



Overview of Conflict Minerals

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Overview

The eastern portion of the Democratic Republic of the Congo (DRC) has long been the site of one of the world's worst humanitarian crises, and the conflict there continues. The revenue from the illegal mining and trading of the DRC's natural resources have been exploited to fund armed conflict, and serious human rights abuses are linked to that conflict and to mines for certain ores, now known as conflict minerals.

This document aims to:

- Identify the key conflict minerals
- Examine the legislation which is intended to reduce the funding of conflict
- Discuss the resources and tools available for companies to use
- Explain the key points of the Conflict-Free Smelter (CFS) Program



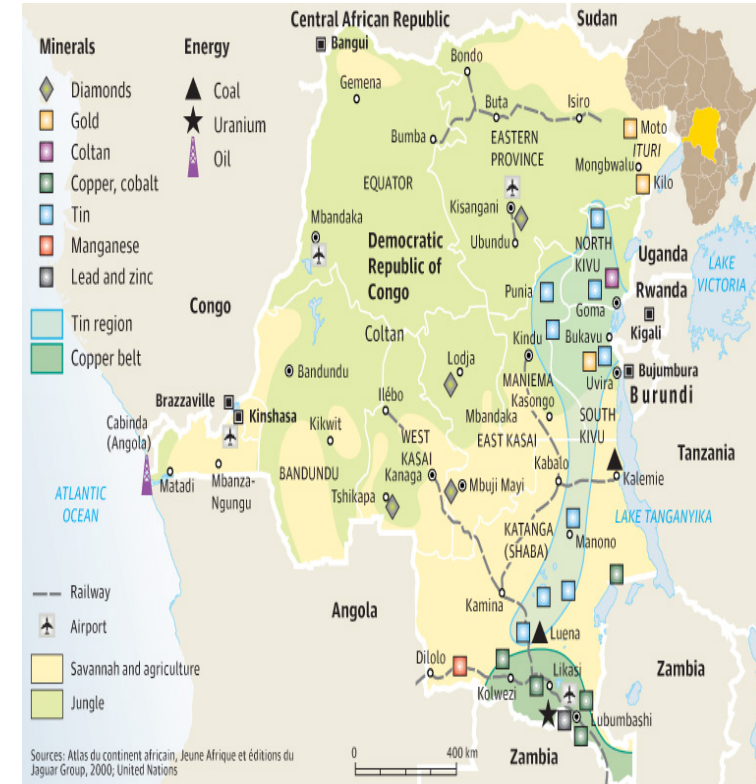


Situation in DRC

The DRC is a complex region, and many factors contribute to the ongoing violence which has claimed more than 5.4 million lives since the late 1990s. One of those factors is the exploitation and trade of minerals originating from the DRC.

Some mines are controlled by militant groups causing serious social and environmental problems in the region. Some of the key issues are:

- Serious human rights abuses, theft, and extortion
- Violence over control of the mines and taxation of mineral resources
- Forced and child labor
- Limited options for economic development
- Conservation impact, deforestation, and other environmental problems





What are Conflict Minerals?

Under the Dodd-Frank Act, the following minerals and their derivatives are defined as **conflict minerals**:

1. Columbite-tantalite (Coltan) → refined into **tantalum** (Ta)
2. Cassiterite → refined into **tin** (Sn)
3. Wolframite → refined into **tungsten** (W)
4. **Gold** (Au)

These minerals are used in many industries including aerospace, automotive, defense, electronics and jewelry industries.





U.S. Legislation

- *The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010*, which President Obama signed into law on July 21, 2010, requires many manufacturing companies to submit a new annual report for conflict minerals (Section 1502).
- The U.S. Securities and Exchange Commission established and will enforce rules implementing provisions of Section 1502.



