



**Engagement collaboration
in the mica supply chain**

Engagement results

- ✓ Achieved: Car manufacturer hired full-time capacity dedicated to work on mica sourcing and joined the [Responsible Mica Initiative](#).
- ✓ Achieved: Increased awareness of risks associated with child labour in mica mines.

Engagement recommendations



- Be aware that some issues are hidden deep in supply chains.
- Choose a topic that has momentum when starting an engagement.
- Select companies that are strategically well-positioned in the supply chain.
- Apply a multistakeholder approach and use each others network and expertise.
- Get creative in ways to use leverage in an engagement.
- Engagement is a two-way conversation.
- Share the knowledge and lessons learned within your network.

Introduction

This 'lessons learned' document describes the mica engagement case conducted under the Dutch Pension Funds Agreement on Responsible Investment. In this case, Dutch pension funds¹ collaborated with NGOs Save the Children and Terres des Hommes, trade union FNV and the Dutch Ministry of Foreign Affairs to strengthen their engagement. For more information about the Pensionfund Agreement, see the section 'background'.

The engagement, started by the working group in 2020, is specifically focused on a car manufacturer and a first-tier supplier in the mica supply chain. The goal was to draw awareness on and create transparency regarding the worst forms of child labour and low wages in the mica sector to car manufacturers and first-tier suppliers and to encourage these companies to tackle these problems. The working group booked great success with the car manufacturer. The engagement with the first-tier supplier was initiated about a year later and proved to be more challenging. This document explains the process of multi-stakeholder engagement and the lessons learned for investors and other stakeholders who want to make an impact in the mica supply chain.

Collective multi-stakeholder engagement bringing together knowledgeable actors can make a difference. This is seen in the case of engagement with the automotive industry on child labour in mica mines, where real results were achieved.

¹ The following pension funds were represented in the mica engagement case study: BPL Pensioen, Pensioenfond Detailhandel, PME, Pensioenfond Metaal & Techniek, Pensioenfond Zorg & Welzijn, BPF Schilders, Rabobank Pensioenfond

Insights into the mica supply chain

What is mica? Due to its many versatile characteristics, mica is used in a large variety of products and sectors, with the electronics and automotive industries as largest buyers. Most commonly mica is found in electronic applications due to its heat resistant and insulating quality, such as electrical parts of cars and brake linings. But it can also be found in paints and cosmetics where it adds glitter.



Mica is a widely used, but rather unknown mineral. The largest producers of mica are India and Madagascar. The extraction of mica is mostly artisanal and small-scale, meaning it is mined informally and by hand. This makes the working conditions extremely hard and dangerous. Recent [study of Terre des Hommes](#) showed that 30,000 children are working in the mica mines in India, and 11,000 children in Madagascar. As a result, mica mining operations pose substantial risks to local children, particularly by perpetuating child labour, poverty and exploitation of vulnerable households.

The mica supply chain is highly complex and untransparent, especially in the car production. Many different parts in a car (up to 15,000) contain small volumes of mica. This results in a total volume of mica use that raises cause for concern, but due to the fragmentation of the high number of supply chains involved, the issue becomes invisible. Furthermore, the chains have many layers, consisting of mica miners, multiple intermediaries and processors. And China's position as the largest importer of the raw material and exporting it further down the supply chain creates a black box in the supply chain due to lack of transparency.

Different factors contribute to the existence of child labour in mica mines. Lack of basic public services like schools, leaving families trapped in poverty and forcing children to contribute to the household earnings. The price of mica is very low, value is added further down the supply chain, which results in low earnings for the miners. Most of the times, it is not possible to make a living income or earn a small extra income from other activities like agriculture due to e.g. drought in the mining areas in Madagascar. Infrastructure is poor in the areas where the mines are located, only a limited number of buyers pass their mines. Leaving the miners, no room to negotiate and the miners have no opportunity to go to the city where the mica processors are located.

Engagement process and results

For this case two companies were selected. The working group approached a leading, consumer-facing car manufacturer and a lagging first-tier supplier. The criteria for the selection of companies in the automotive sector was done both on the basis of existing research and benchmarking, company reports from data providers used by the participating pension funds and feasibility criteria, such as cultural proximity of the company and their position within the sector.

The working group started their engagement by contacting the car manufacturer. During the first exchanges with this company, it became clear they were aware of mica and had mapped out the supply chain for mica sourcing for their paints and lacquer. Throughout the engagement between the car company and investors, the company enhanced their focus on mica. They appointed a dedicated mica focal point and joined the [Responsible Mica Initiative \(RMI\)](#). The company indicated that it would be helpful if their peers were better aware of the concerns in the mica supply chain and if a level playing field was created. It was suggested that the investors of the working group are well positioned to play a role in this.

The car manufacturer recommended organizing a conference through the [Drive Sustainability](#) platform, of which many European car manufacturers are a member. The working group could organize an event at Drive Sustainability to motivate other carmakers (and suppliers) to join RMI and due diligence on Mica. By making the car manufacturers aware of child labor in the extraction of mica in the chain, they will impose their requirements on suppliers and promote transparency in the supply chain. This is the first step to eliminating child labour in the mica supply chain.

Later on in the process, the supplier was also approached. It soon became clear that the supplier is more client and regulation driven. They are willing to cooperate if the car manufacturers to whom they supply would be asking for more transparency of the mica supply chain. However, they didn't receive any questions regarding the issue. The company showed to be largely unaware of mica being a critical part of other components than paint and paint-like products. Even though the company states that mica-mapping is a requirement for suppliers, it is unknown whether the company in fact monitors mica-mapping for each of their suppliers. The company has taken little action vis-a-vis suppliers in response to whistleblower mechanism complaints or in other ways relating to human rights. This could be reason for concern and could potentially be a sign of a non-effective whistleblower mechanism.



