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The project to end genocide and crimes against humanity

Getting to Conflict-Free

Assessing Corporate Action on Conflict Minerals

By the Enough Project[1] December 2010

Executive summary

Violent conflict has persisted in eastern Congo for more than a decade and a half, causing more death than any war since World War II. Although Congo's conflict stems from long-standing grievances, the trade in conflict minerals provides the primary fuel for the conflict.[2] Worth hundreds of millions of dollars per year, the conflict minerals trade provides incentives for rebel groups, militias, and criminal networks within the Congolese army to control strategic mines and trading routes through patterns of violent extraction and deeply exploitative behavior.[3]

Minerals extracted from eastern Congo—the ores that produce tin, tantalum, tungsten, or the 3Ts, and gold—are essential to the electronics devices we use and depend on every day. Tin is used as solder on circuit boards in every electronic device we use; tantalum stores electricity and is essential to portable electronics and high-speed processing devices; tungsten enables cell phone vibration alerts; and gold is not only made into jewelry, but is also used in the wiring of electronic devices. These minerals are central to the technologies that have allowed our culture to thrive and that drive our businesses, our communications infrastructure, our social engagement, and our national security.

With this in mind, two years ago the Enough Project initiated engagement with major electronics companies on conflict minerals, writing to 21 consumer electronics industry leaders to call their attention to this issue and inquire about the steps they were taking to ensure their products were conflict-free.[4] Our objective was to have companies at the top of the minerals supply chain use their buying power to influence their suppliers, exerting pressure down the supply chain, a model of change that has had success in the apparel, forestry, and diamond sectors. Since then, we have seen dramatic changes, including the passage of conflict minerals legislation in the United States, and an evolving multilateral architecture for supply chain due diligence from the United Nations and OECD.[5] We have also seen a host of efforts initiated by companies, governments, and NGOs, both in Congo and internationally, to trace supply chains back to their sources, independently audit chains-of-custody, and conceptualize certification schemes similar to the Kimberley Process for conflict diamonds.[6]

Despite this progress, there is still a long road ahead. The violent extraction of mineral resources continues to stoke conflict on the ground in eastern Congo, and consumers still have no way of knowing whether the products they purchase are indirectly financing the violence. Although it will take a collective effort by multiple industries to curtail the demand for conflict minerals, the impetus for such efforts will continue to arise in large part from conscious consumers. A major part of the solution will be driven down through the supply chain by responsible corporations making choices about the steps they can take with the suppliers with whom they choose to do business.

Enough has engaged with industry-wide efforts, specifically the work of the Electronics Industry Citizenship Coalition/Global e-Sustainability Initiative, or EICC-GeSI Extractives Working Group, because it "aggregates the commercial leverage," as the chief operating officer of a major electronics company told us. However, as we have observed and as this report details, absent sustained leadership from individual companies, industry-wide efforts can also lead to a lowest common denominator response incommensurate to the scale and urgency of the issue. Individual actions by companies have a critical role in buttressing industry efforts through supply chain tracing, contractual obligations, and supporting certification.

Enough presents an initial ranking on the progress made by the 21 electronics companies with whom we have engaged in this survey.[7] The report focuses on the efforts within the industry to address the conflict minerals issue and also assesses the response of other industries that are reliant on the 3Ts and gold. These rankings are an effort to provide consumers with the information they need to purchase responsibly, as well as a means of encouraging companies to continue to move forward in good faith. We are hopeful that as the rankings are updated in subsequent reports, scores will improve along with methodology as the process for tracing, auditing, and conflict-free certification evolves.

Toward conflict-free electronics

A group of six electronics companies are leading industry efforts to address conflict minerals. Two-thirds of the companies included in our rankings are taking limited action on this issue, with the bottom third effectively nonresponsive. The 21 companies used in this ranking are leaders in terms of profit and market share, and they set the tone and direction of wider industry efforts. As electronics companies reap record profits, it is important that they work with urgency and focus to implement internationally agreed upon standards for supply chain due diligence in order to demonstrate to consumers that their products are verifiably conflict-free. Intel, Motorola, and HP have emerged as leaders, visiting suppliers and chairing industry-wide efforts to audit one of the conflict minerals: tantalum.

Additionally, six companies stood out for having investigated their supply chains in detail, some to the point of fully identifying their minerals smelters. The smelters represent the crucial chokepoint in the supply chain, where minerals are processed into metals, and are therefore key to ethical sourcing.[8] These six companies were HP, Microsoft, Apple, Nokia, Acer, and Intel. Several of these companies visited their smelters in far-off locations such as western China. AMD, Dell, and HP also helped lead a multi-stakeholder effort with NGOs to ensure that the U.S. conflict minerals legislation will be implemented effectively, following lobbying by Motorola and RIM that helped get the bill passed.

These companies prove that progress is achievable. They go significantly further than what industry believed possible two years ago—that addressing conflict minerals would be virtually impossible due to the complexity of supply chains. Yet the laggard companies still cite these excuses for inaction. One firm surprised us with their answer, "It is practically impossible to audit deep into the supply chain," despite the tantalum audits already being conducted by leading companies in 2010. A middle tier of companies has begun to take action recently. For example, five other companies—RIM (Blackberry), Philips, LG, SanDisk, and Toshiba—began supply chain tracing initiatives that are not yet completed but are beginning to show results.

Five other key end-user industries—auto, jewelry, industrial machinery, medical devices, and aerospace in particular—have been largely silent and are only now beginning to confront the role of conflict minerals in their supply chains. These industries will have to become more involved, in order to comprehensively solve the problem. As Motorola, the co-chair of the EICC-GeSI told us, "If the goal is to stop the flow of money to illegal armed groups then, like stopping the flow of water in a river, the dam must be built all the way across. [We] have an obligation to do our part, which we fully accept. To succeed, other industries and governments also must do their part."