Provisions of Section 1502

In cases in which conflict minerals did originate in the DRC or adjoining countries, submit to the Commission a report that includes:

- i. a description of the measures taken by the person to exercise due diligence on the source and chain of custody of such minerals
- ii. a description of the products manufactured or contracted to be manufactured that are not DRC conflict free



EICC and GeSI Approach

- The EICC and GeSI are committed to improving conditions in the supply chain. Mining activities that fuel conflict are unacceptable.
- In order to help companies to source conflict-free minerals, we are taking action by:
 - Implementing Conflict-Free Smelter (CFS) Program that requires OECD guidance to aid in the identification of smelters and refiners that have sourced conflict-free minerals
 - Developing the Conflict Minerals Reporting Template to help companies gather due diligence information in a common format
 - Supporting in-region sourcing schemes to enable future legitimate trade from DRC and surrounding countries
 - Supporting Organization for Economic Co-operation and Development (OECD) due diligence guidance and pilot of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*
 - Engaging with multiple industries for collaboration and efficiency

Note:

1. You can view more information about the CFS program and the Conflict Minerals Reporting template at <http://www.conflictreesmelter.org/index.htm>.
2. For OECD guidance please visit: <http://www.oecd.org/fr/daf/investissementinternational/principesdirecteurspourlesentreprisesmultinationales/mining.htm>.



Approach to Conflict-Free Sourcing

Mine, smelter/refinery, and Original Equipment Manufacturers (OEMs) are the three main areas of focus of the EICC and GeSI CFS program.



MINE



SMELTER/REFINERY



OEMS

Finished Product



In-Region Schemes

Conflict-Free Smelter Program (CFS)

Company Assurance



In-Region Programs

- [iTSCI](#) scheme is the first in-region mineral tracing initiative
- [Solutions for Hope](#) sources conflict-free tantalum from Katanga province of DRC
- The [Public-Private Alliance](#), sponsored by the U.S. State Department and USAID, is creating a process to trace and certified mineral supply chains in the Great Lakes Region



EICC and GeSI Approach to Conflict-Free Sourcing



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Conflict-Free Smelter (CFS) Program

The EICC and GeSI initiated the multi-stakeholder development of the Conflict-Free Smelter Program which determines if smelters and refiners sourced conflict-free minerals.

- **Why:** Provide a mechanism that enables and encourages responsible sourcing of tantalum, tin, gold, tungsten
- **Schedule:** Addressing each metal separately, but concurrently.
 - See the CFS Program Indicators page on www.conflictreesmelter.org for the most recent information on smelter and refinery participation in the CFS Program.
- **Results:** Lists of smelters and refiners, by metal, that have been found to be compliant with the CFS Program protocol are at:
<http://www.conflictreesmelter.org>

***** Companies make their own sourcing decisions. *****



What defines a smelter or refiner?

