



**Downstream Implementation of the
OECD Due Diligence Guidance for
Responsible Supply Chains of Minerals
from Conflict-Affected and High-Risk
Areas**

**Cycle 2 Interim Progress Report on
the Supplement on Tin, Tantalum,
and Tungsten**

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SECTION I: Cycle 2 Reporting Exercise of Downstream Due Diligence Implementation

Introduction to Cycle 2

The aim of Cycle 2 of the OECD downstream implementation pilot is to acquire in-depth information about company due diligence processes, including any emerging practices, tools, and challenges related to implementing the five-step framework of the OECD Guidance following the baseline data collection and report from Cycle 1. Cycle 2 also aims to facilitate greater sharing and learning among participants.

Cycle 1 Summary

Cycle 1 (August 2011–December 2011) culminated in a baseline report about the participating downstream companies that demonstrated the various levels of implementation, established the breadth of current practices, and described the major challenges they faced at the beginning of the 12-month pilot. Participants are at varied stages of knowledge and implementation on the issue and exhibited a range of supply chain complexities. The report also surfaced initial implementation challenges faced by companies, including lack of transparency throughout downstream supply chains and commercial confidentiality barriers.

From 29 November through 1 December 2011, the OECD hosted a second multi-stakeholder implementation meeting where participants provided constructive feedback about the baseline report. The discussions focused on clarifying and addressing the specific challenges related to the implementation of the Guidance and presenting participating companies' and industry associations' emerging practices. Participants in the implementation phase recognised that the pilot exercise is helpful for obtaining a better understanding of current practices and the steps necessary to implement due diligence. They expressed the need for more detail about emerging practices with examples and explanation of methods for practical implementation of the Guidance.

In addition, participants suggested that greater involvement and input from the industry associations to raise awareness, develop due diligence implementation tools, and collect information about their members' due diligence practices would show a greater breadth of practice and experience beyond the necessarily limited company participation in the pilot. The former suggestions have been included in this report, while the latter information from association members will be included in the Cycle 3 report.

Cycle 2 Methodology

In response to participant feedback provided during Cycle 1, the second cycle of the pilot (January–May 2012) delved deeper into the current practices of participating companies to gather greater detail about their current approaches and tools, the challenges they have faced, and experiences they have had while developing systems and processes for the implementation of the five-step OECD framework.

In January 2012 BSR circulated a questionnaire to collect detailed information about company due diligence practices. The questions were based on the conversation and tools raised by participating companies during the BSR-hosted meeting held in Paris on 1 December 2011, soon after the OECD-hosted multi-stakeholder forum. The questionnaire was shorter than the baseline questionnaire so that pilot participants could provide more detailed responses and descriptions of their activities.

In response to participants’ feedback during the Cycle 1 meetings held in Paris, the OECD asked BSR to host three conference calls with downstream pilot participants to provide a platform for them to share with and learn from each other. The first call focused on Step 1; the second on Step 2; the third on Steps 3–5, primarily focused on the industry association activities and tools. These discussions have been integrated into the findings detailed in this report.

This report reflects the views of the participating companies and industry associations. The examples and challenges listed were culled from the questionnaire responses. The section on Dodd-Frank and the OECD Due Diligence Guidance (page 31) was developed by drawing on relevant publicly available reports, and the conclusion and recommendations are an aggregate of company input gleaned from the survey and group discussions. The report will be revised in light of comments received at the May meeting as needed.

Pilot participants and response rate

The following list includes only those companies and organizations that have chosen to disclose their participation in the OECD implementation phase. Thirty companies and three industry associations are participating in the pilot; 28 companies and all three industry associations submitted responses to the Cycle 2 questionnaire. Most of the pilot participants are large multinationals; SMEs are covered through the participation of industry associations.

Companies		Industry Associations
» Alcatel Lucent	» Oracle	» AIAG (Automotive Industry Action Group)
» Alpha (Cookson)	» Panasonic Corporation	» EICC & GeSI (Electronic Industry Citizenship Coalition and Global e-Sustainability Initiative)
» AMD	» Research in Motion	» IPC (Association Connecting Electronics Industries)
» Boeing Company	» Royal Philips Electronics	
» Circuit Connect	» Plansee Group Service GmBH	
» Epic Technologies	» Siemens AG	
» Flextronics	» Texas Instruments	
» Ford Motor Company	» TriQuint	
» Foxconn	» UNISEM	
» Freescale	» United Technologies Corporation	
» General Electric Company		
» Hewlett-Packard		
» KEMET		
» Lockheed Martin Corporation		
» Nokia		
» Northrop Grumman		

SECTION II: Cycle 2 Company Findings

This section provides detailed analysis of the downstream company questionnaire responses supplemented by information provided during the group calls.

Summary Findings

The OECD Due Diligence Guidance recommends that downstream companies focus their due diligence efforts on identifying to the best of their efforts smelters within their supply chains in order to manage the risk of contributing to conflict or serious human rights abuses. Downstream companies are expected to establish internal controls over their immediate suppliers. The Guidance recognises that companies, because of their size or other factors, may find it difficult to identify actors upstream from their direct suppliers. In such a case, companies may engage and actively cooperate with industry members with whom they share suppliers or downstream companies with whom they have a business relationship to identify which smelters are in the supply chain. Downstream companies have developed different approaches to due diligence processes that are compatible with the flexibility provided under the Guidance.

- A majority of participants have a policy in place, and in most cases, it outlines the company's commitment, activities, and supplier requirements. Findings from Cycle 2 demonstrate a marked increase in policy adoption since the Cycle 1 baseline report as well as an increase in the breadth of coverage.
- In order to carry out due diligence and establish internal controls over their immediate suppliers, most of the respondents have begun to identify or have identified Tier 1 suppliers (Tier 1 suppliers are defined as direct suppliers to the company, whereas Tier 2 represents a supplier that has a relationship with a Tier 1 supplier but does not have a business relationship with the customer) and/or products containing tin, tantalum, tungsten, and gold (hereafter 3T&G). Participants are identifying metals through material content data forms, company declaration systems, bills of material, and/or part codes assigned to all parts.
- The most commonly referenced data collection method cited is the EICC & GeSI Reporting Template and Dashboard. Nearly 30 percent of respondents rely on it as their primary mechanism for obtaining information from their suppliers about material content, smelters used, and/or country of origin. Another 37 percent are using the EICC & GeSI template in combination with their own mechanism. A number of data collection methods are in alignment with the provision in the OECD Guidance that supports extending digital information-sharing systems about suppliers to include smelters/refiners.
- While most participants have begun to engage with their suppliers on the issue of minerals from conflict-affected areas or high-risk areas at some level, the way suppliers are selected and prioritised for communication and data collection varies. Pilot participants are either communicating with all suppliers (or Tier 1 suppliers) or applying a risk-assessment methodology to determine which suppliers receive communications and information requests. Companies are employing various modes of communication including letters, webinars, and face-to-face meetings.
- Most pilot participants do not have direct relationships with smelters and therefore are relying on industry processes rather than engaging directly with smelters to obtain information and

undertake due diligence. Some have thus far been unable to identify all of the smelters in their supply chain. This collaboration is in alignment with the provision in the OECD Guidance that all downstream companies participate and contribute through industry organizations to identify smelters in their supply chain and assess their due diligence practices, or identify the smelters, to the best of their efforts, that meet due diligence requirements.

- Pilot participants are using contractual clauses and terms and conditions to ensure compliance with data disclosure and/or required policies as a prerequisite for doing business.
- A majority of the respondents are still working with their suppliers to overcome the issue of confidentiality, both individually and as an industry, by working it into their contract clauses and NDAs (nondisclosure agreements) and using data collection and roll-up tools that do not require listing of all suppliers used within a company's supply chain.
- Overall, pilot participants would like to support individual and industry-level efforts to encourage smelters to become verified as conflict free through the EICC & GeSI Conflict-Free Smelter (CFS) Program.

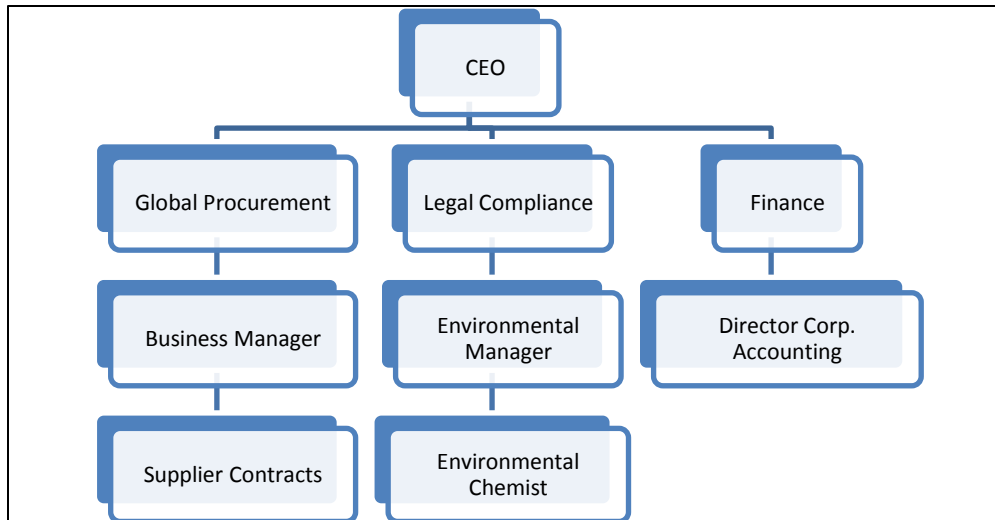
Step 1: Establish Strong Company Management Systems

Step 1 provides guidance for companies about establishing management systems to address risks associated with minerals from conflict-affected or high-risk areas. Participants provided information about their management systems, internal teams, corporate policies, supplier identification and engagement efforts, and data management and collection processes.

Team and policy (Step 1 A – B of the OECD Guidance)

All respondents have dedicated human resources to address the issue of minerals from conflict-affected areas. Pilot participants described various team structures to address the issue of minerals sourcing. The most common practice they employ is the assembly of cross-functional teams from a range of the following departments: engineering, legal, public relations, quality, supply management, and corporate responsibility. Others have dedicated one person to work full-time on the issue. In order to engage senior management on the issue and drive a company process to deal with due diligence, one participant company developed an internal white paper that outlined the history of the DRC (Democratic Republic of the Congo) conflict; U.S. government and NGO actions; actions that the company should take; data about the historical global production of tin, tungsten, tantalum, and gold (3T&G) by country; and useful links.

Figure 1: Internal Team Structure



Typically, after they have identified resources, companies work to develop a policy to outline their position on and expectations about minerals from conflict-affected areas. The majority of respondents to the Cycle 2 questionnaire indicated that they have a policy in place that includes the company’s commitment, due diligence activities, and supplier requirements. Some of these policies include companies’ expectations of all suppliers related to human rights and ethical business conduct for all suppliers. In most cases, the policies urge suppliers to require the same expectations of their own suppliers to ensure alignment throughout the supply chain. Policies also acknowledge the gravity of the DRC conflict, specify product categories where 3T&G are used, communicate the company’s grievance mechanism, and describe industry-wide collaboration and other engagements. Several respondents specified that they are waiting for the final U.S. Securities and Exchange Commission (SEC) rules before they draft a policy.

Many companies have incorporated policies into their broader supplier codes of conduct, which are available on human rights and responsible purchasing sections of their websites. Participants indicated that they update these policies on an annual basis to reflect the evolution of company positions. Some companies noted their efforts to support in-region sourcing when it becomes available and therefore put in place policies that “do not have unintended consequences—principally, establishing a ‘Congo-free’ supply chain.” While a number of policies refer to the OECD Guidance, companies generally stated that they preferred to focus their policies on elements they considered to be directly within their “sphere of control,” rather than activities “occurring multiple tiers up the supply chain.”

Many participants have made efforts to align with Annex II of the OECD Guidance. However, only one consumer-facing company incorporates language from Annex II of the OECD Guidance to prohibit human rights abuses and any direct or indirect support to non-state armed groups or security forces at the mine sites. The policy (referenced in Box 2 below, with the full policy referenced in Example 1 in the Appendix) includes detailed expectations for mineral extraction, trade, handling, and export, drawing from language in Annex II. Another company adapted some elements of the risk-management recommendations from Annex II into its own actionable commitments that it considered to be within its sphere of control. It did so by committing to support industry-wide initiatives to verify smelters’ conflict-sensitive due diligence and to support initiatives in the DRC that would enable upstream companies to source materials in a conflict-sensitive manner. Four other policies incorporated elements of Annex II by referencing the OECD Guidance.

Box 1: Sample company policy

. . . We prohibit human rights abuses associated with the extraction, transport or trade of minerals. We also prohibit any direct or indirect support to non-state armed groups or security forces that illegally control or tax mine sites, transport routes, trade points, or any upstream actors in the supply chain. Similarly, [company name] has a no tolerance policy with respect to corruption, money-laundering and bribery. We require the parties in our supply chain to agree to follow the same principles.

[Company name] complies with applicable laws and commits to drive best industry practice. We are participating in the Pilot Implementation of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and working with our industry peers through the EICC-GeSI Extractives work group to improve traceability of minerals and ensure responsible sourcing.

We have for several years been working with suppliers to trace back mineral flows and ensure commitment to sustainable procurement. From 2012 we will take into use the standardized EICC-GeSI Conflict Minerals Reporting Template to continue mapping and to monitor our suppliers' commitment and activities. More details are requested from suppliers as needed.

We have incorporated the principles of this policy into our contractually binding [company name] Supplier Requirements (NSR) and we work with our suppliers to increase transparency in the supply chain. We aim to create awareness and build capacity within our supplier base through training and regular supplier meetings. We will communicate our policy to our suppliers and request them to set similar policies for their supply chain.

. . . [Company name] policy requires that our suppliers who manufacture components, parts, or products containing tin, tantalum, tungsten, and/or gold must commit to sourcing those materials from environmentally and socially responsible sources only. Materials, which either directly or indirectly contribute to conflict, are unacceptable. Suppliers shall define, implement and communicate to sub-suppliers their own policy, outlining their commitment to responsible sourcing of these materials, legal compliance and measures for implementation. Suppliers shall work with sub-suppliers to ensure traceability of these materials at least to smelter level, e.g. by using the EICC-GeSI Minerals Reporting Template. [Company name] reserves the right to request further evidence of the chain down to mine level when necessary. Once mechanisms are available, suppliers shall ensure that purchased metals originate from smelters validated as being conflict mineral free. Traceability data shall be maintained and recorded for 5 years and provided to [company name] upon request . . .

(The complete policy is included under Example 1 in the Appendix)

One respondent described the following process to develop a company policy on minerals from conflict-affected areas:

1. Drafted policy by extracting a prior statement on the issue, supplier code of conduct, and the OECD Guidance from three sources;
2. Reviewed Annex II to identify what was relevant for downstream companies (paragraphs 1–4) and what sections are modeled for upstream actors (paragraphs 5–14), in particular regarding some aspects related to the implementation of recommended risk-management strategies and applicable upstream only;
3. Reviewed the draft policy with a cross-functional team for review; and
4. Published the policy online.

One company described the process to roll out its policy internally. It developed a detailed set of guidelines to govern implementation of its statement of principles within its various business units. As a very large and diverse company, its challenge was to craft guidelines that were sufficiently detailed to enable uniform metrics and reporting for company-wide performance, while remaining flexible to account for wide variation in the business models and supply chains of its separate business units. The guidelines will address such topics as the scope of application (e.g., geographical, joint ventures, new acquisitions, etc.); identification of relevant suppliers; categorization of suppliers into high-risk and low-risk groups; the obligations it will place on suppliers; data collection, retention, and reporting; verification of supplier data; consequences of non-cooperation; roles and responsibilities; and reporting of metrics.

Challenges

Companies face the following challenges when establishing these systems, such as:

- Ensuring that the policy does not promise results that companies are unable to uphold, and coping with the challenges and expectations around supply chain transparency
- Managing expectations for controlling the behaviour of upstream actors where there is no direct relationship
- Grappling with uncertainty around the final implementation of the SEC rules on Section 1502 of the Dodd-Frank Act
- Drafting a concise policy that allows them to communicate the lengthy, complex recommended policy efficiently to suppliers who may have limited resources and/or language barriers

Data collection and management methods (Step 1 – C of the OECD Guidance)

The Guidance recommends that companies have data management and collection systems (as part of their internal management systems) capable of supporting their supplier identification, prioritisation, responses, and smelter identification. Downstream participants reported on various approaches to engaging with suppliers, as recommended in the Guidance, to ensure that they commit to a supply chain policy and due diligence processes. Generally, companies are identifying their products for 3T&G content in order to prioritise suppliers and then reaching out as appropriate to collect due diligence information.

Participants described the processes they employ to collect information from their suppliers about material content, due diligence processes, smelters used, and/or country of origin. The data collection method they cited most often was the EICC & GeSI Reporting Template and Dashboard, which was developed to facilitate disclosure and communication of information regarding smelters that provide material to a company's supply chain. The template is used to collect sourcing information on 3T&G used in company products, including whether products contain 3T&G, and if so, the metal's country of origin and whether they are recycled. The template allows suppliers to indicate whether they have relevant policies or supplier due diligence requirements or have made any progress identifying smelter names and locations. One company that has been using the template since the original version was released indicated that the quality of supplier responses has risen as the suppliers become familiar with the tool.

While many of the respondents are members of EICC & GeSI, pilot participants that are not members of EICC & GeSI are also using the Dashboard. Feedback on the Dashboard's efficacy is mixed, with two participants citing limited compatibility with internal systems and requirements and/or low ease of use.

EICC-GeSI has clarified that the Dashboard was not developed to integrate with internal systems, but is intended to work with any database accepting XML data. Companies in favor of the tool cite the importance of using a common tool that is clear and less laborious for suppliers.

Approaches to data collection range from using basic corporate tools to more sophisticated systems developed internally for other processes. For example, one participant uses its own formatted Excel files to track customer inquiries, raw materials, production, and supplier information. Other basic approaches include SAP and other data management software for the initial implementation phase, while other options for more robust data management tools are evaluated. Two participants described manual approaches to storing data, with one archiving completed templates in a dedicated SharePoint file and another storing them on a local server.

Other companies are combining existing tools with more advanced data collection systems. One company is combining IMDS (International Material Data System) with the AIAG (Automotive Industry Action Group) web-based tool to track both materials and smelter used. The rationale provided is that IMDS tracks material content, while the AIAG tool in development tracks the smelters. By using the two systems, companies can track both material and smelters. The IMDS is tracking at the part level, while an AIAG-sponsored tool will track at either the part level or company level (though this feature is still under assessment). The tool takes the same approach as the EICC & GeSI template and dashboard, in that Tier 3 will report to Tier 2 and Tier 2 will report to Tier 1 so that the original equipment manufacturer (OEM) can gather information through the supply chain from the smelter. It is not yet clear whether the OEM will have access all the way to the smelter level, but if the tool works correctly, the OEM would only require information from Tier 1.