The recent passage of the conflict minerals provisions section 1502 of the Dodd-Frank Wall Street Reform act will require that companies in these other industries also report annually to the SEC on whether these minerals exist in their supply chains, and if so, the steps taken to ensure they are not contributing to the ongoing conflict. These other end-user industries, both individually and through their trade associations, should engage in cross-industry efforts, taking the lead in the creation of tracing and auditing systems for the materials they consume most. For example, the jewelry industry should lead on gold, and auto and industrial manufacturers should lead on tungsten. If well-coordinated, this could help to reduce burden, streamline efforts, and close loopholes.

The Enough Project ranked electronics companies on actions in five categories that have significant impact on the conflict minerals trade: tracing, auditing, certification, legislative support, and stakeholder engagement. The survey focused on the electronics industry because it is the main combined end-user of the four conflict minerals from eastern Congo: the 3Ts and gold. We chose the top industry leaders in five main consumer electronics products: mobile phones, computers, televisions, MP3 players, and video game systems. In total, there were 18 specific criteria in the five categories (see Appendix 1):

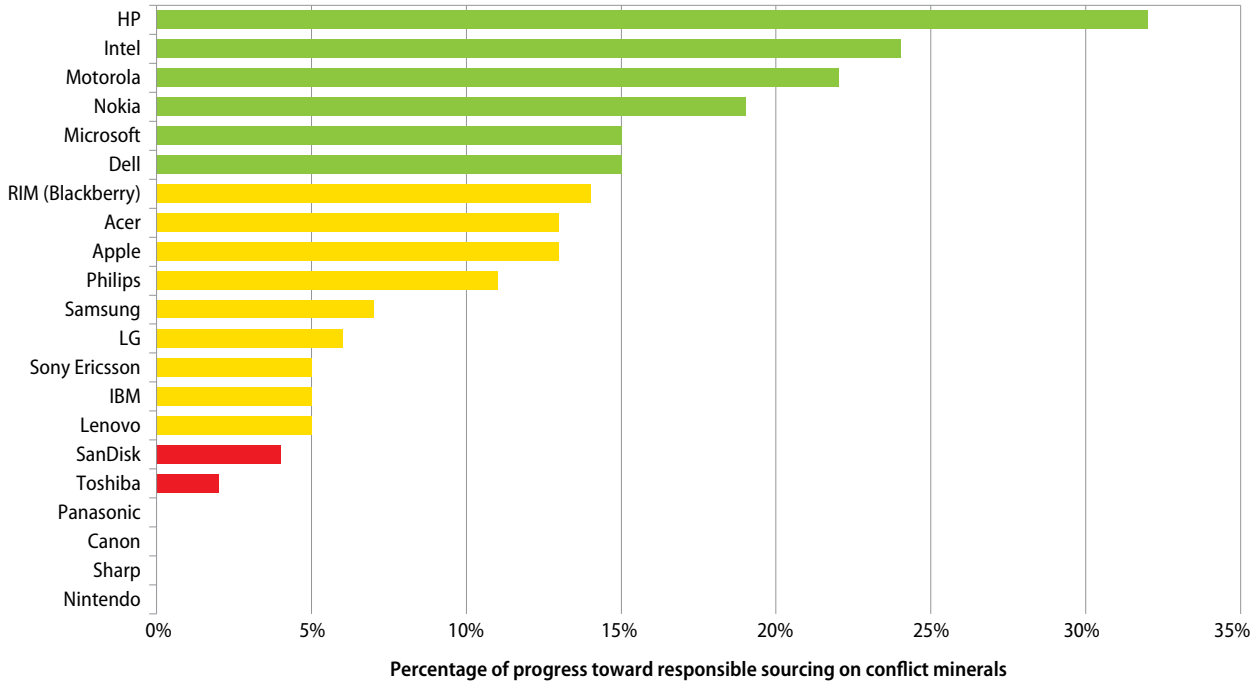
1. **Tracing:** Has the company traced its suppliers of tin, tantalum, tungsten, and gold (3TG)? (four questions)
2. **Auditing:** Does the company have audits conducted of its suppliers of the 3TG minerals to determine mine of origin and chain of custody? (six questions)
3. **Certification:** Has the company taken concrete steps to develop an international certification regime for the 3TG minerals? (three questions)
4. **Stakeholder engagement:** Has the company had regular engagement with the NGO coalition, led by Enough, on the conflict minerals issue? (two questions)
5. **Support for legislation:** Has the company supported the legislation on conflict minerals? (three questions)

Additionally, we included information on the company's broader supply chain sustainability policies by documenting the company rankings on the Greenpeace *Guide to Green Electronics* and Newsweek's *Green Rankings*. Because each company was not ranked in these surveys, and they do not yet touch on conflict minerals, we did not rank companies on these criteria.

The survey is an initial ranking aimed at providing an early glimpse at progress made by companies to address the issue. Solving the conflict minerals problem will require a multiyear strategy, and thus we plan to update the rankings regularly, taking into account company progress on the main areas of work on the issue.

The details on how each company scored on the specific criteria is available on our website, enoughproject.org.

Electronics companies ranked by progress on conflict minerals



The top tier: leading companies

Six companies scored at the top of the rankings for demonstrated leadership on the conflict minerals issue: HP, Intel, Motorola, Nokia, Microsoft, and Dell.

Leading industry-wide action. The electronics industry initially moved slowly to respond to the conflict minerals issue. Despite a statement from the EICC-GeSI committing to supply chain action in 2009, much of this work was outsourced to an NGO, Resolve, which issued a report on mapping the supply chains for key metals used in electronics.[9] However, in late 2009, Intel's senior vice president of manufacturing decided "enough was enough" and sent the company's specialist engineers to lead industry action, starting by hosting a supply chain meeting with 52 tantalum company representatives in September 2009. From that point on, the electronics industry commenced efforts not just to research the issue but to develop an actual supply chain audit for tantalum. Intel and Motorola volunteered to lead an industry working group that they co-chair within the EICC-GeSI to work on the auditing process.

