



**Conflict Minerals Workshop - 6/24/15**

# IEWC Overview

- Global Wire, Cable and Wire Management Products Distributor
  - Founded in 1962
  - 22 locations, 10 countries
  - OEM & Contract Manufacturer focus
- Singh Gullapalli – Global Director of Quality & Compliance
  - 20+ years of experience in the field of quality

# Agenda

- What are conflict minerals?
- How do conflict minerals impact you?
- What are your reporting requirements?
- Conflict Minerals Decision Tree & OECD Guidelines
- How can you get compliant?
- Sample SEC Filing (SD Form)
- FAQ / Lessons learned
- What's the future for Conflict Minerals in US, Europe, Canada, China, Mexico.
- How can IEWC Help?



# What are Conflict Minerals?

- Tantalum
- Tin
- Tungsten
- Gold
- Collectively known at 3TG
- 4 Minerals, 10 Countries (also called Covered Countries)



# What's the problem?



# What's the response?

- USA lead the way and included Conflict Minerals law as part of the Dodd-Frank Wall Street Reform & Consumer Protection Act bill.
- Goal: Cut off funding to rebel groups to limit their effectiveness and prevent human rights abuses and prevent loss of human lives.

# Timeline

- 2010 – Ratified by Congress and signed by President Obama
- 2012 – SEC provided final conflict minerals guidance
- 2014 – Publicly traded companies are required to provide compliance documentation to SEC
- Annual May 31<sup>st</sup> deadline for compliance filing

# How Does It Impact You?

- OEMs
  - Publicly traded companies must disclose their conflict minerals status to SEC
  - OEMs are asking manufacturers, sub-assemblers and suppliers to provide documentation
- Sub-Assemblers
  - May be asked to provide conflict minerals information for current customers who are publicly traded
  - Compliance information may be needed for potential future customers who are publicly traded

# What Does it Mean?



# What is Your Reporting Requirement?

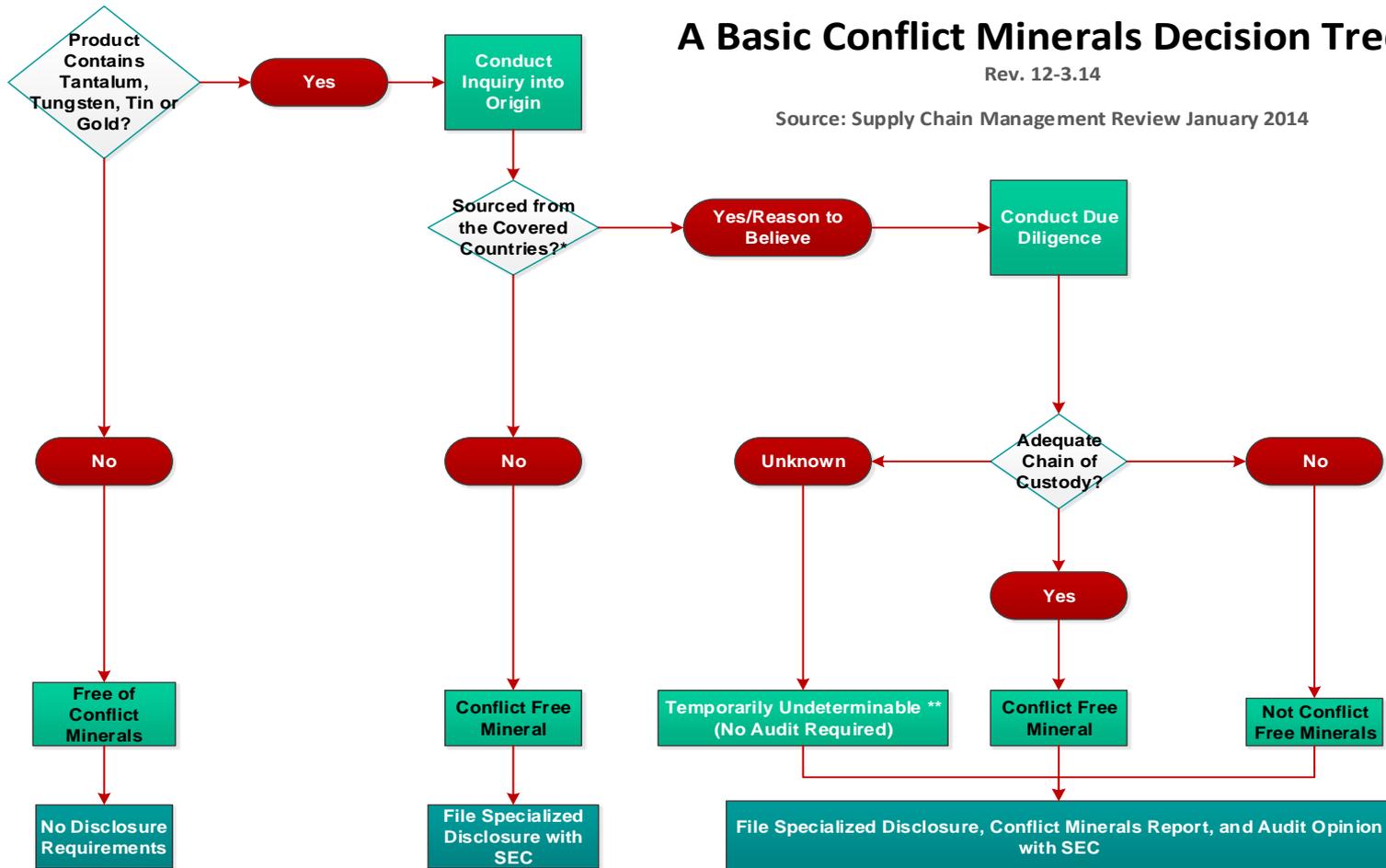
[Conflict Minerals Declaration File](#)