Other companies that are using the hybrid approach are combining existing corporate systems with new systems that they have developed internally for their own use. One company is in the process of creating an integrated IT system to manage and gather data, communicate with suppliers, and generate metrics and reports on its progress. First, it is gathering, storing, and reporting data on its supply chain. For this piece, it is building its own existing systems that support compliance on REACH (the European community regulations around chemicals and their safety by requiring companies to address **R**egistration, **E**valuation, **A**uthorisation, and **R**estriction of Chemical substances). This internally-created tool houses survey questions and produces reports. While the supplier survey will be different from the EICC & GeSI reporting template, the company is in the process of obtaining permission to enable suppliers to populate the survey automatically from EICC & GeSI reports they have already completed. Second, it is launching a tool that will approximate a “social network” for the supply base and will require Tier 1 suppliers to gather information from their own supply base and so on down the line. Suppliers will be required to self-register on the tool, which will house the data collected and provide a convenient means for them to gather information from their own suppliers.

Challenges

Companies face the following challenges related to data collection and management. They must:

- Ensure that policies and their systems for implementation do not have the unintended consequences of establishing a DRC-free supply chain, rather than a conflict-free supply chain.
- Ensure that policies do not promise results that companies are unable to uphold. There are significant challenges with companies developing systems that anticipate the not-yet-finalised the Dodd-Frank requirements for supply chain transparency.
- Ability to influence the behaviour of smelters through industry collaboration where there is no direct relationship

- Grapple with uncertainty around the final implementation of the SEC rules on Section 1502 of the Dodd-Frank Act.
- Be aware that creating a data collection system prior to the SEC’s final rules may require the companies to later change their system, with implications for functionality, resources, and clarity. Companies are waiting to complete data management systems until they can be sure their system will comply with the SEC rules.
- The current EICC & GeSI template is used to collect information at the supplier level, but certain customers request information at the part level. The EICC & GeSI template does not allow for this level of detail. A revision of the EICC & GeSI template will include part-level capability.

Supplier engagement (Step 1 – D of the OECD Guidance)

Pilot participants are using a range of tools and methods to engage with their suppliers, including policy and contract clauses, purchase orders, letters from company executives outlining expectations, “Dear supplier” letters through industry associations, webinars, face-to-face information sessions, supplier meetings, and one-on-one phone conversations.

The majority of participants are initiating contact with their suppliers by sending letters that provide information on the situation in the DRC and SEC legislation, refer to their position in minerals sourcing, and explain the company’s actions to undertake due diligence. Some companies send initial “awareness” letters with information without requiring immediate action from the supplier, while others list specific expectations and lay out instructions for submitting due diligence information. One company has translated these communications into Mandarin for its Chinese suppliers. Refer to Box 3 below and Examples 2 and 3 in the Appendix for more examples of supplier letters.

Box 2: Sample “Dear supplier” letter

Dear Valued Supplier:

This request requires your response by 1-Nov-2011 and is a follow-up to the Conflict Minerals awareness letter we sent May 2011. Please download the Conflict Minerals Reporting Template and associated dashboard tool called MRPRO at www.eicc.info/extractives.htm. Send the completed Reporting Template to [ConflictMinerals@\[company name\].com](mailto:ConflictMinerals@[company name].com) using a file name: SupplierName-date.xls.

The following summarizes [company name]’s minimum expectations for your response:

- *Suppliers are to send this same request to their direct suppliers (using the same Reporting Template).*
- *Suppliers are to disclose to [company name] the names of smelters used in their supply chain for tin, tantalum, tungsten and gold (by using the MRPRO software to create a rollup of smelter names provided by your suppliers)*
- *Suppliers are to adopt their own conflict minerals policy (see [company name]’s updated Supply Chain Social and Environmental Responsibility Policy (weblink)*

Incomplete Reporting Templates (mandatory fields not answered) will be returned for completion. We will send reminders after one month and after two months if the Request Template has not been provided back to [company name]. If you have any questions regarding the completion of these expectations please visit the EICC Extractives webpage at <http://www.eicc.info/extractives.htm> for training and information, contact your [company name] Supplier Relationship Manager.

We thank you for supporting [company name]’s request in a timely manner.

When companies do not receive adequate responses, they will send a follow-up letter to the supplier to request additional information.

Box 3: Sample supplier follow-up letter

We have received the Conflict Minerals reporting template from [supplier company name] in good order. Thank you for providing us with this information.

We have reviewed the information you filled in on the template, and would like to follow-up with you on below points. Please read below feedback and requests carefully and update your template accordingly. Please save the updated template as a new version including the new date (e.g. CompanyName_15Oct2011), and send it to conflict_free_minerals@company.com within 3 weeks.

Should you have any questions, please see below references or feel free to contact me.

We appreciate your cooperation in this important topic and look forward to your feedback.

- ***Please list all smelter names on the worksheet ‘Smelter and Mine List’.***
We noticed that the worksheet ‘Smelter and Mine List’ of the submitted template is empty. Please investigate your supply chain to identify all smelters that you and your suppliers use to process the tin, tantalum, tungsten and/or gold used in your products, and fill in the identified smelter names in the worksheet ‘Smelter and Mine List’.

- ***Please continue investigating your supply chain until you identified all smelters in your supply chain.***
Question 4 of the worksheet ‘Declaration’ is: Have you identified all smelters your company and its suppliers use? You have answered ‘No’ to this question. Please continue investigating your supply chain until you have identified all smelters.
If you do not have this information, you need to engage with your suppliers, and they might need to ask their suppliers, until the supply chain reaches the smelters. The EICC-GeSI Reporting Template can be used to collect the necessary information from the different suppliers in your supply chain.

- ***Please complete all mandatory questions on the worksheet ‘Declaration’.***
We noticed that on the ‘Declaration’ worksheet not all mandatory questions have been answered. Please complete all questions 1 – 5 for all metals, as well as questions A – K. The fields with missing answers are marked in yellow. All mandatory questions are marked with ().*

Participants are also organizing meetings and events to disseminate general information and expectations. One company provides information sessions at Supplier Symposia to which all suppliers of the company are invited, while another has invited priority suppliers and their own account managers to participate in webinars. The company conducted four identical hourlong sessions (two in English and two in Mandarin) introducing the topic, explaining the Dodd-Frank Act, providing background on the data request, outlining expectations, and demonstrating how to complete the EICC & GeSI reporting template. The respondent highlighted the question-and-answer period of the webinars as particularly helpful, with frequently asked questions on completing the template, defining a smelter, collecting information from large supply bases, and obtaining resources. Another company established shared service centers in China and Poland to work with suppliers to provide information and training, collect templates, and validate responses.

One company is starting the supplier engagement process by requesting that suppliers agree to cooperate with its information-gathering requirements before requesting specific certifications. It considered a two-tier process to first obtain the correct contact information and then follow up for more information, but

the company decided against this approach in favor of a more intensive one-step follow-up process. Another company that tried a two-tier process warned against this approach explaining that they found it impossible to gather a second round of information once a supplier had responded to the first request.

Customer communications

Participants are responding to customer requests on the topic of minerals from conflict-affected areas in various ways, with most answering queries on a case-by-case basis. The types of data requests include:

- Surveys on the use of 3T&G
- Smelter/mine name and existence of a policy
- Initiatives for non-use
- A signed memorandum on the non-use of conflict-affected 3T&G
- Provision of a non-use certificate

The customer letters companies submitted via the questionnaire addressed the following points:

- Details on a company's approach to due diligence (i.e., while regulation is not final, efforts are still being made to trace minerals in the supply chain)
- How 3T&G is used and in which product categories
- Where the company currently stands in rolling out its due diligence (i.e., whether products have been identified, or companies are awaiting feedback from requests they have sent suppliers)
- Method for obtaining information (e.g., EICC & GeSI reporting template)
- Estimate of when the information will become available
- Participation in industry collaboration and other engagement activities

One respondent sends its customers letters and completed EICC & GeSI reporting templates, while another company's first response is a standard letter stating that it is waiting for the final implementation of the SEC guidelines before it adopts a due diligence process and that it has "no knowledge of metals in its products that are mined or sourced from conflict mines." Yet other companies are specifying to customers that despite the developing nature of the regulations, they are undertaking measures to conduct due diligence (see Box 5 below). Another company sends updates to customers who previously requested information as the EICC & GeSI template is updated with more information.

Box 4: Sample customer letter

. . . As you may be aware, as a part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the United States Congress has directed the U.S. Securities and Exchange Commission to promulgate regulations requiring certain U.S. companies to publicly disclose whether their products are “DRC conflict free” along with describing the due diligence efforts used to make that determination. However, the final regulation governing the U.S. reporting requirements for conflict minerals due diligence has not yet been issued. In anticipation of this regulation, [company name] will continue to standardize and expand our conflict mineral tracing process to cover all relevant products and suppliers.

While we have made progress, this work is not complete. Even if the relevant rules are not issued in 2011, we will provide our customers with more information regarding our survey results in 2012. Once the regulation is issued, we will ensure that our due diligence processes meet the applicable requirements, and will respond with the appropriate information to assist you in complying with these regulations...

(The complete letter is included under Example 4 in the Appendix.)

Step 2: Identify and Assess Risk in the Supply Chain

Step 2 of the OECD Guidance advises downstream companies to identify and assess risks around the circumstances of extraction, trading, handling, and export of minerals from conflict-affected and high-risk areas as recommended in the supplement. Pilot participants provided detail on the activities they are undertaking to identify the risks in their supply chain by assessing the due diligence practices of their suppliers and smelters.

In order to identify to the best of their efforts the smelters in their supply chain (Step 2A) varied considerably, but their approaches often include steps such as identifying Tier 1 suppliers [of 3T&G], prioritising those suppliers for outreach, and then collecting and verifying supplier responses using the data collection systems described above. This process is often repeated until it yields information regarding smelter identification. Participants are also relying on industry-wide schemes (e.g., the CFS Program) to evaluate the due diligence process of smelters (Step 2B–C). Companies’ levels of engagement in those schemes varied considerably but sometimes included participation in preaudit visits (Step 2D, see below).

Supplier identification (Step 2 – A of the OECD Guidance)

In response to the supplement’s recommendation that downstream companies establish internal controls over their immediate suppliers, most of the respondents have begun or have already identified Tier 1 suppliers and/or products containing 3T&G. Several respondents have received information from Tiers 1, 2, and 3. Two main approaches surfaced from the questionnaire responses:

1. Identify commodities that *do* contain 3T&G (and consequently reach out to those related suppliers).
2. Eliminate commodities that *do not* contain 3T&G.

Three companies responded that they are not conducting supplier identification until the final SEC ruling defines regulatory guidance about the nature and scope of industry obligations.

Under the first approach, identifying commodities that do contain 3T&G, participants are identifying metals through material content data forms, company declaration systems, bills of material, and/or codes assigned to all product parts. Oftentimes, companies collect material composition information for all products, which allows them to identify suppliers that use 3T&G.

For example, one company described its process to utilise product compliance systems to capture all material declaration data for their products. The system contains the chemical composition of all materials used in all products and identifies the suppliers of the materials and components using the following process:

1. Run a search through the data in its New Chemical Procurement and New Material Procurement system for chemicals, materials and components containing 3T&G. The company has started to collect this information before new materials enter its facilities or are used in its products.
2. Identify information from its material declaration system to identify the suppliers of those chemicals, materials, and components.
3. Conduct targeted supply chain surveys using the information obtained through the Procurement system.

Another company outlined its process to identify commodities that contain 3T&G:

1. Identify commodity types in systems, structures, interiors, and materials/parts/assembly;
2. Identify specifications or requirements for production;
3. Identify applicable drawings and part numbers; and
4. Identify suppliers by part number.

The second approach highlighted by participants is to eliminate commodities that do *not* contain 3T&G rather than to identify those that do. For example, one company described its process to analyse 200+ commodity groupings to prioritise those that contain 3T&G metals and eliminate from consideration those that do not (plastics, labels, packaging, etc.). Next, the company worked with all of its manufacturing sites to determine a list of suppliers of “indirect materials” (those materials used in the manufacturing process for its products made for customers). Based on the information it gathered about direct and indirect material, the company listed and prioritised products that would contain 3T&G metals from those that do not. Next, the company consolidated all of its suppliers based on this analysis into a list of priority suppliers (magnitude of approximately 200 suppliers out of 22,000) to whom it would send due diligence requests. The company’s commodity analysis list is included under Example 5 in the Appendix.

Challenges

Companies face the following challenges when identifying suppliers. They must:

- Engage all the suppliers and send consistent messages about data and expectations. Supply chains have multiple layers, up to ten tiers deep or more. Each tier can include its own tiered supply chain as well. Moreover, supply chains change constantly.

- Help some suppliers, particularly those that would be categorised as SMEs, understand the OECD Guidance or Dodd-Frank requirements. Some do not have the capacity or resources to comply with them.
- Make suppliers aware of the requirements. Many suppliers may not have access to information on the OECD Guidance or Dodd-Frank requirements either because they are not directly subject to them or because of language barriers. Manufacturers of complex end-products that contain millions of individual piece parts do not and cannot know suppliers below the first or second tier of the supply chain.
- Deal with suppliers who do not wish to disclose supply chain information because of intellectual property concerns around the many components and assemblies they design and control.

Supplier prioritization (Step 2 – A of the OECD Guidance)

While most participants have begun to engage with their direct suppliers on the issue of minerals from conflict-affected areas at some level, the way suppliers are prioritised and the modes of communication that companies employ to engage their suppliers vary.

First, there is variation in terms of which tiers companies engage, and more specifically, which suppliers companies engage within their Tier 1 supply base. For example, one non-OEM company communicates with all their Tier 1 suppliers, while another communicates with all Tier 1, 2, and 3 suppliers (this company is dealing primarily with commodity suppliers). Two companies stated that they have not tiered suppliers for communication—they are instead communicating with all known suppliers regardless of tier, without exemptions for any materials used.

Respondents are using different risk-assessment methodologies to prioritise their Tier 1 suppliers for targeted communications and information requests. The prioritisation techniques include:

- Percentage of 3T&G content in the product
- Spending or percentage of annual purchases from the supplier
- Position of the supplier on the supply chain
- Relevant commodities and product types
- History and strategic importance of supplier

For example, one company determined typical applications of 3T&G metals, identified its product portfolio, and concluded that 3T&G metals can be found in all of its 100,000 different products. Rather than investigate the country of origin for each and every product individually, the company prioritised 350 suppliers according to the following criteria:

- Spending as the priority suppliers represent 75 percent of purchasing volume;
- Proximity to the smelter since those that are closer have a higher likelihood of executing reliable supply chain investigations;
- Relevant commodities;

- Quantity of 3T&G in supplier products.

Next, the company prioritised suppliers in different waves to roll out communication, training, and information requests using the EICC & GeSI reporting template. Based on this experience, the company designed a due diligence process and selected the next wave of targeted suppliers.

Challenges

Companies face the following challenges as they prioritise suppliers. They must:

- Stratify the supply chain into the most strategic suppliers, which presents a challenge for large OEM companies that are passing off the request to suppliers that are as equally large and complex, if not bigger.
- Help suppliers understand the regulations, particularly those who may not have access to information on the OECD Guidance or Dodd-Frank requirements either because they are not directly subject to them or because of language barriers
- Manufacturers of complex end-products that contain millions of individual piece parts do not and cannot know suppliers below the first or second tier of the supply chain.

Validating supplier responses to get reliable data about smelters

The majority of respondents conducting supplier surveys are validating the responses manually. Participants are checking the credibility and completeness of the smelter information received from suppliers. They are carrying out consistency checks against the CFS list, applying industry and technical knowledge, and using common sense to validate responses. First, participants are making sure that responses meet the following basic criteria:

- Ensure that suppliers complete all mandatory fields.
- Confirm they have a policy and process in place.
- Check to ensure that responses include smelter names.

The common sense methods cited by respondents include:

- Ensure that the information on the metals matches the company records about the metals used by the suppliers.
- Review the material content of parts bought from suppliers to validate the absence or presence of 3T&G.
- Conduct Internet research on all smelter names provided for validity and require corrections to any that are invalid.
- Ensure that the number of reported smelters matches up with the size of the supplier.
- Check whether the supplier lists at least one smelter for each of the metals where they indicate that they identified all the smelters.
- Confirm that the smelter names provided are actual smelters.

- Check the smelter addresses to identify any inconsistencies.
- Compare the smelters provided by suppliers to the published CFS smelter list.

For example, one company described its process to validate responses:

Box 5: Questionnaire response about validating responses from Tier 1 suppliers

“The majority of the suppliers answer ‘unknown / uncertain’ to many of the questions in the template, and do not list any smelters. We do not accept this and request them to continue their supply chain investigations and report back to us on their progress. We also noticed that the provided smelters names we receive from suppliers are actually not always correct, this listed smelters often turn out not to be smelters. Instead. Suppliers might just list their next-tier supplier, or their next-next-tier suppliers, and not necessarily the actual smelter. We find names of traders, solder companies, banks, etc. on the submitted reporting templates. In order to know these are indeed smelters, we need to validate each and every listed smelter name provided to us by a supplier. We do this by double checking against the ‘confirmed smelter list’ that we created ourselves, and we hope to be able to check it against an EICC-GeSI ‘confirmed smelter list’ in the future. If the name does not match we might have identified either an additional smelter or a non-smelter (the latter is usually the case). By sharing this smelter knowledge within the EICC-GeSI WG we hope to leverage the knowledge of which companies is actually a smelter and which ones are not.”

Participants with a closer relationship to smelters rely on long-term supplier relationships that enable them to carry out supplier and/or mine visits and meetings. One company responded that it will conduct spot-checks on purchased products if 3T&G is included.

Six companies responded that they are not currently carrying out any measures to validate responses. Four companies responded that they rely on written or verbal confirmations or commitments from suppliers. The reliability of this approach is questionable. One company shared the experience that it had learned that its suppliers were in fact sourcing from the region even though the suppliers were providing written confirmations noting the contrary.

An emerging practice is to follow up immediately with suppliers about missing or incorrect information. If too much time lapses between the initial request and the follow up, the suppliers may lose interest and the incentive to reengage.

Challenges

Companies face the following challenges as they validate suppliers’ responses:

- It is difficult to verify whether the smelter lists are complete or accurate (e.g., when a supplier submits one smelter name, it is impossible to know whether they actually used 20 smelters).
- Suppliers often list who they buy from (usually some broker) and not the distributor, or they report non-smelter names without evaluating the information that they receive from the suppliers.
- Smelter names are constantly changing, because of mergers and acquisition, consolidation, or the use of synonyms.

Identifying smelters (Step 2 – A of the OECD Guidance)

Few companies reported that they have been able to identify all of the smelters used in their supply chain. While one company responded that it has received information about the use of more than 70

smelters in its supply chain, the majority of participants are still working through a number of challenges around identifying smelters. For example, one company indicated that it has received responses from only three suppliers despite having requested information from 80 percent of its suppliers. Challenges identified by the participants include:

- Suppliers do not understand what information is required and/or how they are affected by the OECD Guidance and Dodd-Frank Act.
- Suppliers are awaiting the final implementation of the Dodd-Frank Act before they carry out due diligence.
- Suppliers do not want to disclose business-sensitive information about supplier relationships that give them a competitive advantage; even if a Tier 1 supplier is willing to cooperate, its ability to provide information depends on the cooperation of Tier 2 and 3 suppliers.
- Suppliers are reluctant to provide information that might be used for legal purposes.
- Disclosure may violate contractual obligations with suppliers and customers, making it problematic for them to disclose the smelter list or other details.
- Privately-owned suppliers are not legally obligated to report.
- Suppliers have not started or are still in the process of developing their own due diligence programmes or are still validating country of origin based on customer requests.
- Anti-trust issues prevent the industry from cooperating to pressure suppliers.