In 2010, the EICC-GeSI then began the daunting task of delving into the electronics supply chain, visiting 11 tantalum smelters around the world, from Mongolia to Thailand to Germany. Thirteen other leading companies from this survey are members of this working group, including four companies that joined the group in 2009-10, and several firms also participated in the smelters visits themselves, including Dell, HP, and Nokia.[10] These industry-wide efforts are significant steps in helping to close the gap in the procurement process for tantalum, which has been characterized by vague, unverified assurances by suppliers that their materials were conflict-free.

Supply chain tracing. While industry-wide action is important, so are the steps of individual companies. HP, Intel, Microsoft, Apple, Nokia, and Acer surveyed suppliers, visited factories, and attempted to find loopholes in suppliers' answers on their sourcing of minerals. For example, one company's suppliers informed it that they sourced tin ore from Japan, yet Japan does not produce tin ore. Another company had identified all but two of its smelters for the 3T minerals, and they planned to finish this investigative work by the end of 2010. Going beyond the industry standard, HP published its list of suppliers, including one smelter, and did not suffer competitive disadvantage. Supply chain investigation work is critical; it is the first step to taking responsibility for a company's chain of custody from mines to final products. RIM (Blackberry), Philips, Toshiba, SanDisk, and LG have also begun individual tracing in recent months, and deeper efforts from these companies would be welcome.

Supporting legislation. At a time when Congressional legislation on conflict minerals was under fire from other companies and lobbyists, some companies, such as AMD, Dell, Motorola and RIM actively supported legislation that became the Dodd-Frank Act. These companies issued supporting statements for legislation at different points

during the process, importantly supporting not just the general intentions of the legislators, as did many companies and industry groups, but the actual legislative language that was moving through the House and the Senate. Following two years of bipartisan legislative work by Sens. Sam Brownback (R-KS), Richard Durbin(D-IL), Russ Feingold (D-WI), and Reps. Jim McDermott (D-WA), Donald Payne (D-NJ), Frank Wolf (R-VA), Ed Royce (R-CA), and Barney Frank (D-MA), there is now a law that requires all manufacturing companies registered with the SEC to investigate their supply chains and conduct due diligence. The passage of this legislation is in no small part due to the support of these companies.

AMD, Dell, and HP also took action following the passage of the bill to make sure it will be implemented effectively and to close off certain loopholes. During the second half of 2010, AMD co-chaired a multi-stakeholder work group with Enough to draft a submission to the SEC with recommendations on specific reporting requirements for companies. Dell and HP, along with GE and Ford, signed onto the final agreed document in November 2010 and presented it to the SEC alongside several NGOs.

The middle tier: room for improvement

Showing promise but more needed. Companies such as Apple and Acer have taken positive first steps on conflict minerals but have been opaque in their efforts. Apple has shown high-level interest from its senior management in strengthening the industry-wide EICC audit program, and their leadership on that effort could help improve the oversight and transparency of that process. Both Apple and Acer have conducted supply chain investigations with significant response rates. Apple also has a strong internal audit policy, having audited 102 of its suppliers on environmental and labor standards in 2009 and having published the results of these audits. This is a high bar to set relative to industry standards. Apple should apply this model to its suppliers and smelters of 3T and gold materials. Acer conducted a supply chain survey on conflict minerals, with an impressive 90 percent response rate, and should make the result of this survey public.

Starting to engage. In our two years of working with leading electronics companies, companies such as LG, Philips, RIM and Samsung have moved from silence to cautious engagement on conflict minerals. Samsung, and LG all joined the EICC-GeSI Extractives Working Group within the past year, and are beginning to show signs of involvement. Although based in Canada, RIM issued a supporting letter helping the U.S. congressional legislation along in November 2009, and LG issued a global procurement policy to verify the origin/source information of 3T and gold materials to confirm that they are not obtained through illegal mining. In addition, Philips conducted lobbying in the Netherlands and with the European Union to press for further governmental action on conflict minerals.

These are positive steps, and we welcome these efforts. However, much more action is required. Samsung posted record profits last quarter of $3.97 billion; LG is the number two global company in TV sales, and RIM is a leader in smartphone sales.[11] We would, for example, welcome a similar supporting statement from RIM on the pending conflict minerals bill in Canada, S-471.[12] LG should set up an independent audit system for verifying the mine of origin results of its supplier procurement policy. Philips could also lobby for a European bill similar to the Dodd-Frank legislation on tracing and auditing.

Vague assurances. Several companies in the middle of the pack, such as IBM, Sony Ericsson, and Lenovo are members of the EICC-GeSI working group, which is helpful, but additional action to aid in the solution is necessary. One company's sole response to our survey, for example, was "We support an industry approach to address the conflict of minerals issue," without elaborating on any of its actions or plans. We certainly recognize the value of the industry efforts, but all associations require participation and leadership from individual companies to operate effectively. Furthermore, industry associations are unable to harness the supplier relationships, purchasing power, and contractual obligations, that are the instruments of change in the supply chain. By adding individual action to the collective effort, IBM, Sony Ericsson, and Lenovo can significantly increase the impact of the overall industry's effort.

The lowest tier: a call to action

Just scratching the surface. Companies like SanDisk and Toshiba are not members of the EICC smelter program, have been silent on legislation, have ignored requests from NGOs to meet on the issue, and do not have internal audit policies on conflict minerals. There is much more that these companies can do. On a positive note, SanDisk and Toshiba have begun tracing initiatives this year. SanDisk recently conducted a supplier review on conflict minerals, and Toshiba investigated one gold and one tin supplier. However, it would help to gain better clarity on what these surveys consisted of, and for these companies to take concrete steps on tracing, auditing, and certification, in which the leading companies have paved the way.

