

**ITRI STATEMENT REGARDING THE FINAL UN GROUP OF EXPERTS
REPORT S/2009/603 IN RELATION TO THE DRC
9th December 2009**

ITRI is referred to twice in the UN Group of Experts report S/2009/603 of 23rd November 2009, firstly in paragraph 303 and secondly in recommendation 8 on natural resources. These are copied below for reference.

Paragraph 303

“303. The Group also exchanged information with the body representing the tin industry, ITRI, which has started promoting a Tin Supply Chain Initiative as part of efforts to boost due diligence in purchasing activity. The plan is supported by a core working group which includes the Malaysia Smelting Corporation, Thaisarco and Traxys. A summary of the plan as described by ITRI is annexed in Annex 123, which maintains to have completed a first phase of implementation which would standardize export procedures and the filing of documentation at the point of export. The document also maintains that a second phase would still need to be implemented to establish an administrative traceability which would in theory document the flow of minerals from the mine to minerals exporting house and onwards. While the Group does recognize that the industry, through the Tin Supply Chain Initiative, is making some efforts to develop tighter control over its chain of supply, the measures achieved so far by ITRI will not be sufficient to tackle some of the fundamental issues of control and due diligence particularly if Know Your Client procedures are weakly enforced and phase two remains incomplete.”

Recommendation 8

“8. With respect to transparency and traceability initiatives at the level of regional governments and the industry, the Group observes that while both serve as a good basis for improved governance and transparency of the natural resources sector in the long-term, the current security situation in the mining areas of eastern DRC requires a prior effort to ensure demilitarization of mining sites, reduction of customs fraud and illicit mining activities under DRC law. With respect to the ITRI initiative, the Group notes that it does not provide an independent mechanism to ascertain the origin of minerals in its current state. Strengthening the institutional capacity of DRC mining authorities as well as law enforcement agencies are essential preconditions to create a suitable environment in which to create regional and international transparency mechanisms. In the short term, the Group recommends that the Security Council endorses the establishment of an independent monitoring team by the DRC authorities, with the support of the international community. Such a team would have a mandate to conduct spot-checks of mineral shipments, in cooperation with MONUC and the Group of Experts, and would act on the basis of a clear definition of what constitutes an illegal trading activity. Specific sanctions for illegal mineral trading activity should also be identified.”

For background on the ITRI scheme please refer to the detailed summary in the attached document which has been provided to the GoE's and is also shown in Annex 123 of the experts report.

Comments regarding the GoE's report Recommendation 8:

Paragraph III of the Group of Experts Report released on the 18th May 2009 (S/2009/253) stated that; *“The Group would welcome the publication of due diligence plans by companies named in the Group's last report as well as other consumers of Congolese minerals”*. At the beginning of June 2009 ITRI circulated a discussion document to various stakeholders, including the GoE's, on due diligence proposals which it had developed in conjunction with its member companies. The GoE's were also provided with a number of opportunities to informally comment on the details of the ITRI scheme throughout its design from June 2009 onwards.

Unfortunately the provision of GoE's comments on the due diligence scheme was not considered to be within the mandate of the Group. See for reference the attached letter from the GoE's of the 21st July 2009. As a result ITRI is not entirely clear on the implication of the comment in recommendation 8 that the scheme does not “provide an independent mechanism” but understands that it suggests that as a tin industry led initiative, rather than a system operated by the Governments or other organisations, it cannot be considered to provide a suitable level of independence.

ITRI believes that a scheme designed by, and for, the tin industry, and supported by participants in the supply chain, has a greater chance of success than other options such as the adaptation of certification schemes designed originally for other commodities or natural resources. ITRI has previously studied other such schemes and does not consider that any could be successfully applied to the cassiterite trading chain within the DRC without significant revision. ITRI also recognises the importance of independence in any traceability scheme designed to reduce conflict finance and has included comprehensive measures to provide for independent verification of data collected and reported. Independent audits to confirm compliance will be carried out throughout the supply chain

and the operation of the scheme will not be carried out by ITRI staff but by an operator, such as an internationally recognised supply chain service provider, employed for the purpose. The GoE's are aware of these measures for independence.

Recommendation 14 of the GoE's last full report in December 2008 required due diligence to be improved through a refusal to accept only verbal assurances on origin.

"14. The Group recommends that the Committee urge Member States to take appropriate measures to ensure that exporters and consumers of Congolese mineral products under their jurisdiction conduct due diligence on their suppliers and not accept verbal assurances from buyers regarding the origin of their product."

Phase 1 of the scheme, which specifically addresses this point, was implemented on 1st July 2009 and has led to tangible improvements to the understanding of the DRC supply chain as the year has progressed. This will be re-inforced through the planned introduction of Phase 2 when provenance back to mine site level will be achieved.