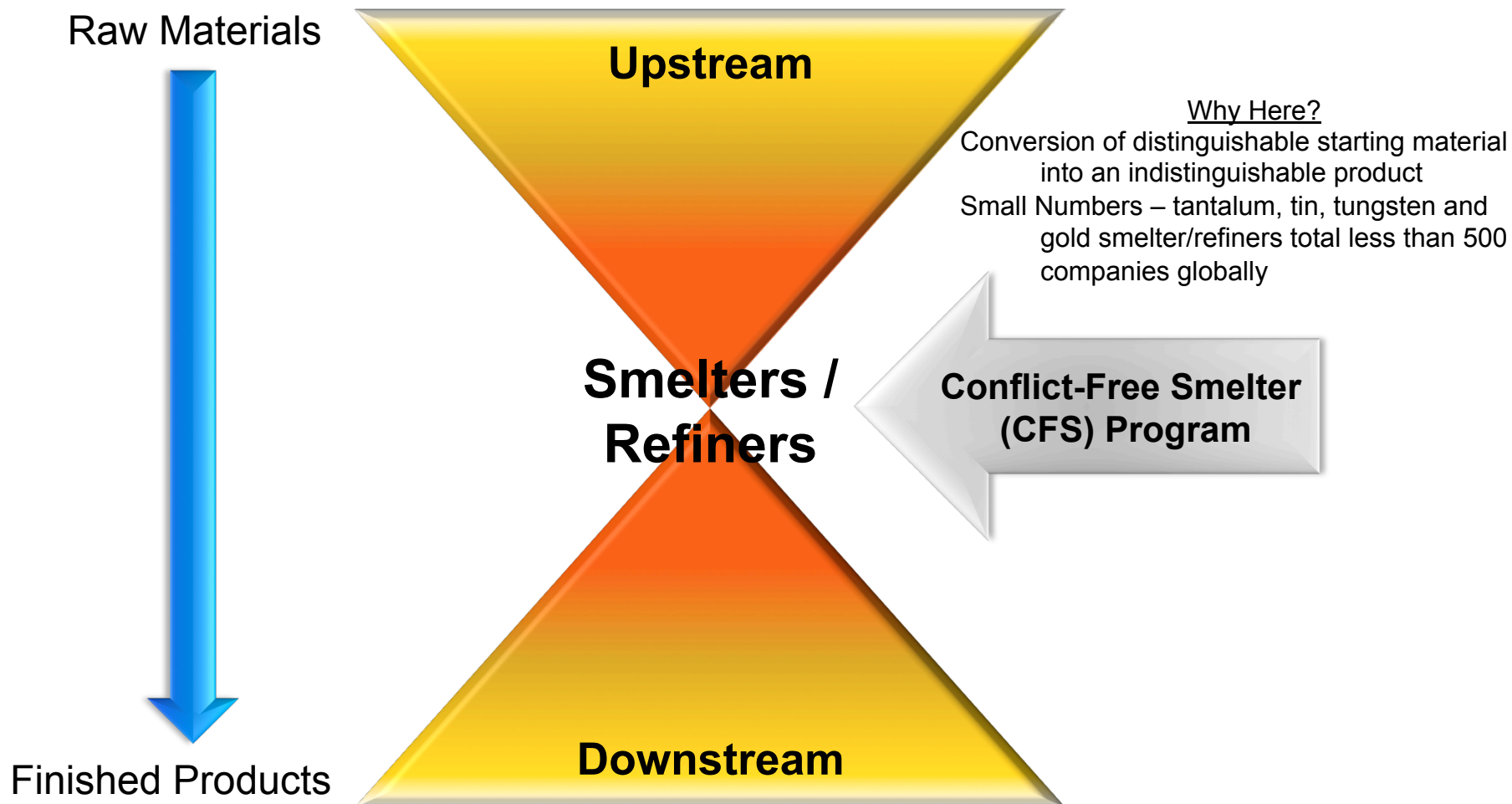
The CFS Program audits smelters and refiners. Therefore, it's important to identify the correct smelters and refiners within the supply chain and have those companies audited to determine compliance to the CFS Program audit protocol.

Definition: a company which converts mineral ores, concentrates or recycle/scrap material to a metal containing intermediate, purified metal or metal compound. Metal specific definitions as follows:

- **Tantalum (Ta) smelter:** a company which converts tantalum containing ores, slags, powder or scrap into tantalum containing products or intermediate products.
- **Tin (Sn) smelter:** a company which treats crude tin, containing concentrates and secondary material to produce crude or fully refined tin.
- **Tungsten (W) smelter:** a company which converts tungsten ore, tungsten concentrates, or tungsten bearing recycled/scrap material to tungsten containing intermediates such as Ammonium Para-Tungstate (APT), Ammonium Meta-Tungstate (AMT), Ferrotungsten, and Tungsten oxides.
- **Gold (Au) refiner:** a metallurgical operation that produces fine gold with a concentration of 99.5% or higher from gold and gold-bearing materials with lower concentrations.