Refusing to acknowledge the problem. In the past two years the spotlight on the connection between conflict minerals from Congo and global electronic companies has continued to grow. Despite the significant attention in the media, statements from governments, and continued activism, Nintendo, Canon, Sharp, and Panasonic still refuse to acknowledge or deal with the problem. To our knowledge, none of these companies has begun supply chain tracing exercises, joined industry-wide audits, included conflict minerals in its internal audits, or mentioned conflict minerals in its corporate social responsibility reports. It is essential that these companies take the steps to join the EICC-GeSI Extractives Working Group, investigate supply chains, and audit their suppliers.

Industry-wide efforts: EICC-GeSI actions

One of the most promising indicators of company action has been the sector-wide initiative taken through the electronics industry trade association's EICC-GeSI. The EICC pulls together 51 of the largest electronics, information, and communications technology companies in the industry—including companies like Apple, HP, and Intel—and acts as a central policy making body to establish codes of conduct for social, environmental, and human rights standards. GeSI pulls together major telecommunications firms. Through its joint Extractives Work Group, which includes 15 of the companies ranked in this report as well as mining and mineral processing companies, the EICC launched the sector-wide, "Smelter Validation Program," in 2010 as a pilot audit system of tantalum suppliers.[13] The program is focused on creating a third-party auditing system to examine the procurement practices of the world's 12 major tantalum smelters, which account for roughly 80 percent of world tantalum processing.

In addition, the EICC-GeSI is supporting the pilot supply chain initiative of the international tin industry trade group, ITRI. The aim of the initiative, known as iTSCi, is to enable the tracing of minerals from Congo and Rwanda through tracking shipments of tin and tantalum ore from the source of origin. The system's concept is to track the minerals downstream through a "bag and tag" tracking system that attaches a tag and bar code to each shipment starting at the mine of origin, though there is still lack of transparency regarding independent checks/risk assessments in the system. The EICC-GeSI has informed us that it is now working to engage the tin supply chain on smelter validation similar to that of their tantalum smelter validation program.

These processes have seen both successes and failures. It is positive that electronic companies have moved beyond accepting vague assurances from suppliers and have started to implement actual audits. However, questions still remain concerning the data transparency and governance structure of the organization itself. For example, the audits will only be effective on the ground in Congo if key information is disclosed and cross-checked, such as volumes of shipments and the capacity of mines to actually produce the amounts of minerals they claim they produce. Maximum disclosure of the audits—i.e. transparency—to the public or at minimum to an oversight committee made up of civil society and company representatives will enable consumers and companies to make informed choices about which companies and suppliers to purchase from.

The important lessons from audit processes in other sectors, such as fair labor, forestry, and oil revenue transparency show the need for an oversight structure for the audits that includes both companies and civil society.[14] Such a governance structure is necessary in order to provide checks, balances, and transparency in the overall process. The EICC-GeSI validation system still lacks this structure, as it is currently controlled by and paid for solely by companies. While third-party companies conduct the audits, the system is still overseen only by companies. The process will require much greater independence and data transparency in order to make it credible, effective, or sustainable.

The EICC-GeSI pilot audit only addresses tantalum. While the EICC-GeSI has stated that work is beginning on tin and potentially tungsten and gold, there is a need for expediency. Other industries must engage in this process, as their consumption of the same minerals is significant. Nevertheless, electronics companies are still important users of tin, tungsten, and gold, and they have developed a useful model for mineral supply chain audits through the smelter validation system that can be used and improved upon for other materials.

The majority of the companies addressed in this survey are members of the EICC-GeSI body. There are also some who are not: Panasonic, Nintendo, Canon, Toshiba, Sharp, and SanDisk. The more this group represents the full spectrum of the electronics industry, the more effective it will be, so it is important for these companies to become part of the process. EICC-GeSI is moving in the right direction to play a critical role in establishing the systems that will allow consumers to begin to buy conflict-free electronics products. Nevertheless, industry must understand the necessity for transparency, as well as input into process from outside its own walls. A successful certification regime will be dependent on multi-stakeholder input, including from regional governments, civil society, international partner governments, and NGOs.

The need for other industries to act

The minerals that fuel the conflict in the Congo are not exclusive to the electronics industry alone. Several other major global industries rely on these minerals as critical components of their end products. The auto industry, aerospace, industrial machinery, jewelry, and medical supply manufacturers are five major industries that not only heavily rely on minerals extracted from the Congo, but will also be required to report to the SEC on their sourcing mechanisms, just as electronics companies and manufactures are now required to do. These other industries will also be critical to the success of an international conflict mineral certification scheme.

The companies in these sectors have been notably silent on the conflict minerals issue. Jewelry companies were exposed last year on an award-winning segment of CBS's *60 Minutes* as a main purchaser of conflict gold, but we have not seen action from jewelers on this issue yet.[22] The automotive industry has started limited consultations, and we welcome Ford's signing of the multi-stakeholder submission to the SEC to tighten the regulations on conflict minerals legislation. We are not aware of any action from the aerospace, industrial machinery, and medical device industries on the issue to date. Their leverage is needed now at this critical juncture. In the wake of legislation, a handful of companies are just beginning to engage on the issue.

These companies should not only join with the electronics industry groups and individual companies to assist in the conflict-free certification process, but to also lead within their own industries to identify the primary points of usage of these materials and to set

Conflict minerals in other industries

Jewelry: Jewelry is the main end-use for gold, making up approximately 60 percent of world gold demand.[15] Wal-Mart is the leading jewelry company in U.S. jewelry sales, while Sterling Jewelers, Zales, Macy's, Tiffany, and QVC are significant players with over $1 billion in U.S. sales in 2009.[16] The main industry association in the U.S. is the Jewelers of America, or JA, with the World Gold Council, or WGC, and Responsible Jewelry Council, or RJC, two other important associations.

