

# Case #3. An Ethical Code for Artisanal Cobalt Mining in the Congo.

This Case is based on the article, “Ethics of cobalt mining must be taken seriously by traders,” by Michael Posner and Dorothee Baumann-Pauly, Financial Times March 21, 2022

<https://www.ft.com/content/77011f71-6619-4c49-ac80-d1de033e4b74>

**Thesis: Cobalt buyers need to create common standards and metrics to govern extraction process.**

Artisanal miners work at a cobalt mine-pit in Tulwizembe, Katanga province, **Democratic Republic of Congo** Artisanal miners at a cobalt pit in Democratic Republic of Congo, which holds 70% of the world’s supply. Workers are often assisted by their children.

Russia’s actions in Ukraine is forcing western governments and businesses to renew their focus on energy independence as a strategic imperative. Shifting transportation from fossil fuels to battery power is part of the answer, and more batteries will require more cobalt mining. The challenge is how to mine cobalt safely and without exploiting children.

An indispensable ingredient in lithium-ion batteries for electric cars and trucks, cobalt provides a natural safeguard against overheating and fires. These batteries each contain between 6-9kg of cobalt, which will mean soaring demand as electric vehicle production increases. The Democratic Republic of Congo (DRC) holds about 70 per cent of the world’s cobalt supply. Rich in natural resources, the DRC has suffered from political instability since declaring its independence in 1960. A reform-minded leader, Felix Tshisekedi, was elected president in 2018, but the country still is struggling to recover from a legacy of conflict and corruption.

The best strategy for improving mine safety and reducing child labour is formalisation of artisanal mining. In this unpredictable environment, cobalt excavation in the DRC relies on both highly mechanised operations and informal, or *artisanal*, mines. The artisanal miners dig for small pieces of cobalt, often assisted by their children. They carry away what they find in burlap bags and sell to small traders on the open market, accounting for 15 per cent to 30 per cent of the country’ cobalt production.

DRC’s informal cobalt mining sector, which is thought to involve as many as 200,000 people, is barely regulated. As demand for EVs grows, so will artisanal cobalt mining. Today, the DRC’s artisanal mines are not safe — a fact that industrial miners, traders and manufacturers of batteries and electric vehicles have failed to adequately address. Injuries and death caused by the collapse of haphazardly dug tunnels occur regularly. Child labour is widespread.

The US Department of Labor estimates that more than 25,000 children work in and around the mines, most of them too poor to go to school. A 2016 report on child labour and other issues in the DRC’s cobalt mines from **Amnesty International** provided a wake-up call for the industry,

but the **companies that need cobalt** for EVs have responded far too slowly and episodically. Some have pledged not to source from informal mining sites, doing business only with the larger industrial mines. Others insist that they are not sourcing from the DRC at all, relying instead on, for example, Australian or Moroccan cobalt producers. Still others say they are rushing to deploy new battery technologies that do not rely on cobalt.

None of these strategies make practical sense. If **battery manufacturers** are buying directly or indirectly from the DRC, informally mined cobalt is likely included in their supply. Artisanal miners gravitate to locations with proven cobalt resources and operate in proximity to formal mining. Moreover, cobalt ore, regardless of who mines it, typically goes to the same refineries in the DRC and in China, making it virtually impossible to identify its source.

Given the Congo's overwhelming market share, it's also not realistic for global companies, including those involved in battery manufacturing, car and electronics makers as well as trading companies, to avoid doing business there. And while it's likely that new battery technologies one day will not rely on cobalt, such advances are years away.

The best strategy for improving mine safety and reducing child labour is formalisation of artisanal mining. This means creating a common set of standards and metrics to govern the mining process, consistent with international labour and human rights standards. The rules need to establish measurable benchmarks, such as tunnel depth and adequate tunnel ventilation. This is what the DRC government-backed **Entreprise Général du Cobalt** has begun to do.

But many companies handling or using cobalt have not joined this effort or are working with each other to develop a common standard. This was one objective of the **Global Battery Alliance**, which was created several years ago and attracted more than 90 business, government, academic, international and non-governmental organisations. Although the alliance hosted some useful preliminary conversations, it is far from building common standards and enforcement mechanisms.

**Commodity traders**, who play a key role in the production and transportation of cobalt, need to be centrally involved in this effort. Collective action is needed to better protect cobalt miners in the DRC by improving mine safety and addressing the problem of child labour. In so doing, companies that are sourcing cobalt from the DRC support the creation of decent jobs that can back the socio-economic development of the DRC.

Commodity traders need to make responsible cobalt mining an integral part of their sustainability agenda, recognising its importance in addressing climate change — especially the need to accelerate the shift away from the fossil fuels that Putin relies on to feed his reckless geopolitical ambitions.

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## 2023 Update

In November 2022, Siddharth Kara, a fellow at Harvard University's T.H. Chan School of Public Health, who has been researching modern-day slavery, human trafficking and child labor for two decades, published a book entitled, *Cobalt Red*. He says that although the DRC has more cobalt reserves than the rest of the planet combined, there's no such thing as a "clean" supply chain of cobalt from the country. According to Kara, "You have to imagine walking around some of these mining areas and dialing back our clock centuries. People are working in subhuman, grinding, degrading conditions earning a few dollars a day. They use pickaxes, shovels, stretches of rebar to hack and scrounge at the earth in trenches and pits and tunnels to gather cobalt and feed it up the formal supply chain."

### CASE QUESTIONS

1. (2) The article states that the **Global Battery Alliance**, is "far from building common standards and enforcement mechanisms" regarding child labour conditions in artisanal cobalt mines. Suggest two general precepts (guidelines) for an ethical code and two specific practices, consistent with your personal view of international labour and human rights standards should be with regard to child labour. "**(Maximum length for each general precept and each specific practice: 25 words)**
2. (2) Construct a clear statement about **promulgation and enforcement** of your general precepts and specific practices.  
**(maximum length 80 words)**

**from Module 3:**

### IV. Ethical Codes

Many companies use ethical codes to guide the behavior of employees. Similarly, many social media websites have *de facto* ethical codes to guide the behavior of users of their websites.

There are three steps in a successful ethical code:

1. Code Design. Ethical codes consist of a combination of general precepts and specific practices. The general precepts permit broad application of a particular prohibition in a code, while specific practices define specific activities or practices that are NOT acceptable. **(In the past, students were not careful in considering what the terms "general" and "specific" mean. Please do not make this mistake.)**
2. Code Promulgation, which means making sure the code is widely understood by company employees (and, if an association, company members) and they "buy into," i.e., accept and embrace, the code's objectives and elements.
3. Code Enforcement, which includes

- a. Detection, monitoring employees or member companies to determine if an element of the code has been violated, and
- b. Consequences for violation of the code.