



March 14, 2017

Mr. Michael S. Piwowar  
Acting Chairman  
United States Securities and Exchange Commission (SEC)  
100 F Street, NE  
Washington, DC 20549

Re: Comments on Reconsideration of Conflict Minerals Rule Implementation

Dear Chairman Piwowar:

Section 1502 of the Dodd-Frank Act was enacted to address grave human rights abuses in the exploitation and trade of tungsten, tantalum, tin and gold (3TG) by armed groups, which is partially financing conflict in the Democratic Republic of Congo (DRC). While companies cannot address all causes of conflict and human rights issues, industry recognizes that it should do its part to help manage risks that potentially link minerals and conflict in their supply chains.

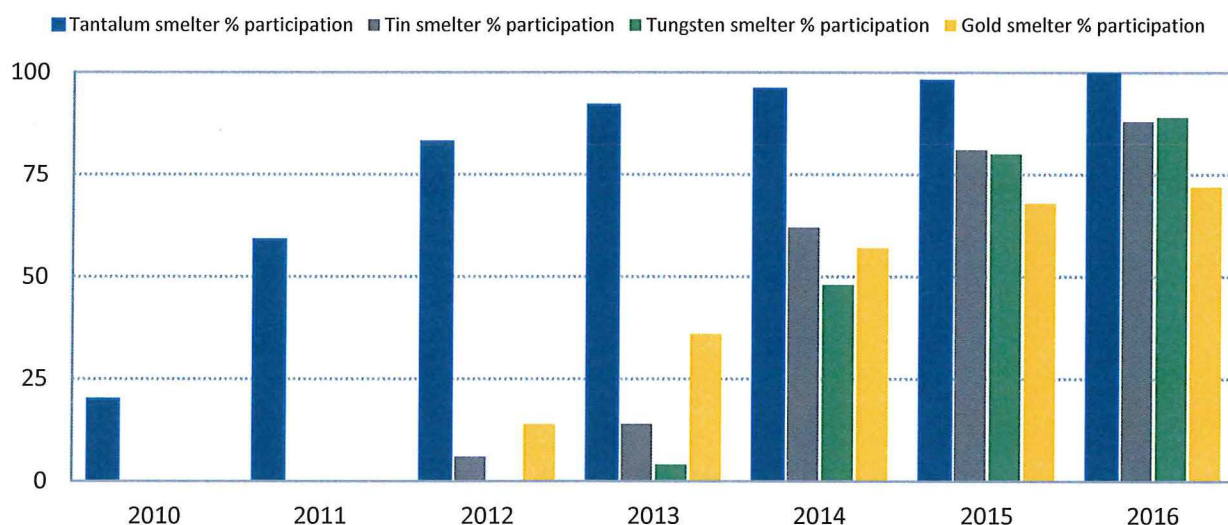
As U.S. policymakers review Dodd-Frank Section 1502 (DFA 1502), it is critical to build on the positive impacts achieved to date and ensure that any possible alternatives or changes align with global frameworks such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). Legislative and regulatory developments in Europe and China are already aligned with the OECD Guidance that has prominently impacted the global agenda and affected U.S.-based firms.

In the last decade companies have developed expertise to identify and mitigate risks in their supply chains through collaborative approaches such as the Conflict-Free Sourcing Initiative (CFSI). Founded in 2008 by the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), the CFSI supports conflict minerals and due diligence reporting that is aligned with the OECD Guidance. More than 350 companies and associations from the electronics, aerospace, apparel, automotive, general manufacturing, jewelry, medical, retail, telecommunications, and extractives industries participate in the CFSI and, collectively, they have built an effective infrastructure that facilitates responsible sourcing of minerals worldwide.

Collaborative industry programs like the CFSI drive efficiency and cost savings throughout supply chains by building and leveraging shared tools, resources and platforms. These programs have encouraged critical supply chain actors to better understand their supply chains and mitigate supply chain risks.

There are a number of benefits stemming from collective company due diligence, including: data generation on critical minerals trade; greater visibility and control of supply chains; and improved visibility of risks, including sanctioned entities. For example, downstream companies have encouraged the smelters and refiners in their supply chains to have their management systems and procurement practices independently audited. As a result of this encouragement, 82 percent of currently identified smelters and refiners worldwide participate in independent third-party audit programs (see Figure 1).