Auto: The 3Ts are pervasive in automotive electronics systems and various parts through steel alloys. The emerging field of hybrid and electric vehicles also rely heavily on the use of these minerals in circuitry, cutting-edge batteries, and other amenities such as navigation and entertainment systems. Tungsten's high density and high temperature resistance also make it essential to the manufacturing of pistons, crankshafts, and other parts.[17] Six companies make up 80 percent of car sales in the United States, with General Motors, Toyota, and the Ford Motor Company as the leaders.[18] The Automotive Industry Action Group, or AIAG, is led by Ford and has begun to be active in working to address the conflict mineral issue in their various supply chains.

Aerospace: In the aerospace industry conflict minerals are used in multiple parts from jet-engine turbines and satellites, to rivets, nozzles, and computer-guided weapons systems. The advanced technological demands of this sector require, for example, the use of tin solder and tantalum capacitors similar to that used in our smartphones and laptops, but on a larger scale. Boeing, United Technologies, Lockheed Martin, General Dynamics, and Raytheon are the leading companies.[19] The Air Transport Action Group, or ATAG, is a major industry association.

Industrial machinery: Industrial machinery companies use conflict minerals in industrial cutting tools—particularly tungsten—as well as in modern, computerized equipment like earthmoving vehicles and industrial tractors. Factory equipment that uses advanced technology to sort or process goods, including steel alloys, need the heavy and/or heat resilient qualities of tantalum or tungsten. Caterpillar, John Deere, and Illinois Tool Works are the U.S. leaders in this industry. European ABB and Schneider Electric also major global players.[20] The Association of Equipment Manufacturers, or AEM, is a main industry association.

Medical devices: Finally, the medical supply manufacturing sector uses conflict minerals in products such as x-ray machinery and the pins, plates, and prosthetics used in surgeries and life-saving treatments. The medical supply industry is a significant consumer of tantalum globally. Johnson & Johnson, GE, Siemens Healthcare, and Medtronic are the leading companies in this space.[21] The Association of Medical Diagnostics Manufactures, or AMDM, is a major industry association. We welcome GE's signing on to the multi-stakeholder recommendations to the SEC and would welcome further action by companies in this sector.

industry standards on certification of their own products. Electronics has proven that action is possible if there is organizational will. The following are steps that companies in these additional industries can take:

Trace: Map supply chains in order to identify component paths down to the processor and smelter level. This process requires time to identify suppliers but is the first step to action on the issue, and it will help with fulfilling the requirements of the Dodd-Frank law.

Lead within industry: Lead industry associations addressing issues of sustainability to devise an action plan on conflict minerals that features proactive steps on tracing, auditing, and certification. One particular avenue would be to develop action for your industry's main mineral. For example, industrial machinery firms could lead an audit process for tungsten smelters.

Collaborate with industry leaders: Join and/or partner with the EICC-GeSI tantalum smelter validation program. The EICC group does not have a monopoly on the solution to this issue, but it has developed useful frameworks to industry action on the issue. The work group is open to members outside its industry, or other industry groups could develop memorandums of understanding to guide a partnership.

Lend support to certification. Lobby the State Department to lead an international minerals certification process. Government action will be needed to help drive certification, but corporate support for such an effort will be necessary to spark action.

Where should electronic companies go from here?

There is still a long road ahead for electronics companies to assure consumers that their cell phones, laptops, televisions, cameras, and video game systems are verifiably conflict-free. Our survey was meant as a measure of what companies can do on this issue if they focus on the task, including both the short-term steps they can take today, as well as the medium-to-long-term reforms that take greater amounts of resources and time. To be sure, the electronics industry has made significant achievements over the past two years. But given that the highest scoring company only achieved a score of 32 percent, the work required by the industry is far from done.

Going forward, companies should take action both through the EICC and as individual companies. On the industry-wide efforts, it is critical for companies to ensure credibility and sustainability into the EICC audits and a wider certification process going forward. But companies can bolster the industry-wide work through individual action. We recognize that these supply chains are complex, with six steps between a mine and a mobile phone that can include as many as 10 to 15 companies. But the leading companies have shown that progress is achievable. Moreover, the audit systems on fair labor in the apparel industry and revenue transparency in the oil sector show the path forward. There are five main areas that companies can take action on from this point:

Supply chain tracing and smelter disclosure. Investigating suppliers to determine the sources of their minerals is a critical step that the leading companies have started, but where significantly more work can be done. Companies should precisely define those products and components that contain the four minerals. Companies also need to work with suppliers to help identify smelters, the choke point in the supply chain.[23] Subsequent investigations should be done past the smelter to minerals traders and exporters. Some companies have already made their supply chains transparent without being put at a competitive disadvantage. HP has already published its suppliers including one smelter, and Intel has also published its leading suppliers. Companies in other sectors have paved the way for this transparency, with Nike and apparel companies publishing the factories that they supply from, despite initial hesitancy.

Create contractual obligations. One way for companies to ensure that the disparate parts they procure are verifiably conflict-free is to contractually obligate their suppliers and partners to only provide verified conflict-free parts or materials. This contractual obligation would aid in streamlining conflict-free auditing and would strengthen the EICC audits and other steps by creating a contractual link between end-users and validated smelters. These smelters would then be required to prove that if they use material from the Congo, that they have exercised appropriate due diligence or their materials have been certified as conflict-free. These steps would also significantly reduce the reporting burden for companies and aid in the implementation of the Dodd-Frank legislation, OECD due diligence guidelines, and buttress the regional efforts to establish a certification.