# Conflict Minerals Decision Tree

## A Basic Conflict Minerals Decision Tree

Rev. 12-3.14

Source: Supply Chain Management Review January 2014



\* Covered Countries under the rule are Democratic Republic of the Congo, Angola, Burundi, Central African Republic, Congo Republic (a different nation than DRC), Rwanda, Sudan, Tanzania, Uganda, and Zambia.

\*\* Companies would reach this conclusion if they cannot determine whether their conflict minerals benefited armed groups, But this options is only available for the **first two years for large companies and four years in the case of small companies.**

# Due Diligence Process for Conflict Free Supply Chains

If you are a publicly traded company, SEC or the independent auditors might ask you if you followed the OECD Due diligence process guidelines? As per OECD guidelines, “Due diligence is a process that companies or individuals should undertake to ensure that the extraction and trade of mineral ores containing tin, tantalum, tungsten and gold support peace and development, not conflict”.

[http://www.oecd.org/daf/inv/mne/EasytoUseGuide\\_English.pdf](http://www.oecd.org/daf/inv/mne/EasytoUseGuide_English.pdf)

## A five-step framework for risk-based due diligence

<b>Step 1</b>	Strengthen your due diligence skills, internal systems and record keeping, including through chain of custody tracking and/or traceability systems
<b>Step 2</b>	Undertake individually, or in cooperation with your customers, a risk assessment of mines, transportation routes, points where minerals are traded and suppliers
<b>Step 3</b>	Engage in risk mitigation and regularly monitor risks in your supply chain
<b>Step 4</b>	Participate in audit programmes as they develop
<b>Step 5</b>	Describe annually your due diligence efforts and make the report available at your offices and on your website

# How to Get Compliant?

- 1. Develop a Conflict Minerals Policy for your organization:** The policy should explain the organization stand on Conflict Minerals and communicate that to all your employees and your suppliers.
- 2. Contact all your active suppliers** and ask them to send you the completed CMRT template.
- 3. Review Responses:** Review the response from each supplier, thoroughly for accuracy and ensure that there are no smelters from covered countries and the declaration tab is filled out correctly.
- 4. Consolidate Responses:** If you only have a handful of suppliers, you can manually consolidate the responses. But if you have lot of suppliers (more than 100), then we recommend to use a software solution to consolidate responses. Software solutions will not only check for accuracy of the data but also makes it efficient to consolidate responses.