Participants are working to overcome smelter identification challenges in a number of ways. They are soliciting information by providing information about the issue in general, the importance of gathering the information, the Dodd-Frank legislation, and the information suppliers will need to complete the necessary forms. One company has also forwarded its suppliers a letter signed by its Executive Vice President, Corporate Relations & Responsibility and Vice President of Sourcing to stress the importance of the issue. Another company says it will work directly with Tier 2 suppliers that deny information to their Tier 1 suppliers.

Most participants are relying on industry processes rather than engaging directly with smelters unless they have direct relationships. The following points emerged from the questionnaire responses:

- Most pilot participants are not engaging with smelters because they do not have direct, commercial relationships with smelters.
- Most pilot participants are relying on the CFS Program to engage directly and verify due diligence practices of smelters.
- Some pilot participants are engaging with the CFS Program to understand the due diligence process of smelter verification. For example, companies are participating in some of the CFS preaudit visits as part of EICC & GeSI or sitting on audit review committees of the smelters.

Two industry associations are sending out “encouragement” letters to engage smelters and request that they provide data about a metal’s country of mineral origin. One letter provides background information about the Dodd-Frank legislation and the CFS Program, explains how they affect tin smelters, and asks

for their support to help the industry in meeting reporting requirements (see Section III on industry associations for more information about joint letters). A suggested approach to sending the smelter encouragement letters is to also attach individual company letters. Smelters are less likely to react to letters from industry associations with whom they have no direct business relationship than they are to letters from companies because the latter are customers. Two industry associations are developing a letter template for companies to use to engage with the smelters directly.

Pilot participants are taking various approaches to ease the burden placed on suppliers to identify smelters and lower the margin of error for supplier responses. One company plans to specify approved smelters after more comprehensive lists are available through the CFS Program. Companies are also providing a list of smelters that have already been identified. One company explained that it has been easier to obtain information from their suppliers since other customers have made similar requests.

Where there has been a lack of supplier cooperation to identify smelters, companies are reminding suppliers about their contractual obligations for a certain level of disclosure, have included such articles within their contracts, and/or ensure the protection of confidential information. One participant responded that it considers any supplier refusals to provide smelter information, even for proprietary reasons, as noncompliance with its General Supplier Quality Requirements referenced in all of the company's contracts. It stipulates that compliance is a requirement of continuing business with the company. In some cases, participants will reevaluate business awards based on suppliers' noncompliance with company requirements. Some cases of supplier refusals have escalated to higher management levels, though there is little resolution since there are not yet any legal requirements in place to require companies to disclose this information.

Box 6: Sample contract clause

Adopt policies and establish systems to procure tantalum, tin, tungsten, or gold from sources that have been verified as conflict free, and provide supporting data on their supply chains for tantalum, tin, tungsten, or gold to Purchaser when requested, on a platform to be designated by Purchaser.

Box 7: Sample contract clause

Conflict mineral policy

In light of broad public concern over the so called conflict minerals issue, suppliers who manufacture components, parts, or products containing tin, tantalum, tungsten, and/or gold must be particularly vigilant to follow commitment of sourcing those materials from environmentally and socially responsible sources only. Materials, which either directly or indirectly contribute to conflict, are unacceptable. Suppliers shall define, implement and communicate to sub-suppliers their own Conflict Mineral Policy, outlining their commitment to responsible sourcing and legal compliance and measures for implementation.

Conflict minerals due diligence

Suppliers who manufacture components, parts, or products containing tin, tantalum, tungsten, and/or gold shall define, implement and communicate to sub-suppliers their own Conflict Mineral Policy, outlining their commitment to responsible sourcing and legal compliance and measures for implementation. (See section 1.7.8) Suppliers shall work with sub-suppliers to ensure traceability of these metals at least to smelter level. Traceability data shall be maintained and recorded for 5 years and provided to [company name] upon request. Once such mechanisms are available, suppliers shall ensure that purchased metals originate from smelters validated by Suppliers as being conflict mineral free. Suppliers are encouraged to support industry efforts to enhance traceability and responsible practices in global minerals supply chains.

A majority of the respondents are still working with their suppliers to overcome the issue of confidentiality, both individually and as an industry. Many are not clear what methods will be the most useful. Thirteen of the respondents have not had to deal with confidentiality issues, either because they have not started engaging with their suppliers on the issue of minerals from conflict-affected areas, or because it has not come up in their supplier requests. Some participants are providing contractual language around confidentiality, while three companies indicated that they are using NDAs. One company responded that it is more likely to get smelter data from suppliers if they can withhold information on their direct suppliers.

Challenges

Companies face the following challenges while identifying smelters:

- Developing NDAs is time-consuming.
- It is difficult to overcome confidentiality concerns of suppliers' suppliers where there is no contractual relationship.
- Anti-trust issues prevent companies from dictating that suppliers source from verifiable conflict-free smelters.
- Information technology systems will not help to overcome the issue of disclosure with smelter names in cases where suppliers push back about confidentiality of smelter names, not just supplier information.
- Because manufacturers do not have a legal right to unilaterally revise contract terms during the duration of a contract, they can only include specific terms concerning conflict minerals in contracts as they are signed or renewed. Consequently, it may take a company three to seven years to include such clauses in all of its contracts, depending on the duration of its existing contracts.

Obtaining data and information from smelters

Eleven of the participants responded that because they do not have direct business relationships with smelters, they do not intend to collect information directly from smelters. Instead, these companies rely on the CFS Program to gather information about country of origin from the smelters. The participants want to see an increased number of smelters that are verified as conflict-free, and thus are working through industry processes to direct smelters into the CFS Program. Some participants have started to request due diligence information from their suppliers through supplier declarations and clauses incorporated into contracts.

For example, one respondent indicated that while its tantalum smelters are involved in the CFS Program, it is still gathering smelter information for tin and gold, and will encourage its tin smelters to engage in the CFS Program if they are not already participating. Another company will require all purchased new and reclaimed tin-containing materials to be accompanied by an original producer certificate of analysis bearing the name of the smelter.

The type of information that participants are collecting include:

- Identification of smelters used
- Statement on mine and country of origin
- Sourcing policy on minerals from conflict-affected areas
- Declaration of compliance status
- Explanation of suppliers' management system
- Confirmation that suppliers understand companies' expectations
- Accurate material content reporting over 12 months
- Conflict-free materials, components, and parts

The few participants that are closer to the smelter in the supply chain have been able to access this information. These few participants may be more familiar with the mines, the mine locations, and the smelters' capacity. One company stated that while it has identified its smelters and country of origin information, it has been unsuccessful in obtaining information about the transit and transportation routes. Because of their direct relationships with smelters or with suppliers that source directly from smelters, they have been able to obtain information via phone discussions, face-to-face meetings, and/or email.

One company stated that its tin suppliers report that they source the majority of the tin from mines outside of the DRC. For tin that comes from the DRC, suppliers typically note *one* of the following:

1. Shipments are in compliance with the phase 2 tin-tracking and bag-tagging requirements as established by the International Tin Research Institute's Tin Supply Chain Initiative (iTSCi).
2. Shipments are from recycled sources.
3. The tin is "non-conflict tin" or "conflict free."

Challenges

Some suppliers are not identifying actual smelters or contacts for the CFS, but are instead providing the address of the smelter or country of origin. Making the supplier go back down the supply chain to retrieve the correct information then becomes impossible.

Step 3: Design and Implement a Strategy to Respond to Identified Risks

Step 3 of the OECD Guidance calls on downstream companies to evaluate and respond to risks in order to prevent or mitigate adverse effects. Participants responded to questions about how they are building and exercising leverage over their suppliers and responding to identified risks.

Risk management

The majority of participants are still in the early phases of developing their approach to risk management. Ten companies indicated that they have not yet started to develop their approach. Of those with plans in development, several common components emerged:

- **Supplier communications and trainings:** Participants are communicating and reinforcing corporate policies during key supplier meetings, providing training and webinars, and training internal personnel about supply chain sustainability issues to help them reinforce the company position in their purchasing practices and supplier communications.
- **Setting clear requirements through policies and contractual clauses:** Participants are enforcing compliance to their policies by requiring supplier declarations, the incorporation of contract clauses, and terms and conditions flow downs on minerals from conflict-affected areas. Companies indicated that they are willing to work with suppliers to remedy risk situations, yet it will act upon a termination clause if suppliers do not respect their requirements. For example, one company has spurred its tantalum suppliers to get involved in the CFS Program by communicating that it will not do business with any suppliers that are noncompliant.
- **Internal review processes with non-responsive or noncompliant suppliers with upper management:** Internal processes were cited as lean Six Sigma techniques, category management, predictive risk modeling to identify and mitigate risks and the associated potential effects. For example, one company has implemented a supplier ranking based on performance.

Box 8: Questionnaire response about management plans to respond to identified risks

“SECTION 26. TERMINATION FOR CAUSE 26.01 Supplier Breach The Buyer may terminate a Purchase Order, in whole or in part, upon Written Notice to the Supplier if the Supplier fails to comply with any of the requirements of the Purchase Order. If the noncompliance relates to an obligation of the Supplier that is, in the opinion of the Buyer, capable of cure as described in Section 26.02, the Buyer may terminate under this Section 26.01 only if the Supplier has failed to either: (a) timely cure the noncompliance (as described in Section 26.02); or (b) provide the Buyer with adequate assurances of performance acceptable to the Buyer.”

In terms of defining risks, one participant assesses risk according to different supplier base categories for risk mitigation. It created a material process flow and controls for 3T&G sourcing including a listing of potential process deviations and corrective actions that it will communicate to the individuals involved, i.e., purchasing, receiving, warehouse employees. Another company updates a database as information becomes available. Risks are based on the location of the smelter or refiner and whether they source tin from the DRC.

Participants are also engaging with NGOs and the U.S. government to craft long-term solutions. An example of these efforts is participation in the Public-Private Alliance for Responsible Minerals Trade spearheaded by the United States that aims to assist with the development of pilot supply chain systems that will allow businesses to source minerals from mines that have been audited and certified to be conflict-free.

Challenges

Because manufacturers do not have a legal right to unilaterally revise contract terms during the duration of a contract, they can only include specific conflict minerals terms in contracts as they are signed or renewed. Consequently, it may take a company three to seven years to include such clauses in all of its contracts, depending on the duration of its existing contracts.

Risk mitigation

Depending on their position in the supply chain, downstream companies are encouraged to build capabilities and/or exercise their leverage over upstream suppliers who can most effectively and more

directly mitigate the risks of adverse effects. Because the majority of participants do not have direct relationships with smelters, they indicated that they cannot mitigate risks on their own. Companies that do not have a business relationship with direct purchasers of 3T&G minerals compare due diligence information from their direct suppliers against the CFS list. These companies rely on the CFS Program to mitigate risks (smelter and beyond), citing industry-wide collaboration as the only way to properly address supply chain risks, an option that is recommended under the Guidance. Companies want to encourage smelters to participate in the CFS Program and become validated as conflict-free. Companies have indicated that risk mitigation will be easier once the CFS list becomes more comprehensive and they can start sourcing from verified conflict-free smelters.

Participating companies rely on the CFS Program to carry out the risk management of smelters that are in the supply chain. Currently, the EICC & GeSI's CFS audit protocols define risk criteria based on countries and their relation to the supply of 3T&G. The depth of the CFS audit is based on the country's risk profile. The audits evaluate smelters using criteria that validate whether materials are conflict-free or not based upon the due diligence and traceability information associated with mineral purchases. The EICC & GeSI Extractives Working Group expects smelters to manage risk mitigation beyond the smelter level of the supply chain.

Companies that have risk mitigation processes in place have generally indicated that they do the following when identifying a supplier that is acting in violation of company policy:

- They take immediate action to make improvements and require the supplier to take corrective action.
- Continued nonconformance and refusal to address issues of concern will lead them to terminate the business relationship.

Box 9: Questionnaire response about mitigating risks

“As of this time, we have not received any responses from suppliers that indicate that any of our materials are sourced from the DRC or adjoining countries, much less contributing to conflict there. Also, we have not received any feedback from EICC-GeSI letting us know that a particular smelter identified in our EICC-GeSI Due Diligence Template is at risk. However, it is easy to imagine a time in the future where this might not be the case, particularly the EICC feedback that they cannot verify a smelter as conflict-free. Our approach at that time is to mirror the advice in the OECD Guidance for Step 3B. It depends on where we are in the process with that particular supplier, as to whether we would use 3.B.i, 3.B.ii, or 3.B.iii. If it's a new supplier that we are qualifying, we would probably use 3.B.ii (temporarily suspending trade while pursuing ongoing measureable risk mitigation). If it's a current supplier, and we are really "tied" to this supplier (sole source, custom product, not easy to replace supplier etc.), we would probably use 3.B.i (continuing trade throughout the course of measureable risk mitigation efforts). If we didn't get sufficient progress on risk mitigation with either of these methods, we would probably begin the 3.B.iii process (disengaging with a supplier after failed attempts at mitigation or where a company deems risk mitigation not feasible or unacceptable). For steps 3.B.i and 3.B.ii, we would probably use webinars, conference calls to bring them up to speed on why this is important and what we need from them, and the consequences of not meeting these requirements.”

Step 4: Carry Out Independent Third-Party Audit of Smelters/Refiners' Due Diligence Practices

Step 4 of the OECD Guidance calls on companies to carry out an independent third-party audit of smelters' due diligence. The Guidance recommends that downstream companies collaborate through industry organizations or other suitable means to appoint auditors and define the terms of the audit.

Direct smelter relationships

Four companies responded that they have direct relationships with smelters, with only one indicating that it is conducting its own audits on 3T&G due diligence. The other three companies that have direct smelter relationships rely on or support industry processes to conduct audits, specifically through CFS, iTSCi, and/or ATTA (the American Tin Trade Association). Two of these companies continue to engage directly with smelters to develop due diligence approaches and ensure that their traceability information and documentation is in place.

Indirect smelter relationships

Participating companies that do not have direct relationships are utilising industry processes. The majority of participants are using the CFS to assess due diligence of smelters in their supply chain. Because these companies do not have a direct commercial relationship with the smelters, they are unable to request, get permission to conduct, or perform audits. Therefore, participants generally view industry processes as the only way for those companies that are closer to the end of the supply chain to verify smelters.

In order to address auditing requirements of due diligence, however, thirteen respondents are participating in the CFS Program. Respondents are contributing to the development of the CFS Program by participating in smelter visits, participating on the audit review committee, providing financial support to the CFS initiative, and/or assisting in the enrollment of smelters. Members of the EICC & GeSI Extractives Working Group are collectively working to address the audit protocol, select auditors, and determine the terms of the audits. This coordination is aligned with the OECD Guidance recommendation that all downstream companies participate in industry processes or other suitable means to appoint auditors and define the terms of the audit.

While most of the participants are utilising the CFS Program and tools satisfactorily, the participants' responses to the questionnaire have indicated the following critical obstacles for utilising the CFS as the primary tool for verifying smelters. In their view, these are:

- The CFS has published a list of 11 conflict-free tantalum smelters. Tin and tungsten smelter lists are currently unavailable.
- One company stated that there is a bottleneck around getting more smelters onto the CFS list because there are three auditors and only the CFS Audit Review Committee can certify a smelter. The EICC & GeSI have reported that there are no capacity challenges to getting more smelters onto the CFS, but that there are smelters waiting for the SEC regulations on Section 1502 or do not have enough customers requesting they join the CFS. In addition the demands of participation in the CFS program requires that smelters dedicated considerable time and resources, and provide confidential information to the auditors.
- The CFS publishes a list of conflict-free smelters; it does not publish a list of all smelters (conflict-free or not), globally, to help companies identify and verify the smelter names

companies are receiving from their supply chain. However, the EICC & GeSI have made smelter names available through the publicly available audit protocol as well as through the Reporting Template. Because of anti-trust requirements, CFS does not provide information about which smelters are in the process of becoming CFS listed or which smelters are undergoing a continuous improvement plan. CFS does not report on who has not passed.

One participant reported a lack of clarity around the process for auditor selection. Since the timing of the participant survey the EICC & GeSI have publicly published information on the CFS website about how auditors are selected. Only one company expressed uncertainty as to whether “the CFS Program is the right tool to address the requirements of both Dodd-Frank and the OECD Guidance.” The CFS, as assessed in the Estelle Levin report, was noted as “more stringent than the OECD Guidance”¹ because it analyses 100 percent of the material flows, whereas the Dodd-Frank will likely incorporate a “reasonable approach” and the Guidance is about using due diligence.² In any case, by carrying out due diligence processes recommended in the Guidance, downstream companies would not accept materials that are “not DRC conflict-free” for the purposes of Dodd-Frank Section 1502.³

- Increased transparency into the CFS program’s auditor qualifications and selection is necessary and may enable more trust by stakeholders.

Participants referenced the following initiatives that may have associated insights and learnings applicable to the issue of minerals from conflict-affected areas:

- EU’s REACH legislation and compliance obligations: The chemical information encrypting and decrypting service OR2IS protects its confidential information.
- The Kimberly Process for diamonds employs a bottom-up process to push information to the end-user, rather than a top-down process where the end-user companies are trying to work their way upstream in the supply chain.
- End of Life Vehicle (ELV) directive, referencing the established reporting and auditing mechanisms
- ISO 26000
- ROHS, which required industry collaboration to create a reporting template

¹ Noting the Estelle Levin report, “It must be understood . . . that the CFS is oriented at compliance with the Dodd-Frank Act first (a legal requirement for GeSI and EICC members, and other companies) and the OECD Due Diligence Guidance second (technically a voluntary requirement).” *Conformance & Compatibility Analysis: CFS, iTSCi, and the OECD Due Diligence Guidance*, Estelle Levin Ltd, 28 November 2011, p. 28.

² In addition, “The CFS is more stringent than the OECD Due Diligence Guidance on three counts. First, the CFS assesses all material flow (100%) at the smelter; second, it does not accept any armed groups (except the mine police) to ensure that material can be classed as ‘DRC conflict-free’; and third, by seeking to assure that minerals are totally conflict-free, there is no space for conflict-managed minerals whereby supply chain operators would be able to mitigate (certain) identified risks and facilitate progressive improvement of suppliers, in line with the OECD Due Diligence Guidance. This emphasis on outcome rather than process might be modified depending on the exact wording of the final rules for the Dodd-Frank Act.” *Conformance & Compatibility Analysis: CFS, iTSCi, and the OECD Due Diligence Guidance*, Estelle Levin Ltd, 28 November 2011, p. ii.

³ See the summary report of the second ICGLR-OECD-UNGoE joint meeting on the implementation of due diligence for responsible mineral supply chains in the Great Lakes region, pp. 5–6.

- FAR 52.222-50 and the California Human Trafficking statute, which are both enforced through contract provisions
- The Berry Amendment, which requires the U.S. Department of Defense to give preference in procurement to domestically produced, manufactured, or homegrown products, most notably food, clothing, fabrics, and specialty metals.

Challenges

Each of the regulations or initiatives above differ materially from the challenges involving conflict minerals, particularly in their purpose and/or scope.

Dodd-Frank and OECD Due Diligence Guidance

Most companies in the pilot are using the OECD Guidance to support their efforts for due diligence in order to comply with Section 1502 of the Dodd-Frank legislation. Some companies are waiting on the final design of their due diligence strategies and activities until the final ruling of Section 1502 is released. Participating companies are currently working with industry associations to develop common and standardised practices and languages with the aim of easing communication throughout the supply chain and of simplifying methods to collect information to comply with the Dodd-Frank Act. Some companies noted that, until the regulation is finalised, they are focusing on the elements of the OECD Guidance that are in line with Section 1502 while they are delaying activities related to those elements that the final rule will further clarify.