Incorporate independent oversight into audit processes. Companies should absorb the lessons from audit processes in other sectors and adopt a governance structure for the EICC-GeSI audits that would provide the checks, balances, and transparency necessary for credible process. An oversight commission should be established to work together to ensure that concerns of all affected parties are addressed and the certification process continues to improve in time. As the push for conflict-free certification progresses there must be cooperation amongst stakeholders to transform the framework for independent monitoring from a narrative of policing to a narrative of partnership.

Support economic development and diversification in Congo. Should the mining communities in eastern Congo face a long-term de facto embargo prompted by the blanket ban of Congolese materials, this could increase instability in the region. Given the implicit connection between mineral extraction in Congo for electronics production and consumption in the west, and the mass violence that has been embedded in this relationship, it is imperative that the EICC and individual companies realize the need to contribute to economic diversification and development programming in the mining communities of eastern Congo. The mining economy touches nearly every economic sector in eastern Congo. Should tens of thousands of miners and those they support suddenly have to seek alternative sources of livelihood, the chances of increased recruitment into armed groups, prostitution, and violent crime increases dramatically, and could greatly exacerbate increased instability. While this issue is primarily the responsibility of the regional governments to mitigate, assistance and support from the private-sector entities that have immensely benefited from extraction in the region as well as partner governments will go along way in aiding success.

Recommendations for individual company action

The following are constructive steps that a company can take on its own:

1. **Join the EICC-GeSI Extractives Working Group.** It is critical for companies to ensure credibility and sustainability in the industry audit process. Joining the group also adds purchasing leverage and closes loopholes in the smelter audit process.

2. **Investigate your company's suppliers** for their sources of the 3Ts and gold to the point of smelters, the choke point in the supply chain.[24]

3. **Adopt a company conflict-free policy,** which explicitly states that it will not purchase products or components that generate revenue for armed groups.[25]

4. **Publish list of smelters.** Once the company's smelters have been identified through tracing, the company can publish the smelters that it uses, which would aid in overall supply chain transparency.

5. **Use contracts constructively.** Incorporate verification of conflict minerals sourcing into contractual obligations with suppliers, including only sourcing from verified conflict-free suppliers and smelters.

6. **Lobby the U.S. government** to lead a multi-stakeholder certification process building on the lessons of the Kimberley Process for blood diamonds.

7. **Commit to fully implement the OECD standards** on due diligence in all operations, and to purchasing from suppliers that similarly commit to these standards.

Recommendations for the EICC-GeSI Extractives Working Group

The EICC-GeSI work group has taken several constructive steps to date and should continue towards responsible sourcing. However, these measures should be accompanied by proper transparency and multi-stakeholder oversight going forward, if the public is to have confidence in the EICC systems. The work group should consider taking the following actions:

1. **Publish the full audit reports** for the tantalum smelter validation process.

2. **Help reform the tin/tantalum tracing process (iTSCi)** to include transparency of data, risk assessments, and weights and dates of shipments. Transparency is essential to build public confidence in the system, as audits in the labor and forestry sectors have proven.[26]

3. **Publish the companies that fail the audits,** so that there is full transparency about who failed and why. If a company has issues in the audits, time given for remediation efforts should be noted, and the public and other companies should know what steps the company took to correct the problems.

4. **Release a timeline for audits on the other minerals.** Work with leading automotive (AIAG), jewelry (JA and World Gold Council), and industrial machinery (AEM) companies and associations to set up audit systems for tin, tungsten, and gold.

5. **Conduct a lessons learned exercise** on the tantalum smelter validation process. The best practices learned from the early iterations of the validation process will assist in the evolution of those to follow.

6. **Set up an oversight structure for the smelter validation process** that includes companies, civil society, and potentially governments. This multi-stakeholder is the best practice for supply chain audits and certification processes from other sectors.[27]

7. **Lobby the U.S. government** to lead a multi-stakeholder certification process building on the lessons of the Kimberley Process for blood diamonds

Conclusion

Overall, the consumer electronics industry has shown a willingness to engage on the conflict minerals issue in a fairly short space of time, led by a group of six companies. Some companies have led industry-wide efforts, like Intel and Motorola; others like RIM, Dell, and AMD have gone above and beyond to promote government regulations to level the playing field; and others like HP have dug deeply into their supply chains and begun publishing their suppliers. Another set of companies, initially slow to come to the table, have belatedly begun tracing and auditing programs, and have joined wider industry efforts. Even some leading companies from other industries, such as Ford and GE, have taken steps forward on conflict minerals.

At the same time, these steps accentuate the lack of action on the part of other major companies, who continue to ignore the issue or accept vague assurances from their suppliers without verification. And much more concerted action is required from the other industries that depend on these materials.

Progress is possible. Companies can find the smelters in their supply chains if they invest a minimal amount of resources and audit suppliers, they can publish supplier information without being put at a competitive disadvantage, and they can set up thorough audits that have significant promise. We look forward to engaging with these companies over the coming year and ensuring that we get several steps closer to a solution to conflict minerals.

Appendix: Methodology

The company rankings are based on answers to 18 questions in five categories, attached below.

Outline for Enough conflict minerals scorecard for electronics companies

The conflict minerals trade from eastern Congo can end through a combination of companies, governments, and consumers taking action to trace, audit, and certify their minerals supply chain. The Enough Project will score electronics companies based upon a set of these criteria, as well as wider actions that would help to break the link between the minerals trade and conflict in Congo.

- **Trace:** Companies must determine the precise sources of their minerals. We should support efforts to develop rigorous means of ensuring that the origin and production volume of minerals are transparent.

- **Audit:** Companies should have detailed examinations of their mineral supply chains conducted to ensure that a) minerals are not sourced from conflict mines; and b) no illegal taxes/bribes are paid to armed groups in Congo. Credible third parties should conduct or verify these audits.