# How to Get Compliant?

5. **Declaration Tab:** Once you have a consolidated response, fill out the declaration tab appropriately summarizing all the data that you collected.
6. **SEC Filing:** If you are a publicly traded company, then you need to file the report with SEC by May 31<sup>st</sup>. If you are not a publicly traded company then you do not have to file any report to SEC but you have to send your report to your customers like we do at IEWC.
7. **Independent Audit:** An independent private sector audit is only required, if a publicly traded company declares that they are DRC Conflict Free in their report. Some publicly traded companies are having independent audits done to ensure that their due diligence process is accurate and meets the OECD guidelines.

# Sample SEC Filing SD (Special Disclosure)

Conflict Minerals Report of MICRONET ENERTEC TECHNOLOGIES, INC.  
in accordance with Rule 13p-1 under the Securities Exchange Act of 1934

This is the Conflict Minerals Report of Micronet Enertec Technologies, Inc. ("MICT") for calendar year 2014 in accordance with Rule 13p-1 ("Rule 13p-1") under the Securities Exchange Act of 1934 (the "1934 Act"). Please refer to Rule 13p-1, Form SD and the 1934 Act Release No. 34-67716 for definitions to the terms used in this Report, unless otherwise defined herein.

In accordance with the rules, MICT undertook due diligence to determine the conflict minerals status of the necessary conflict minerals used in its semiconductor packaging services. In conducting its due diligence MICT implemented the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD 2011) ("OECD Framework"), an internationally recognized due diligence framework.

## CONFLICT MINERALS DISCLOSURE

MICT has determined in good faith that for calendar year 2014, its conflict minerals status resulting from its due diligence efforts shows a portion to be "DRC conflict undeterminable" and the remainder to be "DRC conflict free" (terms as defined in the 1934 Act).

This Report has not been subject to an independent private sector audit as allowed under Rule 13p-1, which provides a temporary accommodation for the first four years following November 13, 2012.

MICT due diligence measures were based on the Electronic Industry Citizenship Coalition and Global e-Sustainability ("EICC/GeSI") initiative with the smelters and refiners of conflict minerals who provide those conflict minerals to our suppliers. As a company in the semiconductor packaging business, MICT is several levels removed from the actual mining of conflict minerals. MICT does not make purchases of raw ore or unrefined conflict minerals and makes no purchases in the Covered Countries.

MICT due diligence measures included:

- Conducting a supply-chain survey with direct suppliers of materials containing conflict minerals using the EICC/GeSI Conflict Minerals Reporting Template to identify the smelters and refiners.
- Comparing the smelters and refiners identified in the supply-chain survey against the list of smelter facilities which have been identified as "conflict free" by programs such as the EICC/GeSI Conflict Free Smelter (CFS) program for tantalum, tin, tungsten and gold.

As a result of the due diligence measures described above, MICT has no reason to believe that its necessary Conflict Minerals may have originated in the Democratic Republic of the Congo or an Adjoining Country.

[https://www.sec.gov/Archives/edgar/data/854800/000117891315001324/exhibit\\_1-01.htm](https://www.sec.gov/Archives/edgar/data/854800/000117891315001324/exhibit_1-01.htm)

<https://www.sec.gov/Archives/edgar/data/1101169/000119312515154248/d915944dex101.htm>

# FAQs / Lessons Learned

- What if I do not have any of these four metals in any of my products (like tube material)? Do I still have to go through this?
- Yes. But it will be much easier to comply with. You just have to fill out a CMRT and answer “ No “ to questions 1 and 2. Send the file to your customers. Some might ask you why it is not filled out completely? So I suggest that in the email to the customer, add few points explaining why you only answered questions 1 and 2. In summary, explain the reasons proactively to your customer.