A specific issue some companies have raised pertains to the definitions of “DRC conflict-free” and “armed groups.” These definitions have been the basis for how tools and mechanisms are being developed, particularly regarding how to mitigate and manage risk. In Section 1502 of the Dodd-Frank Act, “DRC conflict-free” products are defined as products that do not contain minerals that directly or indirectly finance or benefit “armed groups” in the DRC or adjoining countries. The term “armed group” means any armed group that is identified as a perpetrator of serious human rights abuses in the annual 11 Country Reports on Human Rights Practices. The OECD Guidance pertains to the trade of minerals that “directly or indirectly” supports non-state armed groups or public or private security forces in conflict areas that *may* have committed human rights abuses.

Because of the significant brand, compliance, and reputation risk that downstream companies face, compliance with the Dodd-Frank requirements shapes how the companies understand and therefore respond to, mitigate and manage risks, using the OECD Guidance as a reference for due diligence of those risks. As the Estelle Levin report explains, “The CFS is designed to assist companies in meeting their reporting obligations under the Dodd-Frank Act, including to be able to report that material is ‘DRC conflict-free,’ and to check that its member smelters are in conformance with the OECD DDG through the adoption of a suitable chain of custody and due diligence joint initiative or other mechanisms. The CFS aims to achieve the performance standards set by the OECD DDG, particularly in Steps 4 and 5 on auditing and reporting along with providing downstream actors the information need to comply with the Dodd-Frank Act.”

“There are some elements under development that prevent the CFS from being fully conformant with the performance levels set by the OECD DDG at this point in time. This relates to the publication of the auditors’ credentials and what will count as an acceptable OECD DDG conformance audit for the purposes of smelter eligibility for a CFS audit. There is still a lot of ambiguity on these points, and greater definition is needed.”

“There is a possible contradiction in the CFS system whereby it requires smelters to have a supply chain policy modeled on that provided by the OECD DDG Annex II, but will not allow risk mitigation on certain points . . . The contradiction arises were a smelter to discover that there is material from DRC and an OECD Due Diligence conformant scheme is being utilised . . . but there is also evidence of public or private security forces having benefited from the material in line with abuses listed from clause 5 onwards of Annex II of the OECD DDG. In this circumstance . . . the OECD DDG stipulates that the buyer ‘may choose to remain engaged,’ build capacity of the supplier and eliminate the threat (unless serious human rights abuses have been committed). By the CFS system, however, smelters would be required to disengage immediately or the material is noncompliant. This may confuse smelters so the correct course of action should be clarified.”⁴ In general, the utility of conformance in language and definition among the regulatory and industry frameworks was noted.

Step 5: Report Annually on Supply Chain Due Diligence

Step 5 of the OECD Guidance calls on companies to report on due diligence in order to generate public confidence in the measures they are taking. Participants provided examples of the elements, vehicles, and frequency of their reporting.

Public reporting

A majority of the companies are proactively communicating with the public via their corporate responsibility websites, reports, blogs, and newsletters with the publication of corporate policies and codes of conduct and a description of their approach, activities, and recent developments. One company issued a press release about its participation in the OECD implementation pilot.

More than half of the participants have started communicating publicly about their due diligence activities, while eleven companies indicated that they have not started reporting, most commonly citing that they are waiting final implementation of the Dodd-Frank Act.

The most commonly used vehicles include corporate websites and sustainability reports. Participants are reporting on their policies, supplier requirements, due diligence actions, recent developments, and results. The majority of respondents have made their policies available online.

Companies are externally communicating some or all of the following:

- Policies on conflict-free sourcing
- Activities to identify smelters and mitigate risk
- Grievance channels
- Management system
- Risk-assessment procedures

Companies have some or all of the following plans in place for future reporting:

- Reporting on the success rate of due diligence efforts with suppliers

⁴ “Conformance & Compatibility Analysis: CFS, iTSCi, and the OECD Due Diligence Guidance,” Estelle Levin Ltd, 28 November 2011, pp. 31–32.

- Reporting efforts in the OECD Guidance implementation project
- Quantitative results of due diligence process
- Disclosure of smelter names in the supply chain

Box 10: Questionnaire response about the elements of due diligence reporting

“Although not specifically identified yet, I would expect to describe the law and its requirements, our efforts to meet those requirements, and some breakdown of the success in meeting those requirements. We would not identify any smelters, but could say for example, that 85% of materials are sourced from Conflict-Free Smelters, 10% are being audited and verified, and the remaining 5% are in the process of being set up for auditing and verification. We would state if we had identified any materials that had contributed to armed conflict in the DRC region, and what mitigation procedures we have put into place, or what actions had been taken.”

Frequency of reporting

Twelve companies are reporting or anticipate reporting on an annual basis, three on a bi-annual basis, one on a quarterly basis, and three on an as-needed basis. Companies that report on an as-needed basis will disclose information on their website when there is an important issue or achievement, in response to customer requests, and to reflect the evolution of company policies and practices.

SECTION III: The Role of Industry Associations

Most companies believe that cross-industry collaboration is the only way to address due diligence in complex supply chains. Industry associations are therefore responding to their members' needs to support shared learning and solutions, develop common due diligence tools, and help provide insight into implementing the OECD Guidance. The information provided below is from the three associations participating in the pilot project: AIAG (Automotive Industry Action Group), EICC & GeSI (Electronic Industry Citizenship Coalition and Global e-Sustainability Initiative), and IPC (Association Connecting Electronics Industries).

Information, Resources, and Education

All of the participating industry associations are undertaking efforts to support their members on and educate their industries about the issue of minerals sourced from conflict-affected areas. Two associations have formed working groups dedicated to the issue to provide information, facilitate cross-industry and stakeholder engagement, form alliances, and provide technical advocacy.

For example, one industry association working group convenes on a biweekly basis to provide updates and discuss issues relevant to minerals from conflict-affected areas, providing members an opportunity to contribute to the dialogue and development of solutions. It has also established an Information Group to communicate with members that want to monitor the issue and its initiatives. Finally, it has organised subgroups to research and monitor various areas of supply chain due diligence and provide insight to work group discussions and decision-making. Current subgroup focus areas include OECD Due Diligence, Conflict-Free Smelter (CFS) Program, Technical Assessment of Reporting Tools, Communications, and Event Planning.

Industry associations are also providing general information and education opportunities for their members more broadly outside of the working groups to learn about responsible sourcing practices and provide guidance on data collection. For example, one association uses various tools, including webinars, training sessions, operation guidelines, files available for download, a frequently asked questions document, and other resources, to educate the industry's suppliers about responsible sourcing actions. Additionally, it provides its members with programme management and IT support, meeting facilities, and the resources to communicate with a centralised file-sharing system.

All three industry associations indicated that they are supporting their membership to better understand the OECD Guidance through publications, web communications, event presentations, press releases, direct mail, and conferences. One association is developing a best industry practice guide that may include compliance with the OECD Guidance. Its focus is to help members prepare to comply with Dodd-Frank, and it will offer Dodd-Frank-oriented compliance education once the final regulations are issued. AIAG hosts an annual Corporate Responsibility Summit for both members and nonmembers and features speakers from OECD, extractives companies, NGOs, and others to educate members on the issue. The 2012 conference will feature a breakout session focused on the OECD Guidance with the intent to educate and inform the wider industry population and prepare companies for existing and upcoming legislation. EICC & GeSI references the OECD Guidance as a good starting framework for many communication tools. For example, the Reporting Template links to the Guidance and includes a specific question with regards to it. The CFS audit protocols also reference the OECD Guidance as well as linking to it.

The activities of industry associations are also benefiting nonmembers, with invitations to participate in annual meetings and conferences, and the sharing of available tools. Both GeSI and the EICC continue to work in this area with a broad range of stakeholders, including NGOs, government agencies, and industry sectors such as retailers, aerospace, automotive, mining, mineral processing, and others. For example, in the development and implementation of the CFS Program, GeSI and the EICC have held nine workshops with members of the tantalum and tin supply chains and have collaborated with other industry groups, including JEITA, AIAG, and Retail Industry Leaders Association (RILA).

Supplier Engagement

Industry associations are also providing tools and templates for their members to use to communicate their policies and expectations to suppliers. For example, they are providing sample company policies, press statements, and supplier trainings. Industry association members have also sent out joint awareness letters to all of their suppliers, including companies based outside the United States, informing them of upcoming legislation and encouraging suppliers to begin understanding their supply chain.

Industry associations are also developing smelter/refiner encouragement letters that can be used at the industry and company levels. One letter provides background on the Dodd-Frank legislation and the CFS Program, explains how these affect tin smelters, and asks for smelters' support to help the industry meet reporting requirements.

Common and Shared Approaches

All three industry associations are working on data collection tools for their members to increase effectiveness and efficiency while advancing common approaches among their industries. They are not collecting data, but rather building tools for common questionnaires and data collection in order to facilitate consistency throughout the industry supply chain. The EICC & GeSI Reporting Template is the most commonly used data collection tool used by pilot participants, and is intended to enable members to collect the information needed for both the OECD Due Diligence Pilot and future Dodd-Frank reporting obligations. It is an Excel-based tool that will be continuously improved during 2012 with feedback provided by current users and updated once the SEC regulations are implemented.

EICC & GeSI do not collect data on downstream due diligence themselves, but rather through companies that use the Reporting Template to obtain smelter/refiner information from their 3T&G suppliers. The template has been developed in light of expectations from Dodd-Frank requirements as well as the OECD Guidance.

Figure 2: Screenshot of the EICC & GeSI Reporting Template

1) Are any of the following metals necessary to the functionality or production of your company's products that it manufactures or contracts to manufacture? If no for all metals, you are done with this survey. (*)		
Tantalum (Ta) (*)	Answer	Comments
Tin (Sn) (*)		
Gold (Au) (*)		
Tungsten (W) (*)		
2) Do the following metals (necessary to the functionality or production of your company's products) originate from the DRC or an adjoining country? (*)		
Tantalum (Ta) (*)	Answer	Comments
Tin (Sn) (*)		
Gold (Au) (*)		
Tungsten (W) (*)		
3) Do the following metals (necessary to the functionality or production of your products) come from a recycler or scrap supplier? (*)		
Tantalum (Ta) (*)	Answer	Comments
Tin (Sn) (*)		
Gold (Au) (*)		
Tungsten (W) (*)		
4) Have you identified all the smelters your company and its suppliers use to supply the following metals? (*)		
Tantalum (Ta) (*)	Answer	Comments
Tin (Sn) (*)		
Gold (Au) (*)		
Tungsten (W) (*)		

All three industry associations also indicated that they are addressing the issue of confidentiality. Two industry associations are in the process of evaluating web-based solutions that can be used for data collection and roll up within their industries to work around confidentiality issues. For example, confidentiality issues are addressed in IMDS, and the AIAG web-based tool that is being developed does not require listing of all suppliers used within a company's supply chain. The tool will enable supply chain participants to report known smelters in their supply chain to their customers, which will then be rolled up to Tier 1 suppliers and OEMs. Reliance on direct customers of smelters will be the key to acquiring smelter information.

EICC & GeSI has created an optional and anonymous process to collate smelter names through a third party that is within its NDA umbrella for all participants in the Extractives Working Group. The Reporting Template data exchange process allows for protection of supply chain relationships while still providing smelter-specific information. The collated smelters are then used for further engagement activities to inform and educate smelters, including entertaining preaudit visits. Smelters and auditors (as requested by the smelter) sign NDAs during the CFS process.

IPC is leading the development of a data exchange standard for supply chain compliance. The goal is to facilitate common data elements and XML data structure such that the variety of data collection tools described in Section II, Step 1, will allow companies and company systems to more readily exchange supply information. IPC's 175x data exchange series has an established track record in this area and is supported by a significant number of software companies. IPC's American National Standards Institute standard development process is open to all interested industry participants, regardless of their association affiliation.

In terms of developing tools to enable meeting requirements of both OECD and Dodd-Frank, the industry associations have identified the following challenges:

- Roll-up functionality
- Part level tracking
- Definition of a standard reporting requirement that meets the needs of all participants
- Lack of smelter/refiner participation due to the costs of preparing and participating in an audit, and the lack of pressure from their customers to join the program.

The EICC recently approved an addition to its Code of Conduct on conflict minerals. It is expected that an automotive requirement, covering SEC and non-SEC reporting companies, will be uniformly communicated and enforced across the automotive global supply chain.

Auditing

Currently, the EICC & GeSI CFS Program is the only industry initiative in place to validate third-party audits of smelters on conflict-free sourcing expectations by assessing a smelter's procurement activities. The CFS Program addresses data needs for both the OECD Guidance and future Dodd-Frank requirements. Another industry association is supporting and participating in the CFS Program, and is pursuing Audit Review Committee (ARC) membership to further enhance its participation in the due diligence process.

First, EICC & GeSI work through member companies to gather smelter data via the information that members receive through the CFS reporting template. It has developed a list of known smelters and non-smelters/refiners, with approximately 150 identified smelters. The process taken to develop this list entails the following:

1. EICC staff consolidates a confidential list of smelter information.
2. The consolidated list is provided to a subteam that identifies real, known smelters; eliminates name variances; notes known non-smelters (e.g., refiners or traders); and identifies which entities require more evaluation to determine whether they are a smelter.
3. The team assigns investigation of the entities requiring further evaluation, and subsequently further improves the smelter list.
4. All participating companies use this aggregated smelter information to improve their own lists to reduce the burden of future submissions.

Demonstrated by the work of the EICC & GeSI over the last two years, smelter lists that companies have been able to collect represent approximately a 30:1 ratio of invalid names to valid smelters. Eleven companies have submitted lists to the CFS Program, which resulted in 2,417 smelter names in total, as of April 2012. After filtering and removing duplicates, the list totaled approximately 150 valid and confirmed smelters.

The CFS Program audits at the smelter level only to validate conformance to Step 4 of the OECD Guidance. CFS-compliant smelters verify their procurement of conflict-free material that have already been audited (at the supply and transportation level up to the smelter) by a credible process.

The CFS is working to coordinate with iTSCi to streamline the process and reduce duplication of efforts and audit overload as well as support continuous improvement. CFS intends to align with the iTSCi and other developing systems that credibly verified materials up to the smelter. In that regard, the CFS would

like to see the International Conference on the Great Lakes Region (ICGLR) implement its scheme that the CFS and other systems may rely on an in-region scheme supported by local governments, where ongoing validation is credible and reliable, and the ICGLR can build a reputation for good and verified sourcing.

EICC & GeSI member company representatives can, at the request and/or agreement of the smelter/refiner, travel to a smelter/refiner site to complete a preaudit visit. The preaudit visit provides a valuable opportunity for the EICC and/or GeSI representative and the smelter/refiner exchange information regarding conflict minerals face-to-face. Downstream customers find this interaction essential for completing their supply chain due diligence (in line with Step 2 of the OECD Guidance).

The preaudit visits are intended to help the EICC & GeSI:

- Understand the smelter/refiner operations at that company's site(s).
- Understand the smelter's/refiner's ability to trace materials from their factory back to the mine of origin.
- Understand generally the smelter's/refiner's current sources for incoming materials.
- Provide an initial review of the smelter's/refiner's ability to meet the compliance expectations of the CFS Program and provide suggestions on gap closures items prior to a CFS program audit.
- Understand if the smelter/refiner is willing to participate in the CFS program.
- Establish a contact person for the smelter/refiner to follow up with regarding questions.

A preaudit visit typically takes one day to complete. The preaudit visit is a complimentary service provided on behalf of the EICC and/or GeSI member company representative(s). Any results of a preaudit visit will not be used to determine a smelter's/refiner's compliance to the CFS Program protocol and is not part of the actual CFS Program audit, which must be completed by an approved third-party auditor.

When a smelter applies for a CFS audit, they are asked to provide the following information:

- Where they procure their raw materials,
- Whether the smelter is in conformance with Step 4 of the Guidance, and
- Whether the entities the smelter has purchased from are also in conformance with Step 4.

According to the Estelle Levin report, "Where a smelter is sourcing from a level 2b or 3 country it must evidence through a step 4 audit (OECD DDG) that the OECD DDG has been satisfactorily implemented before a CFS audit can be undertaken. This can be done either by being a participant in a scheme (such as iTSCi) or by the smelter undergoing the OECD DDG step 4 audit independently. Either avenue for demonstrating conformance with the OECD DDG must be 'validated' by the CFS."⁵ In these circumstances, then, the CFS provides an *extra guarantee* that not only are the material outputs from supply chains upon which due diligence and risk management have been adequately performed, but that these materials are also DRC conflict-free. The CFS audit is documented in an audit report that is owned

⁵ "Conformance & Compatibility Analysis: CFS, iTSCi, and the OECD Due Diligence Guidance," Estelle Levin Ltd, 28 November 2011, p. 28.

by smelters and covered by NDA agreements. Therefore it is up to the smelter to decide whether to release it publicly.

CFS will accommodate all smelters that are interested in the programme, with audits taking place on a first-come, first-served basis with no-risk-based prioritisation. CFS has engaged in outreach to smelters to encourage their participation, while it has also been approached directly by smelters requesting participation. CFS has also developed a Smelter/Refiner Introductory Training and Instruction Document that

- Describes how the program works
- Provides detailed information on the preaudit, audit, and post-audit activities (the smelter/refiner list, the cost of the program, auditing firm selection process, policy and documentation requirements, information protection, seeking help on compliance)
- Parties involved in the CFS Program
- Relationship between the CFS Program and other initiatives

To date, business relationships with downstream companies have been the main drivers of smelter participation in the CFS Program.

The initial focus is on the tin and tantalum supply chains, and work has begun with the tungsten and gold industries. The following indicators are posted on the CFS website <http://www.conflictreesmelter.org> for compliant smelters as well as those in progress to become compliant. The current CFS audit firms are Liz Muller, Inc., STR Responsible Sourcing, and SGS. CFS auditor team is selected based on availability with every intention to use auditors which are closest in vicinity to the smelter/refiner site(s) and are fluent in the predominant language for that particular region. The Auditor selection process includes three main criteria categories:

- a. The company meets the auditor standards and follows the audit program standards of ISO 19011
- b. The company is able to meet the audit expectations of the OECD Guidance audit process
- c. The company is a global company, with domestic staff in key countries of tantalum, tin, tungsten smelters or gold refineries, and with experience in procurement transaction records and traceability schemes

OEM companies can participate in preaudit visits to the smelters. The Participation typically depends on a supply chain link between the OEM and smelter. CFS will publish more information on the format of a preaudit visit in April.

Indicator http://www.conflictreesmelter.org/documents/CFSPProgram-IndicatorDefinitions.pdf	Tantalum	Gold	Tungsten	Tin
Number of smelters/refiners currently active in the CFS process (as of March 30, 2012)	21	22	5	45
1. Number currently on hold	3	3	0	38
2. Number in pre-nondisclosure agreement (NDA) discussions	1	4	0	3
3. Number in NDA negotiations	0	5	5	0
4. Number with completed NDAs waiting for a preaudit check	1	5	0	1
5. Number in the quotation process	0	1	0	0
6. Number of audits scheduled	0	3	0	0
7. Number with a completed audit	16	1	0	3
a. Number of compliant smelters/refiners	11	0	0	0
b. Number implementing corrective actions after first audit	4	1	0	2
c. Number of completed audits in for Audit Review Committee Review	1	0	0	1

Because of anti-trust requirements, the CFS does not provide information on which smelters are in the process of becoming CFS-listed, which ones are undergoing a continuous improvement plan, and which ones have not passed the CFS audit.