- **Certify:** For consumers to be able to purchase conflict-free electronics made with Congolese minerals, a certification scheme that builds upon the lessons of the Kimberley Process will be required. Donor governments and industry should provide financial and technical assistance to galvanize this process.

Criteria

Unless otherwise noted, one point will be awarded for action on each metal in each question. In other words, for I(a), if a company has investigated and come to know its suppliers for tantalum but not for tin, tungsten, or gold, it will receive one point out of a possible four.

I. Trace: Has the company traced its suppliers of the 3T and gold metals (referred to as 3TG hereafter)?

a. Has the company investigated and come to know precisely which companies refine/smelt the company's supply of the 3TG, with third-party verification? (for each metal, half-point for investigation, half-point for verification—total of four points possible) [28]

b. Has the company published the refiners it uses for the 3TG? (one point for each metal)

c. Has the company visited at least two of its refiners and inquired about the use of conflict minerals within the past year? (two points possible)

d. Can the company trace all of the 3TG in its products back to their mines of origin, similar to Wal-Mart's "Love Earth" jewelry line? (two points for each mineral)

II. Audit: Does the company have audits conducted of its suppliers of the 3T and gold metals to determine mine of origin and chain of custody? (for each question, one point for each metal)

a. Does the company have a stated policy of auditing suppliers of the 3TG metals?

b. Has the company conducted internal audits of the procurement practices of 3TG suppliers down to the level of refiner, at least within the past year?

c. Has the company had third-party audits conducted of 3TG suppliers down to the level of refiner, at least within the past year?

d. Has the company participated in the working group for the EICC tantalum smelter validation program? (two points possible)

e. Has the company provided financial support for auditing for 3TG? (four points for support above $100,000, two points for support between $50,000 and $100,000, one point for support below $50,000)

f. Has the company developed at least one verifiably conflict-free product, with independently audited supply chains all the way to the point of extraction? (four points possible here, either yes or no)

III. Certify: Has the company taken concrete steps to develop an international certification regime for the 3T and gold minerals? (see definition of certification, for a clarification)29 (two points possible for the first two questions, either yes or no)

a. Has the company made public statements in support of certification?

b. Does the company have a stated policy of support for certification?

c. Has the company provided financial support for certification? (two points for support above $500,000, 1.5 points for support between $200,000 and $500,000, one point for support below $200,000)

Additional criteria

IV. Stakeholder engagement: Has the company had regular engagement with the NGO coalition, led by Enough, on the conflict minerals issue?

a. Has the company met with the NGO coalition, led by Enough, regarding inquiries on conflict minerals? (one point possible, yes or no)

b. Has the company held regular communication with the Enough NGO coalition regarding conflict minerals (at least bi-monthly)? (one point possible)

V. Support for legislation: Has the company publicly supported the Conflict Minerals Trade Act, the Congo Conflict Minerals Act, or the Finance Reform Bill Amendment on conflict minerals?

a. During the legislative process, did the company issue a statement supporting at least one of the specific pieces of legislation (the Conflict Minerals Trade Act, the Congo Conflict Minerals Act, or the Finance Reform Bill amendment on conflict minerals), separately from the industry association In order to qualify here, the statement would not only have been in support of the goals of the legislation, but the actual legislative language to achieve those goals. (two points possible, yes or no)

b. Has the company issued a supporting statement of the conflict minerals legislation in the Wall Street reform bill since its passage on July 21? In order to qualify here, the statement would not be in support of the goals of the legislation, but the actual piece of legislation (one point possible, yes or no)

c. Has the company, separate from the industry association, met with members of Congress to lobby in favor of legislation? (four points for 10+ pro-legislation lobbying meetings, two points for 5-10 meetings)

Additional information

We also included information on the company's broader supply chain sustainability policies by documenting the company rankings on the Greenpeace *Guide to Green Electronics* and Newsweek's *Green Rankings*. Because each company was not ranked in these surveys, and they do not yet address conflict minerals, we did not rank companies on these criteria.

Environmental rankings

a. Greenpeace Green Electronics Ranking (four points possible, based on the quartile of the company ranking in the latest scorecard)

b. Newsweek Green Company Rankings (four points possible, based on the quartile of the company ranking in the latest scorecard)

Endnotes

1 This paper was a collaboration involving a number of Enough Project staff including John Bagwell, Aaron Hall, Sasha Lezhnev, and David Sullivan. Valuable contributions were also made by Langton Mahechani and Kyle Everett.

2 U.N. Security Council, "Final Report of the Group of Experts on the Democratic Republic of Congo" (2010).

3 See Enough's recent reports on the linkages between the mineral trade and conflict in Congo, see John Prendergast, "Congo's Enough Moment" (October 2010); Fidel Bafilemba, "Field Dispatch: Behind the Ban - An Update from Eastern Congo" (Washington: The Enough Project, 2010).

4 The text of the letter sent by Enough and a group of more than 30 international and Congolese NGOs is available at http://globalministries.org/news/africa/Electronics-company-letter-Congo-minerals-final.pdf

5 For U.S. legislation see *Dodd-Frank Wall Street Reform and Consumer Protection Act*, Public Law 111-203, 111th Cong. (July 21, 2010), Section 1502. For U.N. action, see U.N. Security Council Resolution 1952 (2010).

6 For industry initiatives, see Prendergast, "Congo's Enough Moment," and Estelle Levin, "Mineral Certification Schemes in the Great Lakes Region: A Comparative Analysis," (Burundi: Executive Secretariat of the International Conference on the Great Lakes Region, 2010).

7 One additional company, AMD, receives an honorable mention. They were not ranked as part of this survey because of our focus on the firms with major consumer electronic products, but as a chip manufacturer, they have been active in several conflict minerals issue areas. AMD has been a member of the EICC-GeSI Extractives Working Group from the outset, and they co-chaired a multi-stakeholder working group with Enough in 2010 to develop recommended guidelines on implementation of the Dodd-Frank legislation on conflict minerals. AMD has also held several meetings with it's suppliers of components that include the four conflict minerals, and they plan to continue to work with suppliers over the coming year. AMD will be included in subsequent surveys.