# FAQs / Lessons Learned

- Should I do this consolidation of CMRTs from my suppliers manually or should I use a software solution?
- It depends on the number of suppliers that you have. If you have less than 20 suppliers, then it won't be that hard to manually consolidate the 20 files into one. But if you have a lot of suppliers (for example more than 20), then it makes sense to consider a software solution. Using a software solution, brings three key benefits.
- One critical benefit is, the software solution does all the checks and verification of each CMRT file and flags you any concerns (smelters from covered countries but not approved by CFSI) with the data.
- Other major benefit is efficiency. Consolidating a number of files manually will be a cumbersome effort and the software solution makes it easier to consolidate.
- The last benefit is, it will be easy to convert the data to the most recent CMRT version, as long as the software solution uses the template.
- At IEWC we evaluated four solutions and decided to use the I platform.

# FAQs / Lessons Learned

- Some of my suppliers are sending me their Conflict Minerals policy and one page declaration saying that they are conflict minerals free. Can I accept that and declare that my supply chain is free of Conflict Minerals?
- No. You cannot accept a statement from your supplier saying that they are free from conflict minerals. They need to provide their due diligence information and supporting data in the form of a CMRT file to prove that their supply chain is free of conflict minerals.
- Without the supporting data, you might fail a customer audit or an independent audit (if you are a publicly traded company) because they will ask for supporting documents from your suppliers.

# FAQs / Lessons Learned

- Should I expect all my suppliers to declare that their supply chain is 100% Conflict Mineral free?
- We can hope that all our suppliers are 100% conflict minerals free, but in practicality, it is not possible for all companies. For example in the 2014 filings, only a handful of companies declared with SEC that they are 100% conflict free. The reason is some times there will be one time buys from a small supplier and even you request them their CMRT file they will never respond to that because they do not have a clue on what this is about?
- Also based on a US court ruling, SEC provided the following guidance in 2014. “No company is required to describe its products as “DRC conflict free,” having “not been found to be ‘DRC conflict free,’” or “DRC conflict undeterminable. If a company voluntarily elects to describe any of its products as “DRC conflict free” in its Conflict Minerals Report, it would be permitted to do so provided it had obtained an independent private sector audit (IPSA) as required by the rule.”
- You can access the link to SEC ruling from April 29, 2014.  
<http://www.sec.gov/News/PublicStmt/Detail/PublicStmt/1370541681994#.U2ftbYFdUfN>

# FAQs / Lessons Learned

- Some of the smelters from my suppliers CMRT do not have the CFSI smelter ID. Does this mean, the CMRT report is not accurate and can I reject that report?
- The answer is No for the following reasons.
- CFSI just started auditing and qualifying smelters in the last couple of years. It will be a while before they audit every smelter and qualify it by giving it a CFSI identification with a CID number.
- If a smelter does not have a CID number does not mean that sourcing from that smelter violates Conflict Mineral law. As long as that smelter is not from one of the 10 covered countries, it is ok to use that smelter.
- In summary, if there are any smelters in your supplier CMRT file without a CFSI CID number, do not reject the CMRT.

# FAQs / Lessons Learned

- One of the CMRTs from my supplier listed a smelter from North Korea. Does this violate Conflict Mineral law?
- The answer is No, it does not violate Conflict Minerals law.
- But doing business with North Korea, violates another trade sanctions law from US treasury department. So unless the supplier have special permits required from the US government, they are violating the US Trade sanctions law against North Korea and you should take necessary steps to ensure that your organization is not at risk for doing business with a company that is violating US trade sanctions.

# FAQs / Lessons Learned

- One of the smelters from my suppliers CMRT is from Covered countries. Does this mean I have to reject the CMRT?
- Having a smelter from one of the 10 covered countries on the CMRT should raise a red flag.
- Then you need to find out if that smelter is audited and approved by CFSI. As you know, CFSI audited some smelters in the covered countries and after confirming that those smelters are free of armed groups and no human rights violations are occurring at those smelters, they are adding those smelters to the CFSI approved list. For example, Smelter # CID002507 is based in Rwanda but it was approved by CFSI.
- So if the smelter that your supplier is approved by CFSI, then you can accept that smelter and you can still declare conflict free.
- But you may have to do some explanation to your customers as some of the customers will not be familiar with the entire CFSI smelter qualification process.