Challenges to the implementation of the CFS Program include:

- Several upstream process are critical to have in place to make the CFS fully implemented including a detailed system and mechanism for traceability.
- Ability to address different business processes and understanding what will be required to meet the needs of different types of companies
- Lack of recognition that the CFS is trying to comply with U.S. law while SEC rules are still pending and meet the needs of international guidance/stakeholder expectation.
- Misunderstanding that conflict-free smelters do not equate to DRC region-free sourcing. Smelters procure materials based on their business strategy. If customers pressure them to stop

sourcing from the region, then they will make business decisions based on customer requirements and needs.

- Impending legal requirements are driving change in the supply chain more quickly than upstream entities are used to working or able to respond to.

Public Communications

EICC & GeSI indicates that it does prepare publicly available reports that its members can leverage for their own communications including, Annual Extractives Working Group goals setting and grading, Conflict-Free Smelter indicators page (<http://www.conflictreesmelter.org/CFSindicators.htm>), and the EICC Annual Report. AIAG has a conflict minerals section on its website.

SECTION IV: Conclusions and Next Steps

Conclusions

Overall, participants have made progress in implementing systems to conduct due diligence, particularly on Step 1, by taking actions to develop company policies, create internal processes, prioritise their suppliers, and request due diligence information.

Companies have developed approaches to identify their products and Tier 1 suppliers that contain or provide 3T&G. They are identifying metals through material content data forms, company declaration systems, and bills of material. Progress has been made to develop commodity lists that contain 3T&G, which can be shared more broadly among companies.

Progress is also being made on data collection and management. Participants noted that responses are improving as suppliers become familiar with the EICC & GeSI Reporting Template. Furthermore, companies are evolving their data-gathering processes to collect data by combining the EICC & GeSI Dashboard with their own processes to create greater compatibility. Some systems are enabling the company to track both the material and the smelter used via online formats that will potentially protect confidential information about supplier relationships.

However, many of the same challenges reported in the Cycle 1 baseline report remain, specifically around aligning with Annex II of the Guidance, obtaining and validating information from suppliers, and identifying smelters. Respondents pointed out that paragraphs 1–4 in Annex II are relevant for setting common expectations for downstream companies, whereas paragraphs 5 and onwards are less applicable.

There is a need for collaboration to engage smelters more directly. More efforts are needed to educate smelters on the issue of minerals sourcing from conflict-affected areas, and the requisite needs on due diligence activities, particularly those that relate to the upstream supply chain. One of the main challenges is the lack of smelter willingness to participate in collaborate processes underway to develop due diligence and trace minerals to their sources. For example, smelters have been slow to participate in the CFS program and apply for conflict-free audits. It is believed that broader industry pressure (beyond electronics and automotive), passing of the Dodd Frank Rule, outreach to disseminate and sensitise smelters about due diligence, and the launching of the CFS Early Adopters Fund will help more smelters volunteer to participate in the CFS program. The Fund has been established to offer smelters an extra incentive for early participation by helping to offset these transitional costs.⁶

Continuous maintenance of the verified smelter list was raised as an important and essential aspect to facilitating due diligence throughout the industry. Developing the smelter list is not a onetime activity. Currently, smelter lists are rife with errors on smelter names (because of synonyms, smelter consolidation and acquisitions, product changes, and process changes from smelting to refining), and the landscape is constantly changing because of mergers and acquisitions and/or business changes as but two examples.

⁶ The CFS Early Adopters Fund will provide an incentive to each smelter company that successfully passes its initial CFS assessment, as confirmed by the CFS Audit Review Committee (ARC). Support for the Fund is currently provided by Intel (\$150,000), HP is (\$50,000), and the GE Foundation (\$25,000). Others are encouraged to participate financially. This Fund is one of a number of programs being advanced to promote responsible sourcing in supply chains. For more information, visit <http://solutions-network.org/site-cfs/>.

Companies and industry associations are working to engage more directly at the smelter level to encourage their participation in due diligence activities. Companies are sending letters through the industry associations to encourage smelters to join the CFS process so that they can become validated as conflict-free.

Recommendations

- Companies may consider the opportunity to meet smelters face-to-face to encourage them to participate and underscore the importance of the issue. Pilot participants recommended that the OECD consider hosting this meeting. This initiative would enable companies to circumvent the confidentiality challenge among its own suppliers by going directly to smelters for the information. The tungsten industry in particular would benefit from this type of engagement. Smelters are sensitive about sharing information concerning their own industrial processes. More thinking to enable more information sharing is required.
- More customers that use the metals need to demand that their smelters are audited, for example, through the CFS.
- OECD member countries need to encourage smelters to be evaluated and consider organising a face-to-face meeting between smelters and OECD, African and key partner countries.
- The use of an independent third party can help address inconsistencies in and manage the fluidity of the smelter list. This third party would update the list and ensure that only smelter names are disclosed without disclosing details about the supplier relationships. Collaboration with other industry associations, particularly with commodity associations such as the Malaysian Tin Products Manufacturers Association (MTPMA) and the International Tungsten Industry Association (ITIA), can broaden support for due diligence and provide support to SMEs and other companies farther up the minerals supply chain.
- Industry associations could support the development and rollout of sector-specific guidance to provide more detailed support to SMEs that is directly relevant to their industry. The OECD Guidance provides the flexibility needed to develop such tools.
- Companies can integrate due diligence on minerals sourcing into other management systems developed to gather material information from suppliers, such as REACH, RoHS, and SA8000.
- Industry associations may identify external stakeholders based on their own gap analysis that might be helpful partners (either because of influence in a particular region or with a particular segment or because of third-party neutrality) in encouraging members to act on due diligence requirements or support members' suppliers to react to requests for information.
- It is crucial to establish common definitions among companies of "conflict-free" and "contributing to conflict" that are in line with the OECD Guidance and Dodd-Frank Act.
- The OECD and its donor members can reach out to non-OECD countries who have significant stakes in these minerals, such as China and Russia, to get them to engage their industry members in supporting global due diligence.
- The OECD can support communication of the Guidance to all industry entities. Currently, mostly large, multinational companies are participating in the pilot or have knowledge about the Guidance, whereas vast sections of the minerals supply chain, including smelters, refiners, and

others, are not participating. A broader interest base is necessary for supply chain activities to come closer to full conformance.

The OECD can reach out to more governments of non-OECD countries (particularly China and Russia) to encourage them to participate in due diligence activities.

Next Steps

Cycle 3 of the implementation project aims to provide a final progress report on the information received and reported on during Cycle 1 (September–December 2011). That next report, scheduled to be completed in November 2012, will aim to provide an update on the baseline data gathered during Cycle 1 to determine how companies have progressed over a one-year period.

Cycle 3 aims to achieve the following:

- Demonstrate overall progress by companies over the course of one year (state of business).
- Describe challenges that companies encountered when following and implementing the OECD Guidance.
- Describe how the OECD Guidance can be used for reporting under Dodd-Frank requirements.
- Provide updates on the tools used for implementing due diligence and compatibility with Guidance.
- Identify the emerging best practices that enabled companies to progress.
- Describe how companies can improve their due diligence practices and provide recommendations from lessons learned practical ideas about how to put due diligence in place.

SECTION V: Mapping of Smelters in Asia and Report on Smelters' Due Diligence Implementation

At the second ICGLR-OECD-UN GoE joint meeting held on 29–30 November 2011, participants requested that the OECD further engage smelters in the implementation phase of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. This section provides an initial mapping of locations and key characteristics of 3T smelters in the People's Republic of China, Japan, Republic of Korea, Indonesia, and Malaysia. Interviews with smelters participating through iTSCi in the pilot implementation of the OECD Due Diligence Guidance were carried out to better understand the smelters' successes, obstacles, and learnings in responsible minerals due diligence. BSR also translated the *Easy to Use* version of the OECD Due Diligence Guidance and the *Implementation Questionnaire* into Mandarin in order to facilitate further dissemination in China. This work has enabled to generate a list of 224 smelters, including some processing gold and not 3T (20), and some located outside the five countries of focus for this study (62).

This section includes an overview of methodology, results of the smelters mapping, interviews with three out of four smelters participating in the pilot implementation exercise, and recommendations to promote further uptake of the OECD Due Diligence Guidance by smelters in Asia and beyond.

Methodology

BSR focused on identifying the principal smelters in each of the five countries, i.e., companies involved in the 3T minerals smelting process. Less attention was paid to small, artisanal, and/or family-run operations with limited production volumes and reduced geographic scope (for example, in China). For each smelter, the following data were sought: name of the operating company, physical location, which 3T minerals it processes, phone number and email address, and data (when available) about critical components of the smelter's operations (such as revenue, production volume, and number of employees).

The research was conducted in a variety of languages (Mandarin, Japanese, Korean, Bahasa Indonesian, and English) from sources such as the following: industry associations; BSR member companies (particularly electronics companies); OECD Secretariat project partners (e.g., IPIS and the UN Group of Experts); published reports; and company, industry, and government websites.⁷

As far as the reporting on due diligence implementation by smelters, interviews in the participants' preferred language (Mandarin, Japanese, or English) and following the *Implementation Questionnaire* in Section V were carried out with three out the four smelters that are participating in pilot implementation of the OECD Due Diligence Guidance through iTSCi—three tantalum processors in China and one tin smelter in Malaysia. One smelter declined to participate, citing “reporting fatigue” on the issue of minerals from conflict-affected areas, and diplomatically expressed their frustration with what they

⁷ Industry, government, and press sources include: China Non-Ferrous Metals Industry Association; Telecommunications Industry Association (TIA); ITRI; Electronic Industry Citizenship Coalition (EICC); Global e-Sustainability Initiative (GeSI); The Nonferrous Metals Society of China (NFsoc); China Tungsten Industry Association (CTIA); and China Tungsten Online. Public reports include *EICC and GeSI Tin Supply Chain Transparency: Smelter Audit*; *EICC & GeSI Tantalum Supply Chain Transparency: Processor Audit*; *EICC & GeSI Tungsten Supply Chain Transparency: Smelter Audit*; *The Costs and Benefits of Dodd-Frank Section 1502: A Company-Level Perspective*; *Implementation of Audit & Monitoring of iTSCi and Risk Assessment Regarding Conflict*; and the *Tin, Tantalum, and Tungsten Value Chain Inception Report*.

perceive as insufficient coordination among international certification and auditing schemes, which results in multiple and duplicative requests for supply-chain information.

Mapping Results

Smelters overall showed a risk-adverse management culture and reduced supply-chain transparency. One of their key concerns in the interviews was their concern that their proprietary processing technology and trade secrets would be revealed.

The mapping resulted in a total of 143 smelters across the three minerals and five countries, as summarised in Table 1 below (220 smelters including gold smelters and additional 3T smelters located outside the five countries). Approximately half are located in China (clustered in the south and west of the country), and half of the total are tin smelters.

In almost all cases, the location of the smelter and the relevant contact information were identified. However, sought-after “dimensional indicators” (revenue, production volume, and number of employees)—even the most basic indicators—were closely guarded and, in many cases, were unavailable.

Table 1: Mapping of 3T smelters and processors in five Asian countries

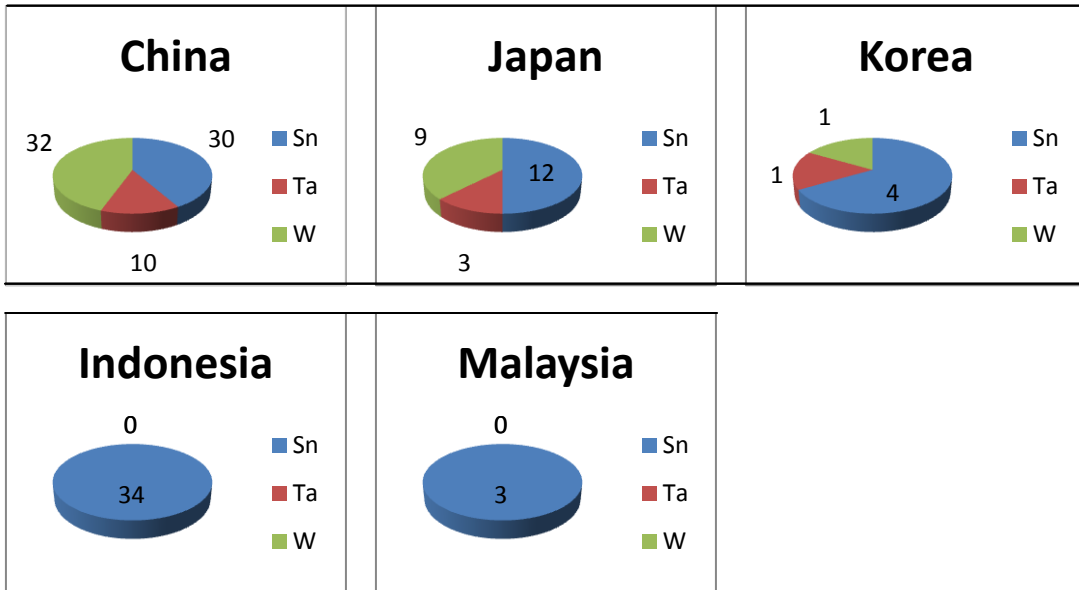
China			Japan			Korea			Indonesia			Malaysia		
Sn	Ta	W	Sn	Ta	W	Sn	Ta	W	Sn	Ta	W	Sn	Ta	W
30	10	32	12	3	9	4	1	1	34	0	0	7	0	0

Note: The metals are listed by their symbols on the periodic table (Sn stands for tin, Ta for tantalum, and W for tungsten).

Approximately 30 percent of total smelters in our mapping are “Tier 1” suppliers to international buyers. The remaining 70 percent (particularly in China) appear to be lower-volume operations focused on domestic customers. This observation is significant for wider implementation of the OECD Due Diligence Guidance, as the small smelters will typically not have professional administration or all of the management, financial, and information resources necessary to implement the guidance. In addition, there are a lot of traders and intermediaries in the 3T trade. Small smelters with fewer than 50 employees enter and exit the business frequently, making monitoring—and auditing—difficult. Another challenge when mapping smelters is about making sure they are verified as actual smelters. Approximately 80 percent of this smelter list has been through a process of verification, but these data are likely to evolve quickly.

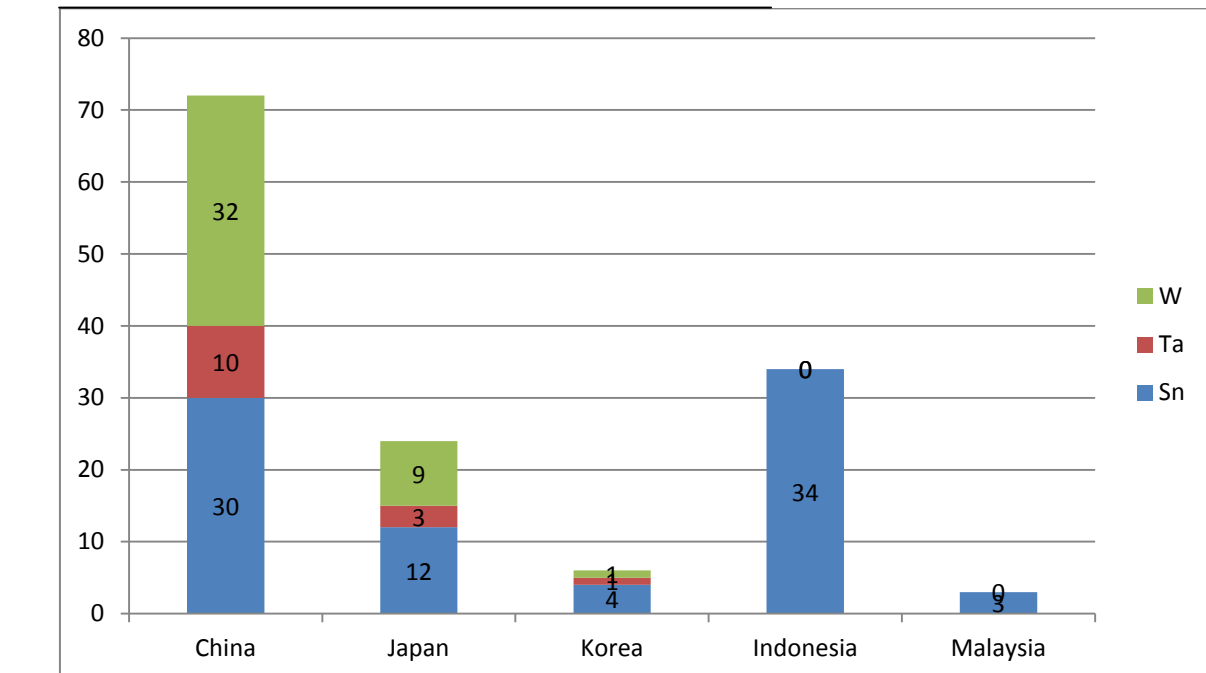
China, as suggested in Figures 1 and 2 below, is a significant country in the 3T mineral trade. Burundi, the DRC, Rwanda, Tanzania, and Zambia represent about 25 percent of China’s total ore imports in 2010 (Rwanda alone represents 20 percent), according to the most recent data available (dated 2011) from the UN Group of Experts.

Figure 3: Breakdown of smelters by country and by mineral



Note: The metals are listed by their symbols on the periodic table (Sn stands for tin, Ta for tantalum, and W for tungsten).

Figure 4: Numerical distribution of smelters by metals



Reporting on Smelter's Pilot Implementation: Interview Results

Despite the small sample size of completed interviews (e.g., three out of four pilot smelters), the results suggest that the smelters are attempting to implement the OECD Due Diligence Guidance. They seem to be taking a “compliance” approach, and to be focused exclusively on meeting stated requirements. They appear to be open to using tools, such as the EICC & GeSI conference calls and materials, when such tools are provided. However, the smelters are not investing management time or resources to developing new approaches or validating third-party information.

Each of the participants' compliance capacity and the support they require varies with their company size and management resources. The three smelters completing the interviews all demonstrated an awareness of, and attempt to implement, the OECD Due Diligence Guidance. Their initial efforts have had a narrow focus, relying mainly on developing a minerals policy and including it in their supplier contracts, as well as limited public reporting. However, one smelter performs regular visits to the ICGLR region for face-to-face validation of their risk assessment.

During interviews, the smelters noted that they relied on the Annex II model supply-chain policy to develop their own policies. However, only one smelter has a policy on its website, which clearly addresses the issues covered by the model policy.

The interview results suggest how critical a role collaborative, multisector initiatives can play—and in some cases, are playing—in promoting wider adoption of the OECD Due Diligence Guidance. The smelters seem to be relying on the guidance for context and tools and on iTSCi as an important due-diligence implementation programme. They use the iTSCi risk-assessment tools and have learned from iTSCi and EICC & GeSI efforts and other capacity-building tools.

