of the Congo (DRC) do not enter their supply chains and the consumer products they manufacture.

Civil war in the DRC has been raging for years. It is estimated that more than 5 million people have lost their lives there, due either to direct violence or through the disease and malnutrition that is a direct result of the conflict. In addition, more than 100,000 refugees have fled the country. The widespread sexual violence practiced by the warring factions has been called a crime against humanity by US Secretary of State Hillary Clinton.

In a July 2009 report, Enough, a project of the Center for American Progress, stated, "Most diplomatic efforts seem not to acknowledge that the conventional image of Congo as a failed state is at variance with a dark and little-acknowledged reality: that the Congolese government often promotes insecurity and lawlessness to allow its top officials to enrich themselves in the illegal smuggling of Congo's natural resources."

According to the Investor Statement, the conflict "is fuelled by various militias who reap their profits by controlling the country's vast natural resources. According to the United Nations, over 50% of the mines in Eastern Congo are controlled by warring armed groups."

The Statement continued, "These DRC minerals enter a complex supply chain and subsequently make their way into products such as cell phones, laptops, and video game systems, as well as components for automobiles, airplane engines, medical devices, and other products."

SocialFunds.com spoke with Patricia Jurewicz, Director of the Responsible Sourcing Network at As You Sow, an organization whose mission includes engaging corporations in the adoption of socially responsible activities.

“Militias demand bribes and unofficial taxes, and actually take over mines, to gain funds for the purchase of arms,” Jurewicz said. “Minerals are being smuggled out of the DRC and into Rwanda and Uganda, and from those countries make it into corporate supply chains and the market.”

Jurewicz continued, “Investors see the need for companies to be responsible throughout their supply chains.”

Referring to the Investor Statement, Jurewicz said, “Our intention is to use this statement by sending it to companies in the automotive, aerospace, and medical device industries to encourage responsible sourcing. We’re looking for the statement to be an educational piece, as well as encouragement to get involved.”

The Statement noted that, “Since 2001, some electronics companies have taken initial steps to address sourcing materials from the DRC.”

Lauren Compere, Senior Vice President and Director of Shareholder Advocacy at Boston Common Asset Management, told SocialFunds.com, “The electronics industry has taken up the issue of trying to better understand the flow of these materials through their supply chains.”

Some of the initiatives undertaken by the electronics industry include the Electronic Industry Citizenship Coalition (EICC), which was formed in 2004 to improve social, economic, and environmental conditions in the global electronics supply chain. In February, 2009, EICC members stated, “Mineral extraction and transport activities that fuel conflict are unacceptable.”

Another initiative referred to in the Statement is the Global e-Sustainability Initiative (GeSI), a consortium of companies in the Information and Communications Technology Sector (ICT) whose Supply Chain Initiative commissioned a June 2008 report on minerals extraction that concluded that electronics companies, as well as companies in other industries, could influence socioeconomic conditions relating to their purchased materials by developing a better source of tracking the minerals that enter their supply chains.

An effort along these lines has been undertaken by RESOLVE, a nonprofit whose Supply Chain Mapping Project is investigating the supply chains for tin, tantalum, and cobalt, in order to assess suppliers’ codes of conduct addressing social, environmental, health, and labor issues.

According to Jurewicz, electronics companies that have responded to a group of investors coordinated by the United Nations’ Principles for Responsible Investment

(PRI) include HP, Dell, Motorola, and Intel. Among those who have not responded are SanDisk, Sharp, Toshiba, and Canon.

The Investor Statement requests that companies publicly condemn the use of mineral revenue that funds the conflict in the DRC, develop policies and procedures to identify the origin of minerals entering their supply chains, work with suppliers to ensure that conflict minerals are not entering supply chains, and work with stakeholders to support strategies to end the conflict.

Jurewicz said, "We are encouraging companies to engage with governments on the diplomacy front. The voice of corporate America in addressing these issues is a responsibility of companies."

Compere said, "The point of the statement is to engage a broad group of companies involved in these minerals to encourage an industry-wide response. For instance, we've asked companies to be involved in the metals mapping project of RESOLVE."

Referring to the successful engagement with companies over the use of forced child labor in the cotton fields of Uzbekistan, Compere said, "The model of engagement on Uzbek cotton has led to over fifty companies taking some sort of action. During the early months of 2010, our intention is to bring together stakeholders and support the leaders in the effort to restrict conflict minerals in supply chains."

Asked whether more aggressive shareowner actions such as shareowner resolutions are being contemplated, Compere said, "At present, our model is one of collaboration instead of confrontation."

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