# FAQs / Lessons Learned

- Which CMRT file to use for 2015 Filings? Is it version 3.2 or version 4.1?
- The following is the message on the CFSI website till last week.

## [Download the Templates](#)

For 2014 data / [2015 SEC filings: CMRT 3.02](#) (November 7, 2014)

For 2015 data: [CMRT 4.0](#) (April 30, 2015)

Note: CFSI will release a **CMRT 4.01** by mid-June. It will correct the below errors and update the smelter list.

- The following is the message on the CFSI website this week.

## [Download the Template](#)

CFSI encourages the use of the latest version of the CMRT for the current reporting year, calendar year 2015. The form posted here has an up-to-date smelter list and corrected errors from the prior version. [CRMT 4.01](#) (June 12, 2015)

Customers may accept other versions of the CMRT. Please communicate directly with your business partner about such requests. CFSI does not store or distribute completed forms.

- Since the data collection for 2014 is over, our suggestion is to use your current file for 2015 requests. Wait till Dec 2015, and then start your data collection for 2016 filings, using the most recent CMRT version. If you are using a software then you have to wait till they update their template.

# FAQs / Lessons Learned

- When choosing new Suppliers, select Suppliers that are willing to comply with all this **Regulatory Compliance Requirements**

**Form #6010-1 Rev. 3**  
**New Supplier Selection Criteria**  
\*Refer to Procedure 6010 when completing this form\*

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Supplier Name \_\_\_\_\_ Estimated Annual Purchase Amount: \_\_\_\_\_ \*\*\*

Supplier Address \_\_\_\_\_

Requested by \_\_\_\_\_ Today's Date \_\_\_\_\_

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Reason for this supplier: \_\_\_\_\_

Does it compete with an existing supplier? Y / N

If yes, Who? \_\_\_\_\_

If yes, How does their product differ from our existing suppliers? \_\_\_\_\_

What Product Categories will we bring on? \_\_\_\_\_

Is the brand relevant? Y / N

Does the Supplier have an accredited quality control system? Y / N

Does the Supplier have the ability to complete all required **Conflict Minerals**, ROHS, REACH, NAFTA and any other compliance documents required? Y / N

# Conflict Minerals – US Update

- For 2014, SEC estimated 6,000 publicly traded companies will file the Conflict Minerals reports but 1,315 (22%) companies filed the reports.
- Many industry leaders are going above and beyond the requirements of the law and establishing strict Conflict free policies. They are using this compliance to this requirement as a marketing tool.
- 2/3 of the mines in DRC are now free of armed groups, which shows that this conflict minerals initiative is working, which means more support for this Conflict Minerals compliance going forward.
- In summary, Conflict Minerals is here to stay in US unless there is a court order (there is a case pending at US Appellate court) against the requirement. The scope may even expand to include more precious minerals in the future from the current four minerals (Tin, Tungsten, Tantalite and Gold).

# Conflict Minerals - Europe

- European commission is working on their own set of Conflict Minerals Guidelines.
- After debating to go with either a voluntary or mandatory system, European Parliament Voted last month in favor of Mandatory Certification System for importers of Conflict Minerals and disclosure by downstream companies
- Now the Parliament will enter into informal talks with member states of the EU to reach a consensus on what the final language and provisions of the regulation will be.
- Anticipating more debate and vote in Summer of 2015 for implementation in late 2016.

# Conflict Minerals - Canada, Mexico & China

- Canada: Legislation similar to Dodd Frank bill was voted down in Canadian parliament in 2014, but it may be reintroduced again in 2015.
- Mexico: No new Conflict Minerals laws were planned by the Mexican Government at this point but American based companies with operations in Mexico are asking for this compliance.
- China: The Chinese Chamber of Commerce for Minerals and Chemicals (CCCMC) provided guidelines that only applies to its members and only on a voluntary basis. Some of the highlights are:
  - Conduct an assessment if the minerals originate from a conflict affected and/or high risk area.
  - Adapt existing due diligence measures to the specific needs of conflict affected and/or high risk areas.
  - When reporting a conflict affected and/or high risk area, take steps to monitor the business relations, transactions, and flow of funds and resources and avoid trade of conflict minerals.