The key challenge here is the perceived lack of coordination among iTSCi, CFS, and OECD initiatives, as well as insufficient harmonisation of requirements, protocols, and support. The smelters and traders feel overburdened by requests (often for similar information) from multiple sources. This lack of coordination is no doubt exacerbated by the delay in finalisation of Section 1502 of the Dodd-Frank Act.

It appears that, in many cases, smelters rely on a simple letter from their suppliers declaring that minerals do not come from the DRC or the Great Lakes Region. This is not what is expected in the OECD Due Diligence Guidance, and suggests a critical area of opportunity for improvement in how smelters are managing due diligence challenges right now.

The interviews provided diverse examples of progress in implementation of the OECD Due Diligence Guidance, such as the following points summarised from the three conversations:

- **Implementation:** All three smelters demonstrated an awareness of and attempts to implement a policy and management system.
- **iTSCi:** The smelters rely on the iTSCi tagging system, risk assessments, and incident reports.
- **Supplier contracts:** The smelters declare that they have incorporated their minerals policies into supplier contracts (though they have been less proactive about communicating their policies or results to their customers).
- **Cash payments:** The smelters declare that they no longer use cash to pay for minerals.

- **Tools and policies:** The smelters value the templates, tools, and training provided by the OECD, iTSCi, and EICC & GeSI and would welcome additional training about how to implement these tools and policies.
- **Systems approach:** One smelter explained how their previous experience in securing ISO 9000 and 14000 certifications was extremely useful in their approach to due diligence. They already had a system in place—and a system for developing new systems—thus facilitating implementation of the OECD Due Diligence Guidance.
- **Reporting:** The three smelters state that they are publicly reporting on their policies through their annual reports and websites, but that they are not reporting on performance or incidents.

Likewise, the interviews provided insight into potential opportunities to broaden uptake and deepen the effect of the OECD Due Diligence Guidance among smelters:

- **Coordination and harmonisation:** All three smelters interviewed are frustrated with the different schemes (CFS vs. iTSCi, with some viewing the OECD Due Diligence Guidance as a third) and—most significantly—with the lack of coordination among the initiatives. They see harmonisation of the schemes as a key next step to promoting wider adoption.
- **Section 1502 regulation:** The single biggest obstacle to implementation seems to be the lack of final rules for the regulation—which creates confusion, makes it more difficult for companies to make the “internal business case” for implementation, and serves an excuse for smelters to delay making a decision.
- **DRC development impact:** One smelter raised the issue of how many traders and smelters have opted to suspend supply from the DRC (or Great Lakes Region) “until the 1502 regulations are decided,” with significant negative effects on local development in the DRC. One of the participating smelters expressed their company’s commitment to continuing to purchase from the Great Lakes Region, while assuring that proper due diligence is in place.
- **Training:** The smelters would welcome more support for implementation, in the form of management guides, case studies, and training. Likewise, the smelters have not provided any training—other than policy statements—to their suppliers or customers.

Recommendations for Further Dissemination

Pilot implementation of the OECD Due Diligence Guidance in Asia was intended to identify potential catalysts and challenges to its wider adoption. The interviews suggest clear successes as well as clear obstacles.

The following recommendations are presented as suggestions for next steps in implementation of the OECD Due Diligence Guidance among smelters in Asia (particularly China) and beyond. The recommendations incorporate not only learnings from the smelter interviews, but also BSR’s two decades of experience working with companies, industry associations, governments, and nonprofits in multisector initiatives, like this one.

- **Adopt a multi-stakeholder approach:** A multi-stakeholder challenge requires an in-kind response. A collaborative (vs. competitive) process is required to align interests and incentives from many different actors (business, industry, government, community, etc.) throughout the

supply chain. More than a mandate, a consensus will likely be required as the basis for a long-term solution.

- **Harmonise certification and auditing schemes:** The current situation results in duplication of efforts, overlapping audits, and reduced efficiencies and effectiveness. The smelters are eager for a “harmonisation” of schemes, standards, and audits. One smelter declined to participate in the interviews principally because of this duplication.
- **Partner with industry:** Industry associations, such as the EICC & GeSI and ITRI, are key to the dissemination and implementation of due diligence. The smelter industry is highly competitive, and trust and transparency are low. The industry is concerned about the reality or appearance of “government mandates” instead of mutually agreed upon, multi-stakeholder approaches.
- **Actively engage government (particularly in China):** The interviews and background research suggest that minerals from conflict-affected areas are not currently a priority for the Chinese government. However, Chinese government support will be critical to widespread dissemination of information and tools for implementation in the country. China presents a particular challenge due to the difficulty of reaching numerous small smelters. One approach could be through the large smelters, many of which are state-owned enterprises and which maintain close connections with government and industry associations. They are typically customers of small smelters in the supply chain. The large smelters could be a channel to engage with government agencies in China, as well as to disseminate the OECD Due Diligence Guidance to small smelters.

APPENDIX: Downstream Progress Report

COMPANY EXAMPLES

Example 1: Company policy

[Company name] Policy against Illegal Trade of Natural Resources

Introduction

[Company name] Code of Conduct defines the company's overall principles and commitment towards legal compliance, ethical conduct, human rights, anti-corruption work and environmental protection. These high expectations extend to [company name] partners, subcontractors and suppliers, whom we encourage to strive beyond merely fulfilling legal compliance. This Policy provides further clarification to the principles of the Code of Conduct and [company name] Human Rights Approach regarding illegal trade of natural resources. This policy has been approved by [company name] Corporate Responsibility Steering Group, chaired by [company name] Executive Vice President of Corporate Relations and Responsibility.

We are concerned about the link between the illegal extraction and trade of natural resources, and associated human rights violations, conflict and environmental degradation. Currently these issues are acute in the Eastern provinces of Democratic Republic of Congo (DRC) in the extraction and trade of ores of tantalum, tin, tungsten and gold, which flow to world markets through the DRC and adjoining countries. Once refined, these metals are commonly used within electronic products and by many other industries. [Company name] does not procure metals directly and only a fraction of the world's minerals produce originates from the DRC, but we are taking action to increase transparency, ensure responsible procurement by our suppliers and sub-suppliers, and drive positive change.

Our commitment

[Company name] is committed to respect human rights and the environment in accordance with accepted international conventions and practices, such as those of the United Nations' Universal Declaration of Human Rights, ILO Core Conventions on Labor Standards, UN Global Compact, and OECD Guidelines for Multinational Enterprises. We want to ensure that all materials used in our products come from socially and environmentally responsible sources. We do not tolerate nor by any means profit from, contribute to, assist with or facilitate any activity that fuels conflict, leads to serious environmental degradation or violates human rights, as set forth by above mentioned international conventions and [company name] policies.

Implementation of the Policy with Regards to Conflict Minerals

We prohibit human rights abuses associated with the extraction, transport or trade of minerals. We also prohibit any direct or indirect support to non-state armed groups or security forces that illegally control or tax mine sites, transport routes, trade points, or any upstream actors in the supply chain. Similarly, [company name] has a no tolerance policy with respect to corruption, money-laundering and bribery. We require the parties in our supply chain to agree to follow the same principles.

[Company name] activities

[Company name] complies with applicable laws and commits to drive best industry practice. We are participating in the Pilot Implementation of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and working with our industry peers through the EICC-GeSI Extractives work group to improve traceability of minerals and ensure responsible sourcing.

We have for several years been working with suppliers to trace back mineral flows and ensure commitment to sustainable procurement. From 2012 we will take into use the standardized EICC-GeSI Conflict Minerals Reporting Template to continue mapping and to monitor our suppliers' commitment and activities. More details are requested from suppliers as needed.

We have incorporated the principles of this policy into our contractually binding [company name] Supplier Requirements (NSR) and we work with our suppliers to increase transparency in the supply chain. We aim to create awareness and build capacity within our supplier base through training and regular supplier meetings. We will communicate our policy to our suppliers and request them to set similar policies for their supply chain.

[Company name] supports, contributes to and will rely on industry initiatives, such as the Conflict Free Smelter Program (CFS), to validate that the metals used in our products are not contributing to conflict and come from sustainable sources. Once smelter lists are available, suppliers will be requested to procure materials only through validated smelters. [Company name] supports in-region sourcing schemes (e.g. iTSCi), which are essential for the success of CFS, through industry initiatives and related partnerships.

[Company name] is participating in the Public-Private Alliance for Responsible Minerals Trade (PPA), a joint effort by the U.S. State Department, the U.S. Agency for International Development, non-governmental organizations, industry associations and companies to support responsible minerals trade from the Great Lakes Region of Central Africa.

[Company name] supplier requirements

[Company name] policy requires that our suppliers who manufacture components, parts, or products containing tin, tantalum, tungsten, and/or gold must commit to sourcing those materials from environmentally and socially responsible sources only. Materials, which either directly or indirectly contribute to conflict, are unacceptable. Suppliers shall define, implement and communicate to sub-suppliers their own policy, outlining their commitment to responsible sourcing of these materials, legal compliance and measures for implementation. Suppliers shall work with sub-suppliers to ensure traceability of these materials at least to smelter level, e.g. by using the EICC-GeSI Minerals Reporting Template. [Company name] reserves the right to request further evidence of the chain down to mine level when necessary. Once mechanisms are available, suppliers shall ensure that purchased metals originate from smelters validated as being conflict mineral free. Traceability data shall be maintained and recorded for 5 years and provided to [company name] upon request.

Suppliers are encouraged to support industry efforts to enhance traceability and responsible practices in global minerals supply chains.

Assessing and responding to the identified risks

[Company name] collects material composition information for all our products which allows us to identify suppliers that use tin, tantalum, tungsten and/or gold in their products. Material composition data along with information gathered from suppliers (e.g. with the EICC-GeSI Conflict Minerals Reporting Template), industry initiatives (e.g. CFS), and other available sources is used to assess risks of non-compliance to this Policy.

[Company name] approach is to establish long-term relationships with suppliers, always seek sustainable solutions, and work with suppliers to drive improvements. If we identify a reasonable risk that a supplier is violating our commitments set forth in this policy, we require them to commit to and implement a corrective action plan within a reasonable timeline. [Company name] follows up effectiveness of corrective actions and conducts on-site assessments as necessary. Continued non-conformance and refusal to address issues of concern will lead to termination of business relationship.

Grievance mechanism & Reporting

This Policy will be reviewed regularly and updated as needed. [Company name] commits to disclosing the progress of the implementation of this Policy as part of its annual sustainability reporting and in accordance with legal requirements.

Concerns and violations of this policy can be reported to [company name] Board of Directors, its non-executive members, or its subcommittees through our official grievance channels:

Online via [website]

By mail to the following [address]

Suppliers and other external parties are encouraged to contact their regular sourcing channel if they wish to seek

guidance on the application of this approach, or if they wish to report suspected abuse. They, and other external stakeholders, may also report problems or concerns to the above [company name] Contact the Board channel.

Example 2: Industry Dear Supplier Letter

Regulatory Alert: Conflict Minerals Reporting Requirements

This email is to inform you of Federal legislation that may significantly impact the aerospace industry and suggested actions to take.

In July 2010, President Obama signed into law the Wall Street Reform and Consumer Protection Act, also known as the Dodd-Frank Act. Although the focus of the Act is financial market regulatory reform, it also imposes new requirements relating to “Conflict Minerals.” Specifically, section 1502 of the Act imposes Securities and Exchange Commission (SEC) reporting requirements upon publicly-traded companies whose products contain metals derived from minerals defined as “Conflict Minerals,” which include tantalum, tin, tungsten and gold.

The new reporting requirements reflect congressional concerns that revenues obtained from the mining and transportation of “Conflict Minerals” could be used against the desire of the U.S. and its allies to finance the ongoing conflict in the Democratic Republic of Congo (DRC) and surrounding countries resulting in a humanitarian crisis.

The legislation requires publicly traded (i.e., SEC-registered) companies to report annually to the SEC on: (a) their worldwide use of “Conflict Minerals” in products they manufacture or contract to manufacture; and (b) the actions of their supply chains in identifying the use of “Conflict Minerals,” identifying the country of origin for any “Conflict Minerals,” and determining whether “Conflict Minerals” from the DRC region are “conflict free” (that is, they do not directly or indirectly finance armed groups through mining or mineral trading in the DRC Region). The SEC is currently finalizing a regulation that will detail how publicly-traded companies must comply with section 1502. Please note that these requirements apply to both U.S. and non-U.S. suppliers and may also include reporting by companies that are not SEC-registrants if they are determined to be members of the manufacturing supply chain for an SEC registered company.

Once the final regulations are released, publicly-traded companies will be required to report on “Conflict Minerals” in their products that originate in the DRC or the nine adjoining countries for the first fiscal year following the year in which the SEC final regulation is issued.

As a result, you may be asked to assist in obtaining source information from smelters and refiners of minerals in your supply chain to determine whether the materials or products contain “Conflict Minerals” that originate in the DRC or adjacent countries. Annual submissions to the SEC may require an independent, third-party audit, and therefore, proper documentation of information related to your supply chain is critical.

To summarize and reinforce some important potential compliance impacts, your company should consider the following:

Companies may be asked to trace products that contain tantalum, tin, tungsten and/or gold through their supply chain to some extent.

Non-SEC registered companies who supply directly or indirectly to AIA Member companies may be asked to comply with the regulations. Compliance agreements between non-SEC registered suppliers and their public customers will need to be reached.

Independent, third party audits proving company compliance may be required.

The compliance effort is expected to also include the packaging that each company uses and any advertising products that the company distributes.

According to the Organization for Economic Co-operation and Development (OECD), there are some actions all suppliers can take now to prepare for this requirement, including some or all of the following:

Determining parts/assemblies/materials that incorporate one or more of the identified “Conflict Minerals.”

Reviewing the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” for possible implementation: <http://www.oecd.org/dataoecd/62/30/46740847.pdf>.

The Regulations are expected to come out sometime between now and early in 2012. Implementation of the SEC’s final rule may be challenging, so we want to ensure that the aerospace industry is aware of this situation in advance of the effective requirements and reporting date.

To learn more about the legislation and “Conflict Minerals,” please consult the SEC website: <http://www.sec.gov/news/press/2010/2010-245.htm>.

Example 3: Company “Dear supplier” letter

Dear [company name] Supplier,

The intent of this letter is to inform you of recent U.S. legislation impacting the electronics, medical, lighting and other industries to which you may supply products and materials, and to request your full cooperation in addressing this important matter.

Please read carefully the attached letter (Chinese translation available) to understand [company name]’s expectation to you and follow the instruction to fill out the template.

As a [company name] supplier you are being requested to do the following:

1. Read carefully the attached letter (Chinese translation available)
2. Participate in the upcoming training webinar. First session will be on **Feb 28th and March 13th 2012** at 9 am and 4 pm CET (details will follow)
3. Establish a due diligence process for identifying and managing the sourcing of tin, tantalum, tungsten, and gold, and:
 - o Determine which of your products / components contain tin, tungsten, tantalum or gold.
 - o Map your supply chains associated with those products / components.
 - o Engage with your suppliers to identify all the smelters your company and its suppliers use to supply the tin, tantalum, tungsten and/or gold.
4. Download the latest version of the EICC-GeSI Reporting Template [here](#) (registration required). Complete all questions and submit your template before 1st of **May 2012** via email to Conflict_free_minerals@company.com. Name your file “Your Company Name_ date.xls”

The [company name] Support Center can provide addition help if required, see contact details below.

Thank you for supporting this important project,

Attachments:

1. [Company name] letter to suppliers in Chinese and English
2. Background presentation in Chinese and English

3. Template instruction

References:

1. [EICC-GeSI Due Diligence Request Template](#) (Registration Required)
2. EICC website: <http://www.eicc.info/extractives.htm>
3. [Company name] website and position paper:

Example 4: Customer letter

Dear [company name] Customer,

[Company name] is working with our suppliers and utilizing the standard tools provided by the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), to trace the sources of the subject minerals (tin, tungsten, tantalum and gold) to the smelters or origin. Our approach thus far has been to start with the bill of materials for our products to identify individual components which contain these subject minerals. We then survey each of the suppliers for these components and request the list of smelters used for these metals.

Once we identify the smelters, we'll rely upon the EICC/GeSI Conflict Free Smelter program to determine the conflict status of the smelters.

As you may be aware, as a part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the United States Congress has directed the U.S. Securities and Exchange Commission to promulgate regulations requiring certain U.S. companies to publicly disclose whether their products are "DRC conflict free" along with describing the due diligence efforts used to make that determination. However, the final regulation governing the U.S. reporting requirements for conflict minerals due diligence has not yet been issued. In anticipation of this regulation, [customer name] will continue to standardize and expand our conflict mineral tracing process to cover all relevant products and suppliers.

While we have made progress, this work is not complete. Even if the relevant rules are not issued in 2011, we will provide our customers with more information regarding our survey results in 2012. Once the regulation is issued, we will ensure that our due diligence processes meet the applicable requirements, and will respond with the appropriate information to assist you in complying with these regulations.

In addition to the activities outline above, [customer name] is actively working to facilitate the ongoing multi-stakeholder dialogue on this issue involving multiple industrial sectors, non-profit activist groups and socially responsible investment firms. The goal of this dialogue is to develop workable consensus policy for both implementation of the U.S. law and the diplomacy that will help to end the human suffering in the DRC. We would be happy to have a discussion with you on any developments in this area, and welcome the support of your company on this important issue.

