

Supplier Training - Module 1:

Introduction to Conflict Minerals Due Diligence



An Initiative of the EICC and GeSI



RCS GLOBAL
Making Sure.

CFSI, the Conflict-Free Sourcing Initiative, is one of the most utilized and respected resources for companies from a range of industries addressing conflict minerals issues in their supply chains.

RCS Global is a world-leading audit and advisory firm specializing in responsible supply chains. RCS Global is working with CFSI to develop innovative and practical responses to the responsible sourcing of raw materials.

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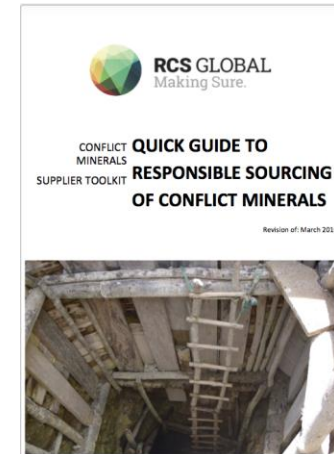
To purchase the training toolkit accompanying this presentation or to request an in-person training for your suppliers and / or conflict minerals team, please visit:

www.rcsglobal.com



or contact RCS Global at:

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Let CFSI or RCS Global know if you are interested in working with other companies to offer joint in-person trainings to suppliers.

In this module you will learn

- The reasoning behind conducting conflict minerals due diligence;
- What conflict minerals due diligence is;
- The practical implications and roles for non-SEC filers.

Current legislation: U.S. Dodd-Frank Act

- In some areas of the Eastern Democratic Republic of the Congo (DRC), the extraction and trade in minerals is associated with armed groups who are perpetrators of serious human rights abuses.
- The U.S. Congress implemented legal requirements in Section 1502 of the Dodd-Frank Act to discourage the purchase of minerals where the proceeds are directly or indirectly financing or benefiting such armed groups.
- The legislation requires all registrants of the U.S. Securities and Exchange Commission (SEC, see www.sec.gov) to investigate their supply chain and annually report on the sources of tin, tantalum, tungsten and gold (3TG) in their products.

Legal requirements

- Any company who is publically traded on the US stock market must comply with Dodd-Frank Act Section 1502 (SEC Registrants)
- Dodd-Frank Act Section 1502 requires SEC registrants who manufacture or contract to manufacture to determine if their products contain any of the following minerals that are necessary to the functionality of the product:
 - Gold
 - Tantalum
 - Tin
 - Tungsten
- If yes, SEC registrants must determine the origin of these minerals, commonly referred to as “3TG” or “conflict minerals”; and
- Must file an annual report with the SEC at the end of May for the previous calendar year.

Future initiatives

Other legal or voluntary initiatives are being developed for the same minerals:

- **EU Legislation:** EU Parliament is debating a similar legislation.
 - EU law will apply to any conflict-affected and high-risk area, not limited to the DRC and adjoining countries.
 - Current draft limited to 3TG only.
- **CCCMC:** The China Chamber of Commerce of Metals, Minerals & Chemicals Importers and Exporters (CCCMC) published the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains in December 2015.
 - China-specific, but closely aligned with the OECD guidelines.
 - Global in its application and not limited to 3TG.

What is Due Diligence for conflict-free supply chains?

Due diligence is a process to ensure that the extraction and trade of the 3TGs do not support conflict.

Steps include:

- Implementing processes and systems of control over the supply chain
- Passing information to buyers and other stakeholders involved in the mineral trade
- Assess conflict conditions at mine sites, transportation routes, and trade points
- Report on efforts

My company is not an SEC Registrant – what is my role?

- **Minimum Requirements:** As a part of the supply chain, cooperate with companies that conduct due diligence by identifying smelters in your supply chain.
- **Best Practice:** Conduct due diligence based on the OECD Guidance and support efforts to source material from conflict-affected areas that is validated to be conflict-free.

How do I support my customer?

- Respond to requests for information and disclosure in a timely manner.
- Provide complete and accurate information.
- Conduct the necessary due diligence, as defined by the OECD, to validate the data you receive from your suppliers.
- Maintain a strong conflict minerals policy.



Your customers need your support to obtain the information on smelters and refineries in their supply chain to comply with their legal obligations.
Customer + Supplier working in partnership = SUCCESS!

Basic process to respond to customer requests

Step 1: Determine which suppliers provide materials that end up in Customer's final products.

Step 2: Determine if the materials from these suppliers contain any of the 3TG.

Step 3: If yes, identify smelters by requesting the suppliers to complete the Conflict Minerals Reporting Template (CMRT).

Step 4: Analyze supplier responses to assess validity and accuracy. Review data to determine if any 3TG content originates in the DRC or adjoining country.



THANK YOU!

