

## INVESTOR EXPECTATIONS ON THE RESPONSIBLE SOURCING OF COBALT

*This statement is endorsed by 46 investment organisations representing US \$ 3.8 trillion in assets.*

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As investment organisations<sup>1</sup> with a duty to act in the best interests of our beneficiaries, we believe that environmental, social and governance issues can impact long-term performance and financial returns for portfolio companies.

Systemic human rights violations in cobalt supply chains originating in the mines of the Democratic Republic of Congo (DRC) have become a risk for companies that rely on this mineral for their products. Reasons include:

- increasing regulatory risks associated with legislation around sourcing of minerals
- reputational risk associated with investigations and media attention on poor corporate practices in cobalt supply chains
- consumer expectations
- potential negative impact on operations and material availability

As well as mitigating risk, good management of cobalt supply chains can contribute to a company's competitive advantage, and strengthen its long-term financial stability. Benefits include:

- cost savings through improved efficiency and working conditions as well as risk management;
  - improved relationships with stakeholders including suppliers and consumers;
  - improved ability to preserve reputation.
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As investment organisations we therefore believe that companies should implement the OECD Due Diligence Guidance and should manage cobalt supply chains related human rights risks and opportunities in alignment with relevant international standards<sup>2</sup>.

With a view toward protecting long-term value and mitigating risks, we will seek to engage relevant investee companies on their practices in relation to the sourcing of cobalt, in particular to encourage the following:

### **Human rights risk assessment and comprehensive due diligence efforts**

- Have a clear responsible sourcing policy in place, that specifically includes cobalt and is aligned with relevant international standards<sup>3</sup> - senior oversight, accountability mechanisms and systems to measure the effectiveness of the policy along with an explicit timeline for implementation should also be in place
- Identify smelters or refiners in the cobalt supply chain and assess whether they conduct due diligence in compliance with international standards – should this not be the case; downstream companies must use leverage to pressure suppliers into taking the necessary steps
- Report at least annually on targets and progress in reaching them as well as reporting on both the socio-economic (and expected) outcomes of actions taken by the company

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<sup>1</sup> In this context, investment organisations refer to asset owners, investment managers and stewardship service providers.

<sup>2</sup> OECD Guidelines for Multinational Enterprises; OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the UN Guiding Principles on Business and Human Rights and the International Labour Organization (ILO) standards

<sup>3</sup> Idem

### Impact monitoring and corrective action including on the ground remediation

- Identify, assess and monitor human rights impact throughout the cobalt supply chain
- Engage with relevant stakeholders to find adequate solutions and provide remediation
- Have a remediation plan in place should adverse impact be identified, possibly in concert with local stakeholders
- Track the effectiveness and outcomes of these programs
- Integrate the learnings into existing systems to prevent future adverse impact

### Collaboration on systemic issues

- Collaborate in relevant initiatives and with external stakeholders such as civil society organizations, human rights experts, governments, and sector peers.

Below are some of the factors that influenced the development of these expectations:

- Allows investment organisations, and potentially other stakeholders, to objectively compare and assess a company's approach to this issue with other companies and over time
- The application of widely recognised existing frameworks, guidelines
- Sufficient flexibility for companies to evolve their own approaches, within generally expected or anticipated approaches
- Emphasis on understanding the impact or reasons for a company's approach
- Flexibility to factor evolving methods / advances in the ways that companies and the industry may respond to these issues

To be clear, sourcing of cobalt from the DRC or specifically from artisanally mined sources, where several of the human rights / child labour issues reside, does **not** *de facto* carry a negative connotation. The emphasis is on the opportunities and better income and livelihood outcomes that such a vital resource for sustainability solutions has the potential to create and the industry role in it.

*Further details on investor expectations can be found in [Drilling down into the cobalt supply chain: how investors can promote responsible sourcing practices](#).*

*Endorsed by:*

*The above expectations are endorsed by the following investment organisations:*



1919 Investment Counsel, The SRI Department



AMF



Achmea Investment Management

Achmea Investment Management



Andra AP-fonden (AP2)

**AP3** Tredje AP-fonden

AP3 Tredje AP-fonden



APG



AP4 - Fourth Swedish National Pension Fund



a.s.r. asset management



Australian Ethical Investment



Aviva Investors



Bayerische Versorgungskammer



BMO Global Asset Management



Boston Common Asset Management



Church of Sweden



BPL Pensioen



CoreCommodity Management, LLC



Decatur Capital Management, Inc.



Degroof Petercam Asset Management (DPAM)



Deka Investment GmbH



DNB Asset Management



Ecofi Investissements



ESG Portfolio Management GmbH



Etica Sgr – Responsible Investments



EdenTree Investment Management



Hermes Equity Ownership Services  
A stewardship services provider



Hexavest



Investec Asset Management



KBI Global Investors



Kempen Capital Management



Mercy Investment Services, Inc.

## Minnesota State Board of Investment

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MN



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Pensions Caixa 30



Rathbones Brothers Plc



Richmond Global Compass



Skandia



Stichting Spoorwegpensioenfonds



PGGM



Raiffeisen Capital Management



RRSE (Le Regroupement pour la responsabilité sociale des entreprises)



Steylet Ethik Bank



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