Figure 1: Percentage of global smelter participation in due diligence programs



The OECD Guidance for responsible sourcing has already achieved positive results. Recent data from the ITRI Supply Chain Initiative (ITSCI) indicates annual growth in the “conflict-free” trade of tin, tantalum and tungsten minerals from the DRC Region and elimination of the de-facto embargo in impacted provinces since 2013.<sup>1</sup> Within the CFSI’s Conflict-Free Smelter Program<sup>2</sup> (CFSP), over 40 smelters now source responsibly from the Covered Countries, contributing to local economic and social stability. These smelters provide responsibly sourced metals that are used globally by a large number of stakeholders, including SEC issuers, due to an increase in independently validated “conflict-free” mine sites in the DRC Region (from zero in 2010 to nearly 400 in 2016).<sup>3</sup> In addition to responsible sourcing, there has been a reduction in the presence of armed groups at mine sites that undergo validation implemented in accordance with OECD Guidance and DFA 1502.<sup>4</sup>

As a result of OECD Guidance implementation, better accountability has been achieved in the Covered Countries leading to the identification and mitigation of risks, improved government accountability, suspension and controls of companies, and arrests of corrupt or criminal individuals.<sup>5</sup> The progress to date has been validated by the United Nations (UN) Group of Experts who, in their mid-year report for 2016, observed “the positive development of armed groups having fewer opportunities to benefit from tin, tantalum and tungsten exploitation at mining sites where due diligence procedures have been put in place. This is a result of the efforts made by Member States and other stakeholders to adopt due diligence measures as recommended by the

<sup>1</sup> [https://www.itri.co.uk/index.php?option=com\\_mtree&task=att\\_download&link\\_id=55647&cf\\_id=24](https://www.itri.co.uk/index.php?option=com_mtree&task=att_download&link_id=55647&cf_id=24)

<sup>2</sup> The flagship program of the CFSI, the Conflict-Free Smelter Program (CFSP) uses an independent third-party audit of smelter/refiner management systems and sourcing practices to provide reasonable assurance regarding compliance with CFSP protocols and the OECD Guidance. Companies can then use this information to make informed sourcing choices.

<sup>3</sup> BGR mine site validation, January 2017

<sup>4</sup> IPIS Conflict Mapping DRC, January 2017: <http://ipisresearch.be/home/conflict-mapping/maps/conflict-mapping-drc/>

<sup>5</sup> ITSCI incident summaries, 2011-2016 <https://www.itri.co.uk/information/itsci/data-and-field-reports/itsci-programme-incidents-and-outcomes-2011-to-2016>





Security Council in paragraph 7 of its resolution 1952 (2010).”

Appropriate regulatory frameworks can play a critical role in establishing and sustaining progress and their absence increases the risk of the disruption of established business practices and the reduction of responsible sourcing across supply chains. The success of efforts to date has been the result of coordinated and sustained actions across industries. We believe that any disruption of existing frameworks, without an appropriate alternative in place, will stall or reverse positive gains made in the region and reduce the quality of information available to companies to make sourcing decisions. For example, a disruption would likely:

- Reduce cross-industry harmonization to drive consistent messages across complex supply chains,
- Reduce the quality of mine-level due diligence activity in the Covered Countries and elsewhere,
- Reduce the number of smelters/refiners achieving independent assurance of their sourcing practices,
- Reduce responsible mineral investment in conflict-affected and high-risk areas.

CFSI stands ready to work closely with the U.S. government to provide background and expertise on effective and efficient frameworks that encourage responsible sourcing of raw materials. Responsible sourcing requires efforts from all stakeholders: governments, private companies, industry associations, non-governmental entities, and civil society to secure and stabilize the DRC and other conflict-affected and high-risk areas worldwide.

Sincerely,

Rob Lederer  
Executive Director  
Electronic Industry Citizenship Coalition (EICC)  
Conflict-Free Sourcing Initiative (CFSI)