

Investing in fragile settings: Philips and support of the Conflict-Free Tin Initiative

Background to Philips:

Royal Philips of the Netherlands is a diversified technology company, focused on improving people's lives through meaningful innovation in the areas of Healthcare, Consumer Lifestyle and Lighting. The company is a leader in cardiac care, acute care and home healthcare, energy-efficient lighting solutions and new lighting applications, as well as male shaving and grooming and oral healthcare. Philips strives to make the world healthier and more sustainable through innovation. Their goal is to improve the lives of 3 billion people a year by 2025.

The Challenge:

The illegal trade in metals and minerals in Democratic Republic of Congo (DRC) had been an important source of income for armed groups. The DRC conflict is the deadliest conflict in the world since WWII, with over 5 million casualties. The US Dodd-Frank Act, passed in July 2010, requires that companies publicly traded in the U.S. disclose the use of Tantalum, Tungsten, Tin and Gold (the "3TGs", and whether they are sourced from Central Africa. There were concerns that the Dodd-Frank Act would result in a "de-facto" ban, as companies are concerned that the minerals are linked to the conflict. The DRC only accounts for a small percentage of the world production of 3TGs, somewhere between 1 and 13%. Philips does not directly buy 3TG metals from mines, there are typically 7 tiers in the supply chain between the mines and Philips. However, virtually each Philips product contains small quantities of one or more of the four metals of concern.

The Approach Taken:

The Government of the Netherlands wanted to contribute to breaking the cycle of war economies. The Dutch Government and several multinationals, including Philips, Tata Steel and Cookson, developed a public-private initiative to source conflict-free tin from the Kivu provinces in Eastern DRC. The Conflict-Free Tin Initiative introduced a tightly controlled conflict-free supply chain outside the control of the armed groups. It offers a first step towards renewed economic activity and hope to the masses of unemployed miners.

Results:

In September 2012, Philips ordered 20 tonnes of solder from its solder manufacturer, who in turn placed an order with the tin smelter, who in turn ordered minerals from a selected mine in East Congo. Since the order of Philips, a mine re-opened and started offering work to more than 800 miners. Furthermore, economic activity started to develop around the mine, such as women offering micro-credit to miners. Many companies joined the initiative to order tin from the system as well. The project showed that through cooperation with the government and NGOs, the private sector can use its purchasing power to do good and improve people's lives, also deep in the supply chain.

Wider implications:

The CFTI represented an important milestone towards conflict-free mineral trading in the DRC, proving that due diligence and traceability is possible, even in the most challenging circumstances. Incidents occurred and were investigated and mitigated through a transparent system that involved communities, supply chain participants, and the government. The social impact was positive because this initiative restarted the local economy and generated an income for miners who had been unemployed during the de facto embargo. Traceability was an essential contributor to formalization of mining, and it became a springboard to enable miners to work in improved work conditions.

The CFTI concluded in 2014 after demonstrating that it is possible to provide a reliable, traceable supply of conflict-free minerals to the international market from some of the most volatile and complex places in the world, and the [iTSCi Programme](#) continued to ensure conflict-free sourcing from the region continued. In July 2015 iTSCi and Pact announced a follow-on project with the MFA to achieve "Scaling up Mineral Trade" in the Great Lakes Region of central Africa. The project will enable iTSCi to increase the inclusion of 3Ts mines by around 25%, the number of trained government representatives by roughly 33%, improve data collection and strengthen capacity of local stakeholders to monitor the integrity of the system. Importantly, the project also aims to maximize the benefits available to local participants from the exploitation of mineral resources through training in literacy, savings and business management, as well as raising awareness of safety issues and supporting women's representation and opportunities in the sector.

Keywords: conflict-free, supply chain, traceability, economic activity, Democratic Republic of the Congo

Sector: Mining & metals

The Conflict Free Tin Initiative:

Improving Lives by Removing Conflict

For years, mineral mines in the Democratic Republic of the Congo have been exploited by violent factions and warlords. The minerals extracted and sold by these factions end up in products around the world.

Warlords use the trade in conflict minerals to fund wars, abuse laborers, and violate local inhabitants.

To help put an end to this vicious cycle, Philips is working with the Conflict Free Tin Initiative (CFTI), which aims to encourage demand for legitimate minerals, keep conflict out of the supply chain, and help local communities.

How It Works



Helping local communities

Enables Congolese miners to generate an income and sustain their families.



540 tonnes of legitimate minerals

Since the beginning of the CFTI project, 540 tonnes of legitimate minerals were safely exported through the CFTI chain.

How Philips Is Involved

Since the beginning of the CFTI pilot in 2012, Philips has worked together with key players in the metal industry and supplier base to track minerals throughout the chain, all the way from the Democratic Republic of the Congo to their factory in Mexico.

Philips' first conflict-free lighting product, primarily used in office environments, serves as proof that it is possible to responsibly source minerals from the Democratic Republic of the Congo.

For more information, visit: <http://solutions-network.org/site-cfti/>



Royal Philips (NYSE: PHG, AEX: PHIA) is a diversified health and well-being company, focused on improving people's lives through meaningful innovation in the areas of Healthcare, Consumer Lifestyle and Lighting. Headquartered in the Netherlands, Philips posted 2013 sales of EUR 23.3 billion and employs approximately 115,000 employees with sales and services in more than 100 countries. The company is a leader in cardiac care, acute care and home healthcare, energy efficient lighting solutions and new lighting applications, as well as male shaving and grooming and oral healthcare.