



Ms. Mary Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington DC 20548
USA

Re. SEC Initiatives under the Dodd-Frank Act – Special Disclosures Section 1502

Dear Ms. Schapiro,

We write today in response to the SEC's proposed rule-making for implementing Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

F&C Investments (F&C) is a London-based global asset management firm with institutional and retail clients collectively representing approximately \$170 billion of assets¹. F&C manages funds on behalf of insurance companies, institutional investors, pension funds and private individuals and maintains a US office in Boston, Massachusetts. F&C is also a signatory to the UN Principles for Responsible Investment and believes that companies that actively manage environmental, social and governance (ESG) risks and opportunities will be better positioned to deliver sustainable long-term returns for its clients. Through F&C's Responsible Engagement Overlay (*reo*®) service, we encourage the companies in our clients' investment portfolios to manage and report on ESG issues that are likely to impact their performance, including issues such as responsible supply chain management and human rights and political risk, such as may occur when operating in, or sourcing minerals from, the Democratic Republic of the Congo (DRC).

F&C welcomes the US Government's commitment to tackle the issue of so-called 'conflict minerals', i.e. minerals whose extraction generates funds that can be used to support armed conflict and human rights abuses in the DRC, as outlined in Section 1502 of Dodd-Frank. Indeed, F&C has been engaging with mining companies active in the DRC and neighboring countries, and end-users of minerals sourced from the DRC, for some time now. F&C is a signatory to the *Investor Statement regarding Conflict Minerals from the Democratic Republic of the Congo* (April 2010) and has been working with companies through the RESOLVE initiative to begin to track conflict minerals from mine to end-product. While F&C is supportive of the recommendations outlined in the Investor Letter submitted to the SEC by The Responsible Sourcing Network, we wish to highlight three key issues that we hope the SEC will consider as it develops rules for implementing Section 1502:

A responsible professional mining industry will support a stable DRC

F&C strongly supports efforts to build political stability and prosperity in DRC, and believes that these will depend on 1) developing a responsible, professional mining industry and 2) rooting out illegal mining activities that contribute to human rights abuses and conflict. However, we are also concerned that, as they currently stand, the requirements for labeling a product "DRC conflict-free" are so onerous that companies will be driven to avoid sourcing any minerals from the DRC. Our dialogue with original equipment manufacturers (OEMs) in the electronics supply chain has revealed that they are already making arrangements to eliminate all sourcing from the DRC. At the same time, we are



aware of a number of highly professional, successful international mining companies that are investing in large-scale mining operations in the DRC; these have a strong track record in responsible mining, meet the highest employment, health and safety, and environmental standards and generate jobs and broader development in an economically disadvantaged area. Unless certain measures are taken, we are concerned that Section 1502 risks having the unintended consequence of undermining these critical efforts to create a professional, responsible mining industry in the DRC. In particular, we believe that for this provision to deliver on its objectives, the SEC needs to provide sufficient support for the mining sector to develop a robust chain of custody system under which companies using these minerals in their end products can certify their products as “DRC conflict-free”.

An industry-wide traceability mechanism will combat the trade in conflict minerals while containing the cost of compliance and safeguarding the competitiveness of US products

As the SEC considers rules for implementing Section 1502, we encourage it to support the development of an internationally-endorsed, credible traceability mechanism such as the one utilized under the Kimberley Process for sourcing diamonds. A robust certified industry standard for tracing the chain of custody for minerals sourced from the DRC would enable mining companies operating in the DRC to label their products “DRC conflict-free” and reduce the cost of compliance up the value chain. This would have the manifold benefit of maintaining the integrity of the “DRC conflict-free” label, while also avoiding unnecessary escalation of compliance costs that could lead to more expensive electronics, automobiles and other goods for US consumers.

Revenue transparency is critical to stemming the trade in conflict minerals

In addition to a robust mechanism for tracing the chain of custody of conflict minerals originating in the DRC and neighboring countries, transparency of tax and royalty payments will also help stem the flow of funds supporting conflict and human rights abuses in that region. F&C led the investor community in establishing and overseeing the Extractive Industries Transparency Initiative (EITI), and welcomes the requirements outlined in Section 1504 of Dodd-Frank that will require mining companies to disclose payments to the US and foreign governments. We encourage the SEC to ensure that the principle of revenue transparency also be embedded in any certified audit scheme linked to the “DRC conflict-free” label; this will serve as a further mechanism for supporting good governance and the development of a peaceful, stable and economically-viable DRC that is free from corruption.

We thank you for your attention to this letter and hope you will consider it in the constructive spirit in which it is intended.

Sincerely,

Karina Litvack
Director, Head of Governance and Sustainable Investment
F&C Management Ltd.