Best regards

[Name]

Example 5: Commodity analysis

COMMODITY	3TG (Y/N)
RAW MATERIAL	Y
RAW MTL, GOLD	Y
RAW MTL, SILVER	N
RAW MTL, PLASTIC	N
RAW MTL, PLASTIC, RESIN	N
RAW MTL, PLASTIC, RESIN, ABS	N
RAW MTL, PLASTIC, RESIN, HIPS	N
RAW MTL, PLASTIC, RESIN, PP	N
RAW MTL, PLASTIC, RESIN, PC/ABS, PC, CLORANT	Y
RAW MTL, PLASTIC, RESIN, POM/PMMA, MISC	Y
RAW MTL, PLASTIC, RUBBER	N
RAW MTL, OTHERS	Y
RAW MTL, METAL	Y
RAW MTL, METAL, STEEL	N
RAW MTL, METAL, STEEL, ELECTRO	Y
RAW MTL, METAL, STEEL, GALVANIZED	Y
RAW MTL, METAL, STEEL, PREPAINTED	Y
RAW MTL, METAL, STEEL, TIN PLATE	Y
RAW MTL, METAL, STEEL, COLD ROLLED	N
RAW MTL, METAL, STEEL, ALU ZINC	N
RAW MTL, METAL, STEEL, OTHERS	N
RAW MTL, METAL, STAINLESS STEEL	N
RAW MTL, METAL, COPPER/BRASS	Y
RAW MTL, METAL, ALUMINIUM	N
RAW MTL, METAL, OTHERS	Y
FAB ITEMS, PLASTIC	N
FAB ITEMS, PLASTIC, MOLDED	N
FAB ITEMS, PLASTIC, ASSEMBLY	Y
FAB ITEMS, PLASTIC, EXTRUSION	N
FAB ITEMS, PLASTIC, VACUUM FORM	N
FAB ITEMS, PLASTIC, MACHINED	N
FAB ITEMS, PLASTIC, PRECISE MOLD	N
FAB ITEMS, PLASTIC, PRECISE MOLD, GEAR	N
FAB ITEMS, PLASTIC, PRECISE MOLD, BEARING	N
FAB ITEMS, PLASTIC, PRECISE MOLD, PULLEY	N
FAB ITEMS, METAL	Y
FAB ITEMS, METAL, EXTRUSIONS	Y
FAB ITEMS, METAL, MACHINED	Y
FAB ITEMS, METAL, DIE CAST	Y
FAB ITEMS, METAL, OTHER PROCESS	Y
FAB ITEMS, METAL, THIXOMOLDING MG	Y
FAB ITEMS, METAL, STAMPING	Y
FAB ITEMS, METAL, ASSEMBLY STAMPING	Y
RUBBER	N
SOLAR GLASS	N
PROGRAMMABLE LOGIC	Y
PROGRAMMABLE LOGIC FPGA/CPLD	Y
PROGRAMMABLE LOGIC SPLD	Y
PROGRAMMABLE LOGIC CONFIGURED PROM	Y
IC, CMOS, IMAGE SENSOR	Y
CONNECTORS	Y
CONNECTOR, WIRE TO BOARD	Y
CONNECTOR, W-TO-B, HEADERS	Y

CONNECTOR, W-TO-B, PINS AND CONNECTORTACTS	Y
CONNECTOR, W-TO-B, HOUSING	Y
CONNECTOR, W-TO-B, TERMINAL BLOCKS	Y
CONNECTOR, W-TO-B, JUMPER	Y
CONNECTOR, SOCKETS	Y
CONNECTOR, BOARD TO BOARD	Y
CONNECTOR, BACKPLANE	Y
CONNECTOR, BACKPLANE, VHDM	Y
CONNECTOR, BACKPLANE, DIN41612	Y
CONNECTOR, BACKPLANE, 2MM	Y
CONNECTOR, BACKPLANE, GENERAL	Y
CONNECTOR, RF	Y
CONNECTOR, RF, SMA	Y
CONNECTOR, RF, N	Y
CONNECTOR, RF, GENERAL	Y
CONNECTOR, SIM CARD	Y
CONNECTOR, BATTERY	Y
CONNECTOR, FPC/FFC	Y
CONNECTOR, FLASH MEMORY CARD	Y
CONNECTOR, CARD EDGE	Y
CONNECTOR, PCMCIA/CARDBUS	Y
CONNECTOR, I/O	Y
CONNECTOR, I/O, DOCKING	Y
CONNECTOR, I/O, AUDIO JACK	Y
CONNECTOR, I/O, MODULAR JACK	Y
CONNECTOR, I/O, POWER, OTHERS	Y
CONNECTOR, I/O, POWER, DC JACK	Y
CONNECTOR, I/O, POWER, AC INLET/OUTLET	Y
CONNECTOR, I/O, MINI DIN	Y
CONNECTOR, I/O, USB	Y
CONNECTOR, I/O, IEEE 1394	Y
CONNECTOR, I/O, SCSI	Y
CONNECTOR, I/O, D-SUB	Y
CONNECTOR, I/O, DVI	Y
CONNECTOR, I/O, HDMI	Y
CONNECTOR, I/O, LVDS	Y
CONNECTOR, I/O, RCA	Y
CONNECTOR, I/O, SCART	Y
CONNECTOR, I/O, CIRCUMIL	Y
CONNECTOR, I/O, OTHER	Y
CONNECTOR, SATA	Y
CONNECTOR, FIBER OPTIC	Y
CONNECTOR, OTHERS	Y
POWER SOURCES	Y
POWER, CHARGERS	Y
POWER, ADAPTORS	Y
POWER, INVERTERS	Y
POWER, UPS	Y
POWER, OPEN FRAME	Y
POWER, REDUNDANT	Y
POWER, ATX	Y
POWER, DC-DC CONVERTERS	Y
INPUT OUTPUT DEVICES	Y
INPUT OUTPUT, SPLITTER	Y
INPUT OUTPUT, SMARTCARD/READER	Y
INPUT OUTPUT, OPTICAL DRIVE	Y

INPUT OUTPUT, FLOPPY DISC	Y
INPUT OUTPUT, TAPE DISC	Y
INPUT OUTPUT, OPTICAL DISC	Y
INPUT OUTPUT, TOUCH PAD	Y
INPUT OUTPUT, FLOPPY DRIVE	Y
INPUT OUTPUT, TAPE DRIVE	Y
INPUT OUTPUT, OTHERS	Y
ACOUSTICS	Y
ACOUSTICS, SPEAKERS	Y
ACOUSTICS, BUZZER	Y
ACOUSTICS, MICROPHONES	Y
ACOUSTICS, HEADSET	Y
PCB	Y
PCB, HDI	Y
PCB, CONVENTIONAL	Y
PCB, FPC, POLYIMIDE	Y
PCB, SUBSTRATE	Y
PCB, ALIVH	Y
PCB, CONVENTIONAL, SINGLESIDED	Y
PCB, CONVENTIONAL, SINGLESIDED, NON-STH	Y
PCB, CONVENTIONAL, SINGLESIDED, STH	Y
PCB, CONVENTIONAL, DOUBLESIDED	Y
PCB, CONVENTIONAL, DOUBLESIDED, PTH	Y
PCB, CONVENTIONAL, DOUBLESIDED, NON-PTH	Y
PCB, CONVENTIONAL, DOUBLESIDED, STH	Y
PCB, CONVENTIONAL, MULTILAYER, UNKNOWN LAYER	Y
PCB, CONVENTIONAL, MULTILAYER, 4L	Y
PCB, CONVENTIONAL, MULTILAYER, 6L	Y
PCB, CONVENTIONAL, MULTILAYER, 8L	Y
PCB, CONVENTIONAL, MULTILAYER, 10L	Y
PCB, CONVENTIONAL, MULTILAYER, 12L	Y
PCB, CONVENTIONAL, MULTILAYER, 14L	Y
PCB, CONVENTIONAL, MULTILAYER, 16L	Y
PCB, CONVENTIONAL, MULTILAYER, 18L	Y
PCB, CONVENTIONAL, MULTILAYER, 20L	Y
PCB, CONVENTIONAL, MULTILAYER, 20L+	Y
PCB, HDI, 1+N+1, UNKNOWN LAYER	Y
PCB, HDI, 1+N+1, 4L	Y
PCB, HDI, 1+N+1, 6L	Y
PCB, HDI, 1+N+1, 8L	Y
PCB, HDI, 1+N+1, 10L	Y
PCB, HDI, 1+N+1, 12L	Y
PCB, HDI, 1+N+1, 14L	Y
PCB, HDI, 1+N+1, 16L	Y
PCB, HDI, 1+N+1, 18L	Y
PCB, HDI, 1+N+1, 20L	Y
PCB, HDI, 2+N+2, UNKNOWN LAYER	Y
PCB, HDI, 2+N+2, 6L	Y
PCB, HDI, 2+N+2, 8L	Y
PCB, HDI, 2+N+2, 10L	Y
PCB, HDI, 2+N+2, 12L	Y
PCB, HDI, 2+N+2, 14L	Y
PCB, HDI, 2+N+2, 16L	Y
PCB, HDI, 2+N+2, 18L	Y
PCB, HDI, 2+N+2, 20L	Y
PCB, HDI, 2+N+2, 22L	Y

PCB, HDI, 3+N+3, UNKNOWN LAYER	Y
PCB, HDI, 3+N+3, 8L	Y
PCB, HDI, 3+N+3, 10L	Y
PCB, HDI, 3+N+3, 12L	Y
PCB, HDI, 3+N+3, 14L	Y
PCB, HDI, 3+N+3, 16L	Y
PCB, HDI, 3+N+3, 18L	Y
PCB, HDI, 3+N+3, 20L	Y
PCB, HDI, 3+N+3, 22L	Y
PCB, RIGID FLEX	Y
PCB, CONVENTIONAL, BACKPLANE	Y
PCB, CONVENTIONAL, BACKPLANE, 4L	Y
PCB, CONVENTIONAL, BACKPLANE, 6L	Y
PCB, CONVENTIONAL, BACKPLANE, 8L	Y
PCB, CONVENTIONAL, BACKPLANE, 10L	Y
PCB, CONVENTIONAL, BACKPLANE, 12L	Y
PCB, CONVENTIONAL, BACKPLANE, 14L	Y
PCB, CONVENTIONAL, BACKPLANE, 16L	Y
PCB, CONVENTIONAL, BACKPLANE, 18L	Y
PCB, CONVENTIONAL, BACKPLANE, 20L	Y
PCB, CONVENTIONAL, BACKPLANE, 22L	Y
PCB, CONVENTIONAL, BACKPLANE, 24L	Y
PCB, CONVENTIONAL, BACKPLANE, 26L	Y
PCB, CONVENTIONAL, BACKPLANE, 28L	Y
PCB, CONVENTIONAL, BACKPLANE, 30L	Y
PCB, CONVENTIONAL, BACKPLANE, 32L	Y
PCB, CONVENTIONAL, BACKPLANE, 34L	Y
PCB, CONVENTIONAL, BACKPLANE, 36L	Y
PCB, CONVENTIONAL, BACKPLANE, 38L	Y
PCB, CONVENTIONAL, BACKPLANE, 40L	Y
PCB, HDI, 4+N+4	Y
PCB, FPC, POLYESTER	Y
PCB, FPC, POLYESTER, SINGLESIDED	Y
PCB, FPC, POLYESTER, DOUBLESIDED	Y
PCB, FPC, POLYIMIDE, UNKNOWN LAYER	Y
PCB, FPC, POLYIMIDE, SINGLESIDED	Y
PCB, FPC, POLYIMIDE, DOUBLESIDED	Y
PCB, FPC, POLYIMIDE, MULTIPLE LAYERS	Y
PCB, SUBSTRATE, PLASTIC	Y
PCB, SUBSTRATE, CERAMIC	Y
ACCESSORIES	Y
ACCESSORIES, OTHERS	Y
ACCESSORIES, BAG/HOLDER	N
ACCESSORIES, LANYARD/NECKLACE/STRAP/STYLUS	Y
ACCESSORIES, MEDICAL	Y
ACCESSORIES, USB PERIPHERALS	Y
ACCESSORIES, KEYBOARD&MOUSE	Y
ACCESSORIES, REMOTE CONTROL	Y
SOFTWARE	N
DISPLAY DEVICES	Y
DISPLAY, LCD	Y
DISPLAY, LCD, TFT SMALL/MED	Y
DISPLAY, LCD, TFT/MOBILE	Y
DISPLAY, LCD, TFT/DSC	Y
DISPLAY, LCD, TFT/MP3/MP4/PMP/GPS	Y
DISPLAY, LCD, TFT PRINTER/COPIER	Y

DISPLAY, LCD, TFT TV	Y
DISPLAY, LCD, TFT MONITOR	Y
DISPLAY, LCD, CSTN SMALL/MED	Y
DISPLAY, LCD, TN/HTN/STN/FSTN/DSTN	Y
DISPLAY, TFT NOTEBOOK	Y
DISPLAY, VFD, OLED	Y
DISPLAY, LCD, TFT/BI-PANE/BACKLIGHT/FOG/COG	Y
TOUCH PANEL/SCREEN	Y
CABLES/WIRE	Y
CABLES/WIRE, RAW	Y
CABLES/WIRE, ASSY	Y
CABLES/WIRE, ASSY, POWER CORD	Y
CABLES/WIRE, ASSY, RF, OTHERS	Y
CABLES/WIRE, ASSY, RF, SMA	Y
CABLES/WIRE, ASSY, RF, N	Y
CABLES/WIRE, ASSY, RF, GENERAL	Y
CABLES/WIRE, ASSY, IEEE 1394	Y
CABLES/WIRE, ASSY, USB	Y
CABLES/WIRE, ASSY, LAN	Y
CABLES/WIRE, ASSY, HEADSET	Y
CABLES/WIRE, ASSY, DISPLAY, OTHERS	Y
CABLES/WIRE, ASSY, DISPLAY, D-SUB	Y
CABLES/WIRE, ASSY, DISPLAY, DVI	Y
CABLES/WIRE, ASSY, DISPLAY, AV	Y
CABLES/WIRE, ASSY, DISPLAY, HDMI	Y
CABLES/WIRE, ASSY, DISPLAY, LVDS	Y
CABLES/WIRE, ASSY, ADAPTER	Y
CABLES/WIRE, ASSY, FLAT	Y
CABLES/WIRE, ASSY, SCSI	Y
CABLES/WIRE, ASSY, SATA	Y
CABLES/WIRE, ASSY, BACKPLANE	Y
CABLES/WIRE, ASSY, CIRCML	Y
CABLES/WIRE, ASSY, EXTERNAL/PERIPHERAL	Y
CABLES/WIRE, ASSY, WIRE HARNESS	Y
CABLES/WIRE, ASSY, FIBER OPTIC	Y
CABLES/WIRE, ASSY, OTHERS	Y
CABLES/WIRE, ASSY, FFC	Y
BATTERIES	Y
BATTERIES, LIION	Y
BATTERIES, NIMH	Y
BATTERIES, LITHIUM POLYMER	Y
BATTERIES, LEAD ACID	Y
BATTERIES, ALKALINE	Y
BATTERIES, MISCELLANEOUS	Y
BATTERIES, PRIMARY LITHIUM	Y
DIE CUT SPECIALIZE MATERIAL (Non-packaging)	N
DIE CUT, PLASTIC SHEET MATERIAL	N
DIE CUT, GASKET EMI	N
DIE CUT, GASKET CUSHION	N
DIE CUT, GASKET FILTER	N
DIE CUT, GASKET HEAT PAD	N
PAINT MATERIALS	N
PAINT, WET PAINT	N
PAINT, POWDER COAT	N
PAINT, OTHERS	N
HEATSINKS	Y

HEATSINKS, EXTRUDED	Y
HEATSINKS, STAMPING	Y
HEATSINKS, ASSEMBLIES	Y
HEATSINKS, ACCESSORIES	Y
HARDWARE (HDW)	Y
HARDWARE, FASTENERS	Y
HARDWARE, FAST, SCREWS	Y
HARDWARE, FAST, RIVETS	Y
HARDWARE, FAST, SELF CLINCHING	Y
HARDWARE, FAST, WASHERS	Y
HARDWARE, FAST, NUTS/BOLTS	Y
HARDWARE, MECHANICAL	Y
HARDWARE, MECH, BEARINGS	Y
HARDWARE, MECH, PULLEYS	Y
HARDWARE, MECH, SPRINGS	Y
HARDWARE, MECH, GEARS	Y
HARDWARE, MECH, CLIP/WIRE CABLE TIE	Y
HARDWARE, MECH, OTHERS	Y
HARDWARE, PLASTIC/RUBBER	N
HARDWARE, PLAST, FEET/PADS	N
HARDWARE, PLAST, MOLDED	N
HARDWARE, VALVE	Y
HARDWARE, BELT	N
MOTORS	Y
MOTORS, STEPPING	Y
MOTORS, SERVO	Y
MOTORS, VIBRATION	Y
MOTORS, SPINDLE	Y
MOTORS, GEAR	Y
MOTORS, PUMP	Y
FANS	Y
FANS, AC	Y
FANS, DC	Y
FANS, ASSEMBLIES	Y
FANS, BLOWER	Y
FANS, TRAY	Y
KEYPADS/DOME SHEET	N
KEYPADS	Y
KEYPAD, RUBBER	N
KEYPAD, PLASTIC+ RUBBER	N
KEYPAD, METAL	Y
KEYPAD, IIMD	N
KEYPAD, OTHERS	N
DOMES SHEET	N
DOMES SHEET, METAL DOMES	Y
DOMES SHEET, MYLAR DOMES	N
DOMES SHEET, EL ASSEMBLY	Y
DOMES SHEET, MEMBRANE SWITCHES	Y
KEYPADS/BOARDS, KEYPAD MODULES	Y
ANTENNAS	Y
ANTENNAS, METAL (STAMPING)	Y
ANTENNAS, FPC	Y
ANTENNAS, CHIP	Y
ANTENNAS, RETRACTABLE	Y
ANTENNAS, STUBBY	Y
ANTENNAS, OTHERS	Y

HINGE ASSEMBLIES	Y
HINGE, MOBLIE, PHONE RELATED	Y
HINGE, PRINTERS RELATED	Y
HINGE, CABINET RELATED & OTHERS	Y
CAMERA MODULE	Y
ASSEMBLIES PCB	Y
ASSEMBLIES PCB, FLEXIBLE	Y
ASSEMBLIES PCB, RIGID	Y
ASSEMBLIES PCB, BACKPLANE	Y
ASSEMBLIES PCB, OTHERS	Y
ASSEMBLIES DEVICE	Y
ASSEMBLIES DEVICE, CARTRIDGE/PRINTER HEAD	Y
ASSEMBLIES DEVICE, COOLING/HEATER SYSTEM	Y
ASSEMBLIES DEVICE, CAMERA, OTHERS	Y
ASSEMBLIES DEVICE, SENSOR	Y
ASSEMBLIES DEVICE, LAMP	Y
ASSEMBLIES DEVICE, MOVING MECHANISM	Y
ASSEMBLIES DEVICE, OTHERS	Y
ASSEMBLIES RFMODULE/DEVICE	Y
ASSEMBLIES RFMODULE/DEVICE, MODEM	Y
ASSEMBLIES RFMODULE/DEVICE, TUNER	Y
ASSEMBLIES RFMODULE/DEVICE, GPS	Y
ASSEMBLIES RFMODULE/DEVICE, ROUTER/GATEWAY	Y
ASSEMBLIES RFMODULE/DEVICE, WLAN/CARD	Y
ASSEMBLIES RFMODULE/DEVICE, OTHERS	Y
ASSEMBLES, SUB-ASSY	Y
LENS, IMAGING	N
LENS ASSEMBLY, GLASS PARTS	N
LENS ASSEMBLY, LENS	N
PACKAGING/DOCUMENTATION	N
PACKAGING	N
PACKAGING, CORRUGATED CARTONS/DIVIDERS	N
PACKAGING, TRAYS	N
PACKAGING, BAGS	N
PACKAGING, PALLETS	N
PACKAGING, GIFT BOX	N
PACKAGING, TAPE	N
PACKAGING, POLYFORM	N
PACKAGING, WRAP UP SHEET	N
DOCUMENTATION PRINTED/MEDIA	N
DOCUMENTATION, LABELS	N
DOCUMENTATION, MANUALS	N
DOCUMENTATION, INFORMATION CARDS	N
DOCUMENTATION, CD/ DISKETTES/ DVD	Y
DOCUMENTATION, OTHERS	N
PACKAGING, OTHERS	N
IC, ASIC	Y
IC, PERIPHERALS	Y
IC, PERIPHERALS, PC CHIPSETS	Y
IC, PERIPHERALS, AUDIO	Y
IC, PERIPHERALS, VIDEO	Y
IC, PERIPHERALS, CONTROL	Y
IC, PROCESSORS	Y
IC, PROCESSORS, MICROPROCESSOR	Y
IC, PROCESSORS, MICROCONTROLLER	Y
IC, DSP	Y