Supply Chain Focal Point – Smelters and Refiners





CFS Program Audit Scope

An auditor will assess the following during the onsite audit:

1. Conflict minerals policy
2. "Mass balance" of materials
3. Procurement and incoming materials documentation
 - Of paramount importance is the existence of a public conflict-free minerals policy which the smelter or refiner has thoroughly integrated into their internal processes.
 - During an audit, an auditor calculates a "mass balance" by summing all the inputs (starting inventory plus material receipts) minus all the outputs (product shipments and losses).
 - In preparation for the mass balance activity, the smelter/refinery must accurately document their inventory and procurement information for all incoming materials and list in the Line-Item Summary.
 - The assessment also includes all tolling arrangements to ensure that no conflict-related material has been processed by the smelter or refinery.

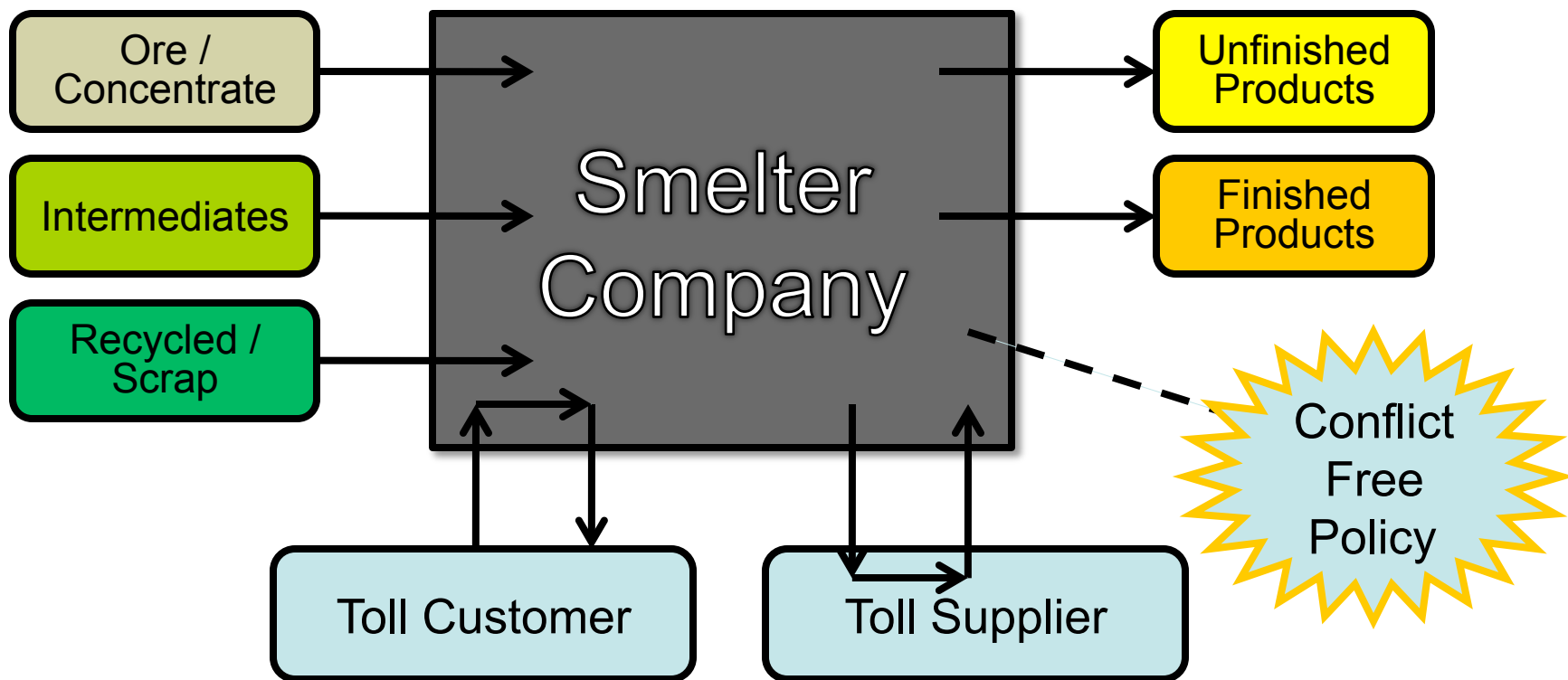
Further mass balance details and explanation can be found in the metal-specific CFS audit protocol which can be found on the CFS Program website: <http://www.conflictreesmelter.org>.