Lessons learned

Car manufacturers and suppliers are insufficiently aware of child labour in mica mining. One reason for this is that the issue is located deep in the supply chain and companies often have limited insight into the origin of various raw materials, including mica, and the conditions under which these are mined. Another reason is that mica related child labour does often not emerge directly in companies' salient risk analyses. This is due to mica's fragmented usage, and it generally being used in small volumes per product. The due diligence processes of individual companies don't always pick up on this while it is a salient collective issue for a wide range of sectors that source mica.

A company's position in the supply chain matters. The supplier of car components is mostly client driven and indicates that there is limited demand for better mica due diligence from car manufacturers. Investors can influence suppliers by engaging with the companies they invest in; car manufacturers. Being a consumer facing company, the manufacturer is more prone to reputational risks from negative social impacts and might be more susceptible to engagement.

Companies operate in different cultural and regulatory contexts. It was clear that the Western European car manufacturer operates in a very different context than the supplier of car components, which is headquartered in Northern America. Where human rights due diligence regulation is fast emerging in many European economies and may further spur attention for responsible mining in the coming years, the Northern American context is traditionally more compliance focused.

The timing of engagement is essential. Companies' receptiveness to investor feedback is influenced by the social discourse of a certain point in time. The timing of this engagement was excellent as there already was some awareness of the issue,

but more pressure was needed to accelerate action towards responsible mica. The leadership position of the car manufacturing company helped to push this agenda forward.

Engagement is a two-way conversation. Asking the car manufacturer what we could do to help address the problems associated with mica mining proved to be very useful to get results. Engagement is not only about formulated goals to be achieved by the company but creating a common understanding of shared responsibility to mitigate and remedy salient human rights issues.

Investors can influence the behavior of companies in several ways. Besides through direct company engagement, investors can also exert influence on companies indirectly. This can be done through lobbying at the regulator, or through industry collaborations or multi-stakeholder initiatives that companies are part of. The members of this working group approached Drive Sustainability to raise awareness about mica with its members.

Measuring the direct on the ground impact of engagement is nearly impossible in the short run. The effects of increased focus by the car company on mica and membership of RMI needs time to manifest on the ground. Isolating positive development from other external factors is also difficult. In order to verify if positive impact on the ground was a result of engagement, the time period of the project would need to be sufficiently long and monitoring would have to be in place from the start (including a baseline study). Nevertheless, the working group believes to have contributed to increased attention for and action on responsible mica sourcing with the car manufacturer.

Background information about the Agreement (SER)

About the Agreement: The Dutch Pension Funds Agreement on Responsible Investment was signed on 20 December 2018 by 73 pension funds, the Federation of the Dutch Pension Funds, six NGOs, three trade unions and three government ministries. The objective of the Agreement is for the Parties to prevent and tackle the adverse social and environmental impact of investments by pension funds. The number of signatory pension funds is 84 with EUR 1600 BLM AUM. This is 94% percent of the total assets invested by Dutch pension funds.



In this agreement, the signatory pension funds have chosen an approach to identifying, prioritising and addressing risks for society and the environment based on the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

Under the agreement, the funds cooperate with the Dutch government, NGOs and trade unions, which in turn share their knowledge and experience and the knowledge and experience of the parties' local partners. This gives the pension funds a better understanding of where risks may occur – for example, human rights violations or environmental damage – and enables them to use their leverage to solve problems and mitigate risks. The ultimate aim is to have a positive impact on the practices of the companies in which they invest. For more information on the Agreement, please visit the [website](#).

Collaboration in cases

The agreement has a 'Wide Track' and a 'Deep Track'. The Wide Track concerns all signatories. Its aim is for all the Dutch pension funds to adopt an approach that will speed up implementation of the OECD Guidelines and the UNGPs in their investment policy and practice.

In the Deep Track, the pension funds work with the Dutch government, trade unions and NGOs on specific cases. They select cases on the basis of the selection criteria specified in advance in the Agreement:

- The adverse impact of the case must be severe.
- The joint investigation should provide added value for the case and allow different parties to contribute their specific expertise.
- The case must address actual and potential adverse impacts on fundamental labour rights and human rights, such as freedom of association, forced labour and children's rights. Cases must act as examples and be instructive, so that the investigation has a broader relevance for the entire pension sector and other Delegations.

Leden werkgroep

Pension funds

Danielle Essink, Robeco *on behalf of Rabobank PF*

Ellen Kunst, MN *on behalf of PME and PMT*

Frank Wagemans, Achmea Investment Management *on behalf of BPF Landbouw*

Louise Kranenburg, Pensioenfonds Detailhandel

Rogier Snijdewind, PGGM *on behalf of PfZW and BPF Schilders*

Save the Children

Josje Beukema

Terre Des Hommes

Kristina Ullrich

FNV

Michel Cardous

Dutch Ministry of Foreign Affairs

Charlotte Bernhard

SER Secretariat

Martijn Huijnen

Laura Abels

Colophon

Social and Economic Council

Bezuidenhoutseweg 60

P.O. Box 90405

NL-2509 LK The Hague

The Netherlands

+31 (0)70 3499 525

communicatie@ser.nl

www.imvoconvenanten.nl/en/ension-funds

Photography: Terre des Hommes/A. Kievit

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