8 For more on the conflict minerals supply chain and the key role of smelters, see Sasha Lezhnev and John Prendergast, "From Mine to Mobile Phone: The Conflict Minerals Supply Chain," (Washington: The Enough Project, 2009).

9 See Electronics Industry Citizenship Coalition, "Statement on Use of Minerals in Electronics Products" (2009), available at: http://www.eicc.info/PDF/EICC%20Statement%20on%20Minerals.pdf. Also see Resolve, "Tracing A Path Forward: A Study of the Challenges of the Supply Chain for Target Metals Used in Electronics" (2010), available at http://www.eicc.info/documents/RESOLVEReport4.10.10.pdf.

10 Intel and Motorola co-chair the EICC-GeSI Extractives Working Group. Companies on the working group discussed here include Acer, Apple, Dell, HP, IBM, Microsof, Nokia, LG, Lenovo, Philips, RIM, Samsung, and Sony Ericsson. Acer, LG, and Samsung joined the group in 2009-10.

11 "Gartner Says Worldwide Mobile Phone Sales Grew 35 Percent in Third Quarter 2010; Smartphone Sales Increased 96 Percent," *Gartner*, November 10, 2010, available at http://www.gartner.com/it/page.jsp?id=1466313; and "LG Electronics profits fall on phone woes," *Korea Joongang Daily*, October 29, 2010, available at http://joongangdaily.joins.com/article/view.asp?aid=2927684.

12 MP Dewar of Ottawa Central introduced the C-571 in Canada, "*Trade in Minerals Act*." The enactment requires that Canadian companies exercise due diligence before as a measure to prevent them from purchasing conflict minerals originating in the Great Lakes Region of Africa. See Parliament of Canada, "C-571," available at http://www2.parl.gc.ca/content/hoc/Bills/403/Private/C-571/C-571_1/C-571_1.PDF.

13 EICC has helped establish codes of conduct for social, environmental, and human rights standards. See Electronic Industry Citizenship Coalition, available at www.eicc.info.

14 For more information, see forthcoming Enough Report on lessons learned on certification, and Shawn Blore and Ian Smillie, "Lessons from Existing Certification Schemes for the Regional Certification Mechanism of the International Conference on the Great Lakes Region," (Ottawa: Partnership Africa Canada, 2010).

15 The five-year average from 2005-2009 for jewelry's component of world demand for gold was 61 percent. See World Gold Council, "An Investor's Guide to the Gold Market" (2010), available at http://www.gold.org.

16 "$100 Million Supersellers 2010," *National Jeweler,* May 16, 2010, p. S24.

17 Other auto parts using tungsten alloys include exhaust camshafts, intake camshafts, spark plugs, valves, pistons, connecting rods, and water jackets for coolant flow. For further information see Mi Tech Metals, available at http://www.mi-techmetals.com/industries.htm; China Tungsten & Molybdenum, available at http://www.tungstenchina.com/product/Tungsten-alloy-ballast-for-vehicle.html.

18 The top six sales leaders in the United States for 2009, in order, were GM, Toyota, Ford, Honda, Chrysler, and Nissan. See Plunkett Research, Ltd., "Automobiles and Truck Overview" (2010), available at http://www.plunkettresearch.com/Industries/AutomobilesTrucks/AutomobilesandTrucksStatistics/tabid/90/Default.aspx.

19 Other aerospace parts that use the 3Ts and gold are seals, blades, rivets, jet vanes, nozzles, fasteners, propulsion components, and balance and counter weights. For more information, see
Plansee LCC, "Products and Application" (2010), available at http://www.plansee-usa.com/en/1260-products_from_a_to_z.htm. See also *Financial Times* "US 500 2010 list," available at http://media.ft.com/cms/589544e8-68b9-11df-96f1-00144feab49a.pdf.

20 *Financial Times* "US 500 2010 list."

21 Christopher Delporte, "A Transformational Year," *Medical Product Outsourcing,* July/August 2010, available at http://www.mpo-mag.com/articles/2010/07/the-top-30.

22 "Congo's Gold," *60 Minutes,* November 29, 2009, available at http://www.cbsnews.com/video/watch/?id=5825988n.

23 For more information on the six-step supply chain and the smelter as the choke point in the supply chain, see Lezhnev and Prendergast, "From Mine to Mobile Phone."

24 Ibid.

25 For more information, see Global Witness, "Do No Harm: Excluding Conflict Minerals from the Supply Chain" (2010), available at www.globalwitness.org.

26 For more information, see forthcoming Enough Report on lessons learned on certification, and Blore and Smillie, "Lessons from Existing Certification Schemes for the Regional Certification Mechanism of the International Conference on the Great Lakes Region."

27 Ibid.

28 The term refiner is used here as an overarching term to indicate a metals smelter and/or processing company.

29 Certification is understood here as a multi-stakeholder international process similar to the Kimberley and/or Forest Stewardship Council processes, which would be an international regime to trace, audit, and certify the 3T and gold minerals as being verifiably conflict-free.

Enough is a project of the Center for American Progress to end genocide and crimes against humanity. Founded in 2007, Enough focuses on the crises in Sudan, eastern Congo, and areas affected by the Lord's Resistance Army. Enough's strategy papers and briefings provide sharp field analysis and targeted policy recommendations based on a "3P" crisis response strategy: promoting durable peace, providing civilian protection, and punishing perpetrators of atrocities. Enough works with concerned citizens, advocates, and policy makers to prevent, mitigate, and resolve these crises. To learn more about Enough and what you can do to help, go to www.enoughproject.org.

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