CFS Audit Scope

100% Company Mass Balance

- Includes all warehouses/inventory
- Includes all facilities





EICC and GeSI Approach to Conflict-Free Sourcing



MINE



SMELTER/REFINERY



OEMS

Finished Product



In-Region Schemes

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Company Assurance



Company Assurance

The EICC's and GeSI's efforts in the area of Company Assurance have focused on the development, integration and maintenance of tools and processes which support a downstream company's management system and risk assessment activities.

Activities include:

- Development of the Conflict Minerals Reporting Template
- Policy language in the EICC Code of Conduct (http://www.eicc.info/eicc_code.shtml)
- Addition of conflict minerals management system elements to the EICC's and GeSI's supplier corporate responsibility audits



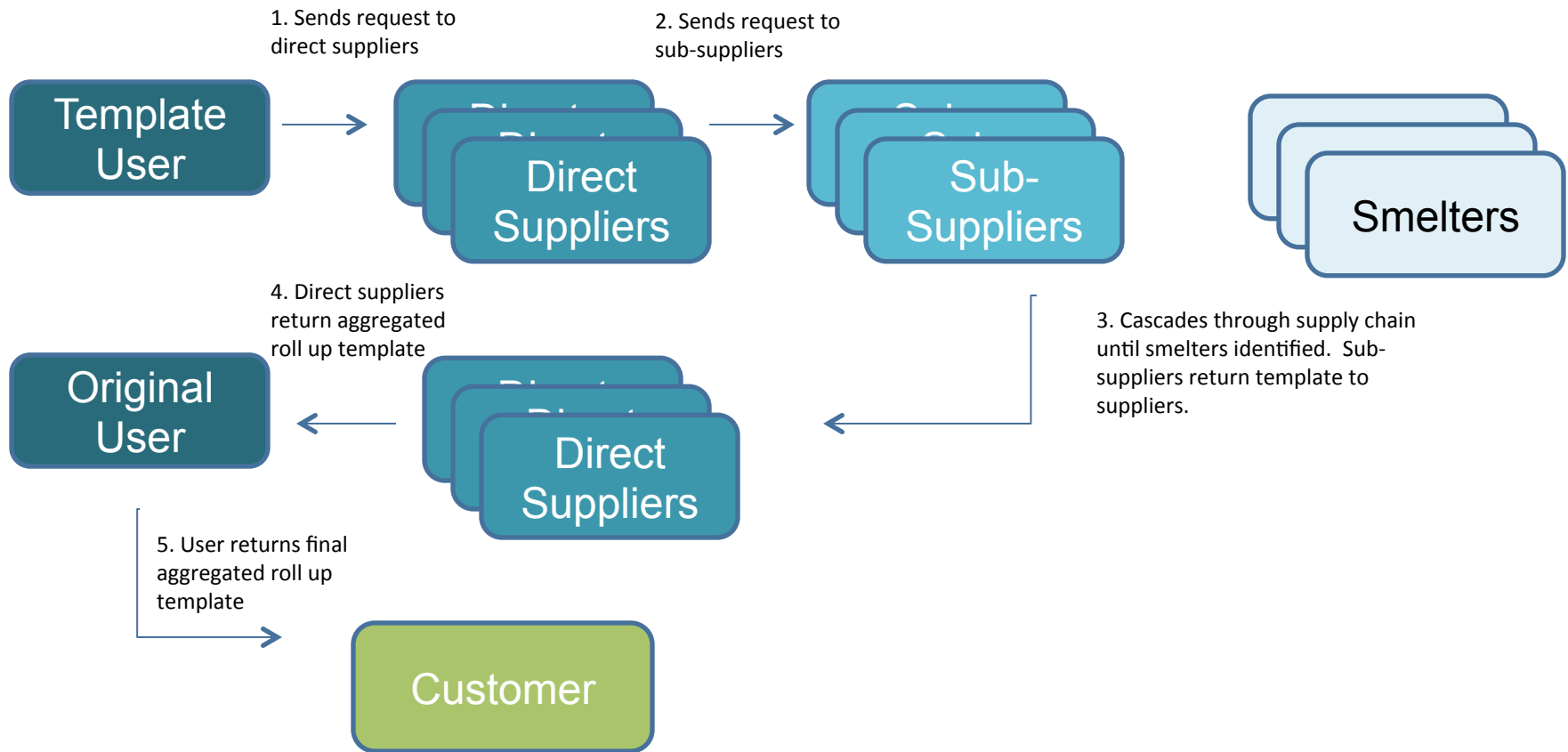
Conflict Minerals Reporting Template: Philosophy and Approach

