

Investor Statement on EU Proposed Conflict Mineral Regulation

We commend the Directorate General for Trade on its proposed regulation concerning corporate conflict minerals due diligence and reporting and note the proposal's focus on various geographies where the trade in natural resources fuels conflict.¹ In significant ways, the proposal stands to broaden corporate attention to the human rights impacts of supply chains. We recommend, however, that the regulation proposed in March 2014 be amended to ensure an important level of harmonisation between the European proposal and currently operational US federal rules on corporate conflict minerals due diligence and reporting. Thus, the undersigned sustainable and responsible global investors and investment organizations, representing more than €855 billion in assets under management, are writing to urge the adoption of legislation on conflict minerals (tin, tantalum, tungsten, and gold, or "3TG") that better aligns with Section 1502 of the US Dodd-Frank Wall Street Reform and Consumer Protection ("Dodd-Frank Section 1502").

Together, European and US regulators have an opportunity to create a conflict minerals due diligence and disclosure framework that ensures consistency in key areas, thus setting a single, international standard, not unlike the harmonised country payment reporting regime that these regulators already have achieved for the extractive sectors.

As the European Parliament demanded in its resolution of February 2014 on promoting development through responsible business practices, harmonising the proposed European regulation with Dodd-Frank Section 1502 will create a consistent international regulatory environment that will promote companies' broad adoption of robust conflict minerals due diligence and reporting. These disclosures are fundamental to investors' evaluation of corporate risk management and to the investment decision-making process in relevant sectors. Importantly, a harmonised reporting regime will help curtail the nearly two-decade-long conflict in the Democratic Republic of the Congo ("DRC") and the Great Lakes Region, by encouraging responsible mineral sourcing from the region and limiting armed groups' major revenue streams.

We recommend that the proposal be amended to take a stronger stance on conflict minerals due diligence and reporting that aligns with existing US law on this issue:

1. The reporting mechanism should be mandatory.
2. The rule should apply to any European company that manufactures or contracts to manufacture products containing 3TG that is necessary to product functionality or manufacture.

¹ See Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold originating in conflict-affected and high-risk areas ([COM/2014/0111 final](#)).

Amending the proposal in this way will enable streamlined company due diligence and reporting. Mandatory reporting rules will prompt companies' pro-active efforts to comply with the letter and spirit of the legislation. Expanding the scope of the rule to include companies that manufacture or contract the manufacture of products containing conflict minerals will ensure that the rule targets a more comprehensive proportion of companies that create the market for conflict minerals and which face significant supply chain risks due to this involvement. This approach will ensure that key actors throughout the supply chain—both dealers in raw materials and relevant manufacturers—operate within an international framework comprised of consistent rules.

We urge the consideration of amending the proposed regulation to ensure that it achieves its desired effect: to stimulate widespread, robust supply chain due diligence and reporting that will limit investor risk, to increase the region's legitimate extractive sector revenue streams, and help bring an end to the conflict in the DRC.

Statement Signatories:

1. ACTIAM
2. ASN Bank
3. Aviva Investors
4. Boston Common Asset Management
5. Calvert Investments
6. Candriam Investors Group
7. CHE Trinity Health Inc.
8. Central Finance Board of the Methodist Church
9. Domini Social Investments, LLC
10. Epworth Investment Management
11. Etica SGR SpA
12. European Sustainable Investment Forum (EUROSIF)
13. Hermes Investment Management
14. Interfaith Center on Corporate Responsibility (ICCR)
15. Maryknoll Sisters
16. Miller/Howard Investments, Inc.
17. Natural Investments, LLC
18. Responsible Sourcing Network
19. Sonen Capital, LLC
20. Sustainalytics
21. Trillium Asset Management
22. Triodos Investment Management
23. US SIF: The Forum for Sustainable and Responsible Investment
24. Walden Asset Management

21 October 2014