IC, ASSP	Y
IC, ASSP, MODULES	Y
IC, ASSP, MODULES, GPS	Y
IC, ASSP, MULTI-MEDIA IC	Y
IC, ASSP, MULTI-MEDIA, DSC	Y
IC, ASSP, MULTI-MEDIA, SETTOP BOX	Y
IC, ASSP, MULTI-MEDIA, PRINTER IC	Y
NETWORKING IC	Y
NETWORKING IC, PHY	Y
NETWORKING IC, SLIC/SLAC	Y
NETWORKING IC, DATALINK	Y
NETWORKING IC, DATALINK, WLAN/LAN/WiFi	Y
NETWORKING IC, DATALINK, BLUETOOTH	Y
NETWORKING IC, DATALINK, FM TUNERS	Y
NETWORKING IC, WIRELESS BASEBAND	Y
NETWORKING IC, VoIP	Y
NETWORKING IC, PA/PAM/XCVR	Y
NETWORKING IC, HF/RF	Y
NETWORKING OPTICAL	Y
NETWORKING OPTICAL, XCVR/XPONDER	Y
NETWORKING OPTICAL, IRDA	Y
NETWORKING OPTICAL, AMPS	Y
NETWORKING OPTICAL, LASERS	Y
NETWORKING OPTICAL, MODULES	Y
NETWORKING OPTICAL, SONETS	Y
IC, ANALOG	Y
IC, ANALOG, OTHER	Y
IC, ANALOG, AMP	Y
IC, ANALOG, CONVERTER	Y
IC, ANALOG, INTERFACE	Y
IC, ANALOG, POWER MANAGEMENT	Y
IC, ANALOG, SENSOR	Y
IC, ANALOG, SWITCH	Y
IC, CLOCKS	Y
IC, REAL TIME CLOCKS	Y
IC, STANDARD CLOCKS	Y
DISCRETE	Y
DISCRETE, DIODES/RECTIFIERS	Y
DISCRETE, EMI FILTERS	Y
DISCRETE, IGBT	Y
DISCRETE, MOSFETS (LV<200V)	Y
DISCRETE, MOSFETS (HV>200V)	Y
DISCRETE OPTOS	Y
DISCRETE OPTOS, LEDs SMD	Y
DISCRETE OPTOS, LEDs THRU HOLE	Y
DISCRETE OPTOS, LED 7SEGMENT	Y
DISCRETE OPTOS, OPTOCOUPERS/ISOLATORS	Y
DISCRETE, TRANSISTORS	Y
DISCRETE, THYRISTORS	Y
IC, STD LOGIC	Y
IC, STD LOGIC, BIPOLAR, BiCMOS, CMOS	Y
IC, STD LOGIC, ECL	Y
MEMORY, CUSTOM	Y
MEMORY, DRAM	Y
MEMORY, DRAM, MODULES	Y
MEMORY, DRAM, SDRAM/MOBILE SDRAM	Y

MEMORY, DRAM, DDR/DDR GRAPHICS	Y
MEMORY, DRAM, RDRAM/OTHERS	Y
MEMORY, FLASH	Y
MEMORY, FLASH, NOR	Y
MEMORY, FLASH, NOR, MCP	Y
MEMORY, FLASH, NAND	Y
MEMORY, FLASH, NAND, MCP	Y
MEMORY, FLASH, DOC MEMORY/CARD	Y
MEMORY, FLASH, eMMC	Y
MEMORY, PROM	Y
MEMORY, PROM, EPROM	Y
MEMORY, PROM, EEPROM	Y
MEMORY, SRAM	Y
MEMORY, SRAM, ASYNC FAST	Y
MEMORY, SRAM, ASYNC SLOW	Y
MEMORY, SRAM, SYNC	Y
MEMORY, SRAM, PSRAM	Y
MEMORY, SRAM, DUAL PORTS	Y
MULTIPLE	Y
LOGISTICS	N
OBSOLETE, NOT IN USE/INACTIVE/OBSOLETE ITEMS	N
CAPACITOR	Y
CAPACITOR, CERAMIC	Y
CAPACITOR, CER, SMT, 0201 PCK	Y
CAPACITOR, CER, SMT, 0402 PCK	Y
CAPACITOR, CER, SMT, 0603 PCK	Y
CAPACITOR, CER, SMT, 0805 PCK	Y
CAPACITOR, CER, SMT, 1206+ PCK	Y
CAPACITOR, CER, LEADED	Y
CAPACITOR, CER, ARRAY	Y
CAPACITOR, TANTALUM	Y
CAPACITOR, TANT, SMT, A CASE	Y
CAPACITOR, TANT, SMT, B CASE	Y
CAPACITOR, TANT, SMT, C CASE	Y
CAPACITOR, TANT, SMT, D CASE	Y
CAPACITOR, TANT, SMT, E CASE	Y
CAPACITOR, TANT, SMT, OTHER	Y
CAPACITOR, TANT, LEADED	Y
CAPACITOR, ELECTROLYTIC	Y
CAPACITOR, ELECTROLYTIC, SMT	Y
CAPACITOR, ELECTROLYTIC, LEADED	Y
CAPACITOR, PLASTIC FILM	Y
CAPACITOR, BACK-UP	Y
FREQUENCY CONTROL	Y
FREQUENCY CONTROL, FILTERS	Y
FREQUENCY CONTROL, FILTERS, SAW	Y
FREQUENCY CONTROL, FILTERS, CERAMIC	Y
FREQUENCY CONTROL, RESONATORS	Y
FREQUENCY CONTROL, RESONATORS, SAW	Y
FREQUENCY CONTROL, RESONATORS, CERAMIC	Y
FREQUENCY CONTROL, CRYSTAL	Y
FREQUENCY CONTROL, CRYSTAL, KHz	Y
FREQUENCY CONTROL, CRYSTAL, MHz	Y
FREQUENCY CONTROL, OSCILLATORS	Y
FREQUENCY CONTROL, OSC, CLOCK	Y
FREQUENCY CONTROL, OSC, TCXO	Y

FREQUENCY CONTROL, OSC, VCTCXO	Y
FREQUENCY CONTROL, OSC, OCXO	Y
FREQUENCY CONTROL, OSC, VCXO	Y
FREQUENCY CONTROL, BALUN	Y
FREQUENCY CONTROL, DUPLEXER	Y
FREQUENCY CONTROL, DIPLEXER	Y
INDUCTORS	Y
INDUCTORS, SMT	Y
INDUCTORS, SMT, MULTILAYER TYPE	Y
INDUCTORS, SMT, WOUND TYPE	Y
INDUCTORS, LEADED	Y
INDUCTORS, ARRAY	Y
MAGNETICS	Y
MAGNETICS, FERRITE BEAD FILTER	Y
MAGNETICS, FERRITE BEAD FILTER, SMT	Y
MAGNETICS, FERRITE BEAD FILTER, LEADED	Y
MAGNETICS, FERRITE BEAD FILTER, ARRAY	Y
MAGNETICS, COMM MODE CHOKE FILTER	Y
MAGNETICS, COMM MODE CHOKE FILTER, SMT	Y
MAGNETICS, COMM MODE CHOKE FILTER, LEADED	Y
MAGNETICS, COMM MODE CHOKE FILTER, ARRAY	Y
MAGNETICS, 3 TERMINAL FILTER	Y
MAGNETICS, 3 TERMINAL FILTER, SMT	Y
MAGNETICS, 3 TERMINAL FILTER, LEADED	Y
MAGNETICS, OTHERS	Y
CIRCUIT PROTECTIVE DEVICES	Y
CIRCUIT PROT, FUSES	Y
CIRCUIT PROT, FUSES, SMT	Y
CIRCUIT PROT, FUSES, RESETABLE	Y
CIRCUIT PROT, FUSES, AXIAL/CARTRIDGE	Y
RESISTORS	Y
RESISTOR, CHIP THICK FILM	Y
RESISTOR, CHIP THICK FILM, 0201	Y
RESISTOR, CHIP THICK FILM, 0402	Y
RESISTOR, CHIP THICK FILM, 0603	Y
RESISTOR, CHIP THICK FILM, 0805	Y
RESISTOR, CHIP THICK FILM, 1206+	Y
RESISTOR, CHIP THICK FILM, CYLINDRICAL	Y
RESISTOR, CHIP THIN FILM	Y
RESISTOR, LEADED, WIREWOUND	Y
RESISTOR, NETWORK	Y
RESISTOR, VARISTOR	Y
RESISTOR, THERMISTOR	Y
RESISTOR, VARIABLE/TRIMMER/POT	Y
TRANSFORMER	Y
TRANSFORMER, SWITCHING	Y
TRANSFORMER, TELE/NETWORK	Y
RELAYS	Y
RELAYS, SIGNALS	Y
RELAYS, POWER	Y
RELAYS, GENERAL PURPOSE	Y
RELAYS, SOLID STATE	Y
RELAYS, ACCESSORIES/OTHER	Y
MASS STORAGE	Y
MASS STORAGE, SSD	Y
MASS STORAGE, HARD	Y

SWITCHES	Y
SWITCHES, DIP	Y
SWITCHES, PUSH BUTTON	Y
SWITCHES, TACTILE	Y
SWITCHES, SLIDE	Y
SWITCHES, ROCKER	Y
SWITCHES, ROTARY	Y
SWITCHES, DETECT	Y
SWITCHES, TOGGLE	Y
SWITCHES, JOYSTICK	Y

Example 6: Supplier expectations

[Company name] Supplier Expectations Relating to Employment, Environment, Health & Safety

For more than a century, [company name], its businesses, and its employees have created an asset of incalculable value -- the Company's worldwide reputation for integrity and high standards of business conduct. [Company name] quest for competitive excellence begins and ends with its unyielding commitment to integrity.

Each employee in the [Company name] community is expected to make a personal commitment to integrity, and we also expect and require high ethical conduct from all of our suppliers. A [Company name] strong commitment in this regard is a requirement for being a [Company name] supplier and is the foundation for our mutually beneficial business relationship.

In particular, we expect [Company name] suppliers to:

- Comply with laws and regulations protecting the environment, continuously improve their resource efficiency, and not adversely affect the local community.
- Provide workers a safe and healthy workplace.
- Employ workers above the applicable minimum age requirement or the age of 16, whichever is higher.
- Comply with laws and regulations governing wages, hours, days of service, and overtime payment for workers.
- Not utilize forced, prison, or indentured labor, or subject workers to any form of compulsion or coercion.
- Allow their workers to freely choose whether or not to organize or join associations for the purpose of collective bargaining as provided by local law.
- Prohibit physical, sexual or psychological harassment or coercion.
- Assure that workers are hired, paid and otherwise subject to terms and conditions of employment based on their ability to do the job, not on the basis of their personal characteristics such as race, national origin, sex, religion, ethnicity, disability, maternity, age, and other characteristics protected by local law (This does not bar compliance with affirmative preferences that may be required by local law).
- Maintain and enforce a company policy requiring adherence to ethical business practices, including a prohibition on bribery of government officials.
- Respect the intellectual property of others.
- Adopt policies and establish systems to procure tantalum, tin, tungsten, or gold from sources that have been verified as conflict free, and provide supporting data on their supply chains for tantalum, tin, tungsten, or gold to [Company name] when requested, on a platform to be designated by [company name].
- Maintain security measures consistent with international standards for the protection of their operations and facilities against exploitation by criminal or terrorist individuals and organizations.
- Expect their suppliers to conform to similar standards.

CYCLE 2 COMPANY QUESTIONNAIRE

STEP 1: Establish Strong Company Management Systems

1. Please provide a chart or list of the departments and titles of those with responsibilities for tin, tantalum, and tungsten that is potentially sourced from conflict-affected and high-risk areas, or provide an organigram for internal reports (including if you report to the Board)—template/example provided.
2. What process did/is your company taking to establish a management system? Can you explain the sequencing of the system development?⁸
3. What types of data management tools are you using or developing? What has been most effective?⁹
4. How (what methods) has your company communicated the issue and your company's expectations to each of these:
 - a. Suppliers (please also describe how suppliers are selected for communications)
 - b. Customers
 - c. The public

Please attach any examples, such as:

- » “Dear supplier” letters
- » Any expectations communications, examples such as from AIA, AIAG, IPC, and GE Pilot
- » Policy examples
- » Internal communication decks/videos for company buyers or suppliers, for example
- » Examples of contract clauses
- » Examples of grievance mechanisms, such as how to report an incident, hotlines to call, etc.

STEP 2: Identify and Assess Risk in the Supply Chain

5. Describe the process to identify and prioritise suppliers, and identify subject products using tin, tantalum, and/or tungsten.
6. What issues have you confronted to obtain information on smelters and minerals from conflict areas within your supply chain and how have you addressed them?¹⁰
7. If smelters have been identified, how has your company engaged with smelters/refiners in your supply chain to obtain information on country of mineral origin and transit and transportation routes in order to target risk assessments on those smelters triggered by the “red flag locations of mineral origin and transit” and “supplier red flags”?

⁸ An example of an approach would be: First we defined a policy based on our human rights policy and code of conduct (please include what considerations or challenges you had). Second, we established a risk assessment for what products contain 3T and/or G. Third, we mapped our first tier suppliers that provide us products with 3T&G . . . and so on.

⁹ Are you adding to existing systems and what did you need to alter, develop, or change them? Are you creating a new system? If so, why was a new system necessary and what did you develop? Are you using an industry collection system such as the EICC & GeSI Dashboard?

¹⁰ For instance, have you had suppliers refuse to provide information and what explanation do they provide? What has been of concern in disclosing? What have you done to try to address this? Have you used NDAs to help? Password-protected systems? Providing direct suppliers with lists of smelters/refiners that meet the requirements of the OECD Guidance? Confidential information-sharing systems on suppliers? Industry-wide schemes to disclose upstream actors in the supply chain?

8. How has your company overcome confidentiality issues? Have you used systems or technology to help?
9. Do you have any mechanisms to validate responses from Tier 1 suppliers?

Please attach any examples, such as:

- » EICC & GeSI reporting template
- » Individual company reporting template
- » Protocols for tracking or auditing
- » Examples of how CFS is used
- » Examples of approaches taken with suppliers to obtain information

STEP 3: Design and Implement a Strategy to Respond to Identified Risks

10. How does your company work with suppliers to mitigate risks? What are useful steps, and/or considerations to keep in mind?¹¹ Which measures has your company taken to build and/or exercise leverage over upstream suppliers who can most effectively and most directly mitigate the risks of adverse impacts?
11. Has your company devised a management plan that outlines responses to identified risks? How has your company developed a process to determine when to continue, suspend, or terminate supplier relationships?

Please attach any examples, such as:

- » Training materials
- » Existing company self-assessment tools - specify whether you are using the EICC Tool, using your own tool, if you do not yet have a tool; if you are using declarations, or whether you require details down to the smelter name.
- » Modified processes or tools from REACH or ROHS
- » Remediation plans

STEP 4: Third-Party Audit of Smelters/Refiners' Due Diligence Practices

12. How are you dealing with the differences between the Dodd-Frank requirements and the OECD Guidance? What are the challenges?
13. If you do have direct relationships with smelters, are you undertaking any processes to audit due diligence of your smelter(s)? What if you don't have direct relationships with the smelters? Have you participated and contributed through industry organizations or other suitable means to appoint auditors and define the terms of the audit in line with the standards and processes of the OECD Guidance? What would be the role (if any) of the CFS Program?
14. Are there examples from other initiatives that you think are particularly relevant to learn from that need to be developed to help with this step? Please be specific about which elements (governance, which tools, process, etc.).

¹¹ For instance, are you only implementing an industry-level scheme to address risks? What is it? What types of support, such as webinars, in-person trainings, face-to-face meetings, etc., are you providing for your suppliers?

Please attach any examples, such as:

- » Other useful initiatives (such as Forest Stewardship Council and what, in particular, can be learned from or used)
- » Current process examples of audits or industry-level tool implementation

STEP 5: Report Annually on Supply Chain Due Diligence

15. What elements are you including in your due diligence reporting?
 - a. What are you going to report publicly on website?
 - b. What are you going to report to customers?
 - c. What are your expectations of what you will get from suppliers?
16. What is your frequency of updating your reporting efforts? What are you doing in the interim before the Dodd-Frank requirements are implemented?

Please attach any examples, such as:

- » Types of reports, such as CSR reports; tin, tungsten, and tantalum supplement; or specific minerals or natural resources section of your corporate website
- » Incorporating CSO engagement and feedback
- » Data verification or assurance processes that are planned

CYCLE 2 INDUSTRY ASSOCIATION QUESTIONNAIRE

STEP 1: Establish Strong Company Management Systems

17. What has worked or hasn't worked in your current systems of data collection? Will you be making changes or alterations to existing systems or creating new ones?
 - a. What types of data management tools are you using or developing? What has been most effective?
18. Describe the resources your organization can offer to assist your members in promoting responsible minerals sourcing practices.¹²
19. What has your industry association developed to help members understand the OECD Guidance on due diligence?
20. What support has your membership asked for?

Please attach any examples, such as:

- » "Dear supplier" letter, signed by senior management, with expectations for further communications, 3Ts in product (quantity estimates), and for next steps (examples from AIA, AIAG, IPC, and GE Pilot)
- » Examples such as the AIAG supplier expectations letter
- » Corporate policy examples
- » Internal communication decks/videos for company buyers or suppliers, for instance
- » Examples of model contract clauses
- » Examples of grievance mechanisms, such as how to report an incident, hotlines to call, etc.

STEP 2: Identify and Assess Risk in the Supply Chain

21. How does your organization define risk of supporting conflict through the sourcing practices of member companies? What risk analysis and/or prioritisation methods are you using (e.g., identification of products containing tin, tungsten, and tantalum)?¹³
22. How (what methods) has your organization communicated the issue and your industry's expectations or activity to:
 - a. Members
 - b. Industry population
 - c. The public
23. How are you informing and working with non-U.S.-based companies that are not subject to the Dodd-Frank Act?
24. How has your organization overcome confidentiality issues? Have you used systems or technology to help (e.g., limited or password-protected access to the database)?
25. What are the specific issues for supporting branded or licensed goods companies?

¹² For example, do you have a dedicated staff person that can attend meetings on behalf of members? Do you provide legal assistance or legal counsel for members who may not otherwise have the resource for the issue?

¹³ This is risk as perceived at an industry level, so for instance, Duplication of efforts, costs of to the industry, etc?

Please attach any examples, such as:

- » EICC & GeSI reporting template
- » Individual company reporting template
- » Protocols for tracking or auditing
- » Examples of how the CFS list is used

STEP 3: Design and Implement a Strategy to Respond to Identified Risks

26. How are you planning to implement an industry-level scheme for addressing risks and building and/or exercising leverage on upstream suppliers?

Please attach any examples, such as:

- » Training materials
- » Existing company self-assessment tools
- » Modified processes and tools from REACH or ROHS
- » Remediation plans

STEP 4: Carry Out Independent Third-Party Audit of Smelters/Refiners' Due Diligence Practices

27. Have you encountered a challenge in developing the tools to implement the OECD Guidance that are also meant to meet the Dodd-Frank requirements?
28. Are you conducting audits directly with smelters? If you are not conducting audits with smelters, what processes are you using to ensure audits are conducted on their due diligence practices?
29. Are there examples from other initiatives that you think are particularly relevant to learn from that need to be developed? Please be specific about which elements (governance, which tools, process, etc.).

Please attach any examples, such as:

- » Other useful initiatives (such as Forest Stewardship Council and what, in particular, can be learned from or used)
- » Current process examples of audits

STEP 5: Report Annually on Supply Chain Due Diligence

30. Will your organization prepare a report on activity that members can leverage?

Please attach any examples, such as:

- » Types of reports, such as CSR reports, supplements on responsible sourcing, or specific minerals or natural resources sections from your corporate website
- » Incorporating CSO engagement or feedback
- » Data verification or assurance processes that are planned



www.oecd.org/daf/investment/mining