# How can IEWC help?

## Process Compliance

- IEWC BMS
- ISO 9001: 2008
- AS 9100C
- Internal Audits
- External UL Audits
- Customer Audits
- Supplier Audits

## Product Compliance

- ROHS
- Conflict Minerals
- REACH
- UL Labeling
- CSA Labeling
- WEEE
- Prop 65
- Test Reports
- PPAP & IMDS
- Full Material Declarations
- Warranties

## Trade Compliance

- NAFTA
- FTAs (Free Trade Agreements)
- ITAR (Intl Traffic in Arms Regulations)
- ECR (Export Control Reform)
- COO (Country of Origin)
- HTS (Harmonized Tariff Schedule)
- RPS (Restricted Party Screening)
- CGP (Control Good Program)
- FTR (Foreign Trade Regulations)
- C-TPAT (Customs Trade Partnership against Terrorism)

# How can IEWC help?

- Focus on growing your business
  - 90% of IEWC materials have their conflict minerals status documented
  - Documentation is available through the IEWC Quality Team – [conflictminerals@iewc.com](mailto:conflictminerals@iewc.com)
  - Quality Team can provide basic consultation if needed

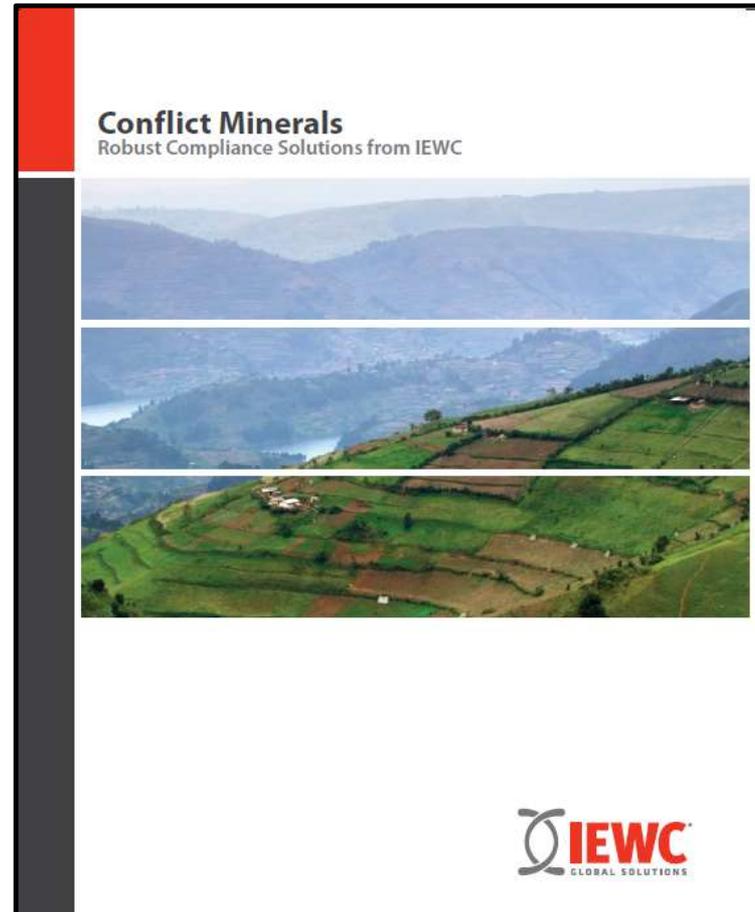
*“Thank you again for your help. You’ve been great in giving an explanation that I could share here so we can understand.”*

*“Thank you for this information. As I’m just getting involved in this, I was not aware of the information you’ve shared here. This is very helpful.”*

*“We must all stick together in this crazy world of conflict minerals.”*

# How can IEWC help?

- Conflict Materials educational piece available
- Educate your organization
- Educate your customers



# Question & Answer

**\*\*Submit via “Questions” tab on control bar\*\***