



EU Conflict Minerals Legislation

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IPC supports the intent and objectives of proposed EU legislation and other international efforts to reduce human rights violations, violence, and environmental damage in the Democratic Republic of Congo, as well as adjoining countries. IPC believes the EU Commission and EU Parliament have a unique opportunity to develop conflict minerals legislation that promotes responsible sourcing and provides tangible benefits to the people of this region.

The Dodd-Frank Legislations has had Unfortunate and Unintended Consequences

The United States' conflict minerals legislation, Section 1502 of the U.S. Dodd-Frank Financial Reform Act, has failed to accomplish its goal of reducing violence in the DRC by preventing those who perpetrate violence from profiting the minerals trade. The unintended consequence of the Dodd-Frank legislation has been a *de facto* embargo on the DRC region, causing extreme financial hardships to those depending on the minerals trade for their livelihoods.

EU conflict minerals legislation could help mitigate these unintended consequences by implementing a responsible sourcing scheme that complements and supports the U.S. legislation and OECD guidance. EU conflict minerals legislation would best accomplish these goals by implementing a voluntary scheme for importers and upstream companies to report sources of tin, tantalum, tungsten and gold, while exempting recycled and scrap material, and establishing clear criteria for defining the geographic scope of the law.

A Voluntary Scheme Best Balances the Goals and Effects of Conflict Minerals Legislation

The best way to provide benefits to the DRC region is through the proposed voluntary scheme that does not discourage positive involvement in the region. The EU proposed legislation, which pairs a voluntary due diligence scheme with procurement incentives, would encourage companies to remain engaged and invested in the DRC region. Mandatory schemes, as evidenced by the U.S. legislation, create a disincentive to sourcing from the DRC region, resulting in the harmful effects of a *de facto* ban.

Focus on Upstream Companies

IPC supports proposed EU conflict minerals legislation that focuses on importers of minerals to the EU. Importers, or "upstream" companies, are closest to the smelters and therefore have the best quality information regarding the source of minerals. Downstream companies ultimately depend on the importers for information on sourcing of minerals in their products. It is extremely difficult for downstream companies to provide information on the source of minerals in their products, given the complexity of the supply chain and the limited visibility they have into the smelters and mines.

EU conflict minerals legislation should focus on upstream companies in order to ensure accurate data is provided with minimal burden on industry. Many of the difficulties downstream companies are having in complying with the Dodd-Frank regulations are related to the difficulties of attempting to solve complex regional security issues through responsible sourcing regulations. The result is a hugely burdensome, largely unworkable system which fails to recognize the depth, complexity, and constantly evolving nature of modern supply chains. Obtaining detailed



information, down to every mineral and every piece of a product, requires significant resources, both from large publicly-traded firms and smaller actors in their supply chains.

Geographic and Minerals Scope

EU conflict minerals legislation should focus on tin, tantalum, tungsten and gold. Limiting the scope to these metals would ensure EU legislation is consistent with the OECD Due Diligence Guidance and U.S. legislation. Traceability schemes for tin, tantalum, tungsten and gold are still being developed and implemented. Implementation of additional minerals traceability schemes could only serve to hamper current progress in traceability programs for tin, tantalum, tungsten, and gold. Without these tracing schemes, which take a long time to implement, responsible sourcing guidelines for other minerals could only serve to foster de-facto bans as there would initially and for some time be no way to identify non-conflict minerals from conflict affected regions.

Regarding the proposed open geographic scope, businesses are not experts on security issues or conflict, nor should they be expected to be. Businesses need clear guidance to identify “conflict-affected and high-risk areas” in order to make the system predictable and workable. EU conflict minerals legislation should establish clear criteria for identifying a country or region as a “conflict-affected and high-risk area” through a transparent process in collaboration with relevant stakeholders.

Recycled and Scrap Materials Should be Exempt

EU conflict minerals legislation must exempt recycled and scrap materials. It is impossible to trace the source of recycled minerals used in products. Such a requirement would discourage the use of recycled materials, when the use of recycled materials should be encouraged.

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