ITRI considers that the proposed Phase 2 plan will encourage the development of regulation within the DRC mining sector and a general improvement in formalisation and governance since the ITRI scheme operator will be working in close collaboration with DRC official services such as SAESCAM and CEEC and will encourage their expansion and level of expertise. Indeed, the DRC Ministry of Mines is also working on the issue and on specific activities relating to the development of secure mineral trading centres (centres des negoce) and other ideas which already represent progress in formalisation of the supply chain. The work of the DRC Government and the plans for Phase 2 of the ITRI scheme are entirely complementary and this is recognised by the support that has been extended to ITRI by the Ministry. See for reference the attached letter of support of 8th October 2009 from the Minister of Mines to ITRI.

"We support this initiative which will be enriched by experts from my Ministry in order to create a supply chain inspection system that meets the requirements of the international community."

Recommendation 8 of the 2009 report concludes that increased security and law enforcement through the strengthening and development of DRC authorities is a necessary precondition to absolute transparency and traceability. While ITRI agrees with the importance of demilitarisation, we consider that traceability schemes can nevertheless play an immediate and important role in focusing attention of the supply chain on due diligence requirements and the need for legitimacy. Significant further improvement is possible through implementation of Phase 2 of the scheme but perfection is indeed unlikely to be achieved until military, security and state capacity building issues are resolved. Since no fully independent schemes devised by government or international stakeholders are available the ITRI scheme must therefore currently be considered as the best available system and its implementation is absolutely essential if DRC cassiterite exploitation and trade is to continue in the short term.

For Phase 2 of the scheme to be implemented the international community needs to provide a mechanism to advise industry on which mine sites or areas it should, or should not, be purchasing from. Industry is in agreement with the GoE's recommendation 13 from the previous December 2008 report of a need; "...to create awareness and remove uncertainty among commercial entities with respect to the origin of minerals purchased from areas controlled by armed groups." Indeed, ITRI recently made such a request to the UN Committee on the DRC since the issue remains unresolved;

"In order for the aims of the Security Council to be achieved, it is absolutely essential for members of the supply chain to be fully aware of the exact requirements of the international community. Industry therefore requires that a clear, simple and current list of mine sites is regularly provided by the Security Council with a clear 'buy/don't buy' message attributed to each. We call on the UN Security Council, in consultation with the Group of Experts, MONUC, bodies of international stakeholders such as the Task Force on Illegal Exploitation of Natural Resources in the Great Lakes, as well as the Government of the DRC itself, to provide specific and definitive guidance to industry on purchasing behaviour."

Full details may be seen in the attached ITRI letter of 21st October 2009. It is unfortunate that the de facto ban on DRC material also mentioned in that letter is increasing day by day and will be accelerated by the publication of the GoE's report. ITRI suggests that the creation of a more positive and co-operative environment between industry and other stakeholders is essential for the resolution of this issue. For example, the panel proposed in recommendation 8 could be established to provide advice to industry rather than to add a further level of monitoring.

Comments regarding the GoE's report Paragraph 303:

The level of effort expended by ITRI and its member companies over the past year has been significant, especially when considered in relation to the rather low percentage (5%) of supply which the DRC cassiterite trade currently represents on a global basis. Active comptoir and supplier members of the scheme have also provided a great deal of assistance and contributed much time to the project. We suggest that rather than 'some effort' as noted by the GoE's the industry has made every possible effort within the level of resource available. It is therefore disappointing that the report does not consider the progress represented by the ITRI scheme in more detail.

Additional information;

Various members of the ITRI scheme and their suppliers are mentioned to a greater of lesser extent in the report and ITRI will of course pay close attention to any verifiable information presented. It should be noted however that the GoE's report relates to a period covering most of 2009, while the ITRI scheme has only been in operation since 1st July 2009 thus making interpretation difficult since it is not clear which information in the report may relate to activities before or after this implementation date. ITRI made several verbal and written requests to the GoE's for any relevant information they may have discovered relating to members of the ITRI scheme since the date of implementation but no comments were received in this respect.

-ENDS-

About Cassiterite from the DRC:

Background documents such as the ITRI Artisanal and Small Scale Mining (ASM) Policy as well as specific information relevant to the situation in the DRC can be found on this ITRI webpage; http://www.itri.co.uk/POOLED/ARTICLES/BF_PARTART/VIEW.ASP?Q=BF_PARTART_310250

The provinces of South Kivu, North Kivu and Maniema are the main cassiterite mining provinces within the DRC. All mining operations for cassiterite in these areas are by artisanal means. There is no large scale formalised mining of cassiterite in the DRC. The ITRI estimate of tin supply from the region in 2008 is 15,500t, representing around 6% of world mine production.



About ITRI:

ITRI is the world's foremost authority on tin with over 75 years' experience in tin related technologies. It is a membership based organisation representing major tin producers and smelters and is the premier source of tin related information. ITRI has specialist knowledge of tin use in all the major sectors as well as groups responsible for technology, statistical and market information, regulatory affairs and sustainability. It provides links to the main tin consuming sectors through a substantial network of industry contacts. The organisation hosts seminars, conferences and industry-specific group meetings. It also provides marketing and technical support to its members and the tin industry in general. Further information can be obtained from ITRI (<http://www.itri.co.uk>)

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