In their effort to establish straightforward solutions for downstream companies, the EICC and GeSI adopted an approach described by the following:

- Define a common industry approach supporting the downstream due diligence requirements of the SEC and OECD supplier risk assessment
- Promote use of a common reporting template, the Conflict Minerals Reporting Template, to standardize data collection and reduce burden on suppliers and customers
- Preserve confidentiality, and enable data sharing
- Free and accessible by all, in multiple languages, with instructions and training provided on www.conflictreesmelter.org
- Revision control to preserve the integrity of the template



Conflict Minerals Reporting Template Flow





Summary

You have reached the end of this document which covers that:

1. The DRC has been plagued by regional conflict.
2. Conflict minerals are defined as tantalum, tin, tungsten, and gold originating from the DRC.
3. The Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502 covers reporting requirements related to conflict minerals.
4. There tools and resources available for conflict-free sourcing and conflict minerals supply chain due diligence.



More Information

Find updated information, tools and resources at website
www.conflictreesmelter.org.



An overview of the EICC[®]

Electronic Industry Citizenship Coalition[®]

- Was established in 2004 to improve social, economic, and environmental conditions in the global electronic supply chain through use of a standardized code of conduct
- Was incorporated in 2007 as a formal industry association to ensure greater awareness of the Code, and to expand its adoption across the industry
- Includes over 75 global electronics companies

For more information or to view the EICC Code of Conduct or current members, see www.eicc.info.



An overview of GeSI

Global e-Sustainability Initiative

- Is a strategic partnership of the Information and Communication Technology (ICT) sector and organizations committed to creating and promoting technologies and practices that foster economic, environmental and social sustainability
- Fosters global and open cooperation, informs the public of its members' voluntary actions to improve their sustainability performance, and promotes technologies that foster sustainable development
- Has 32 members representing leading companies and associations from the ICT sector
- Partners with two United Nations (UN) organizations - the United Nations Environment Program (UNEP) and the International Telecommunications Union (ITU)

For more information or to view current members, see www.gesi.org.



Acronyms

CFS	<u>Conflict-Free Smelter Program</u>
DRC	<u>The Democratic Republic of the Congo</u>
OEM	<u>Original Equipment Manufacturer(s)</u>
iTSCi	<u>ITRI Tin Supply Chain Initiative</u>
OECD	<u>Organization for Economic Co-operation and Development</u>
PPA	<u>Public-Private-Alliance for Responsible Minerals Trade</u>
USAID	<u>US Agency for International Development</u>
SEC	<u>The US Securities and Exchange Commission</u>

www.conflictreesmelter.org