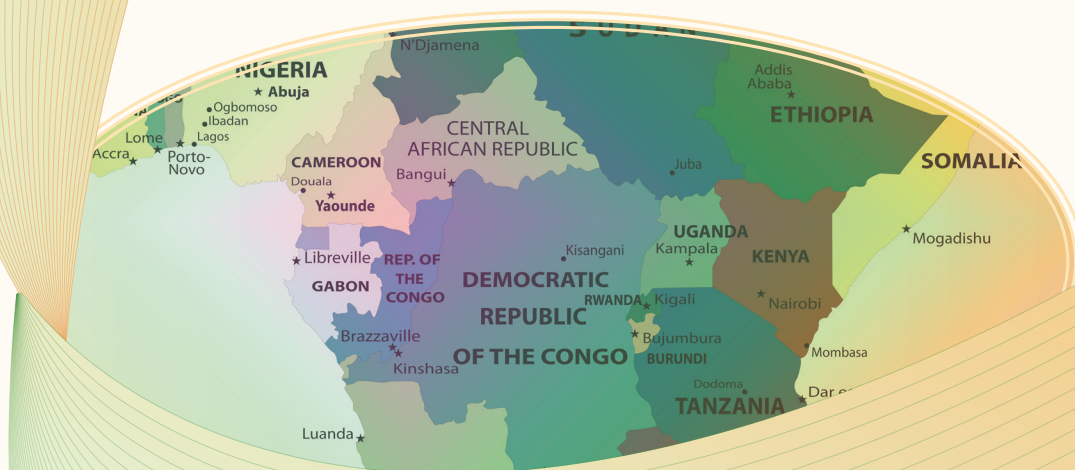




IPC Conflict Minerals Due Diligence Guide



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Acknowledgements

This guide was developed by IPC with the assistance of the IPC Conflict Minerals Due Diligence Committee (E-30) and Holly Evans, Strategic Council, LLC. IPC would like to express its appreciation to all of the contributing committee members and especially to the chairmen, John Ciba, Brady Corporation, and Joel Sherman, KEMET Corporation.

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Introduction

Armed conflict and human rights abuses in the Democratic Republic of the Congo (DRC) have been linked to revenues derived from the mining and trading of the “conflict minerals” — cassiterite, wolframite, columbite-tantalite and gold. Growing global awareness of the sourcing of conflict minerals has encouraged electronics and other manufacturers and retailers to pay closer attention to the source of the metals in their products.

In 2002, the United Nations (UN) Group of Experts (GoE) on the DRC accused 85 companies of violating Organisation for Economic Co-operation and Development (OECD) Guidelines for responsible business conduct by multinational enterprises. In 2008, the UN GoE declared that sourcing from eastern DRC without “due diligence” is a “violation” of UN sanctions. In 2009, the OECD started work on due diligence guidance for conflict minerals, which was published in July 2011.¹

In December 2010, the United States Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).² Section 1502 of the Dodd-Frank Act requires publicly traded companies to annually disclose to the U.S. Securities and Exchange Commission (SEC) if certain conflict minerals or their metal derivatives are necessary to the functionality of their manufactured products. Section 1502 also requires publicly traded companies to annually submit to the SEC an audited Conflict Minerals Report. This report describes the measures taken by the company to exercise due diligence regarding the source and chain of custody of such minerals if they were sourced from the DRC or adjoining countries.

Tin, tantalum, tungsten and gold (3TG) are necessary to the functionality of electronic and many other products. These metals are derivatives of the specific conflict minerals that are covered by Section 1502 (Table 1). These minerals are considered conflict minerals regardless of whether they are associated with any actual conflict activity in the DRC or adjacent country.

Table 1: Conflict Minerals and their Common Metal Derivatives

Conflict Mineral	Metal Derivative
Cassiterite	Tin
Columbite-tantalite	Tantalum
Gold	Gold
Wolframite	Tungsten

The Organisation for Economic Co-operation and Development

The Organisation for Economic Co-operation and Development (OECD) is a multi-national organization with 34 member countries. The OECD was founded in 1960 to promote policies that will improve the economic and social well-being of people around the world.

Necessary to the Functionality

The SEC limits the applicability of the conflict minerals regulation to conflict minerals and their derivatives that are “necessary to the functionality” of manufacturers’ products. See Appendix A for a discussion of factors to be considered in determining if a conflict mineral is necessary to the functionality of a product.

Section 1502 is intended to provide corporate accountability and public transparency to the sourcing of conflict minerals or their derivatives. Section 1502’s disclosure and reporting provisions are designed to discourage companies from sourcing conflict minerals from mines controlled by armed factions located in the DRC or adjoining countries, thereby reducing the flow of money to the armed groups that are linked to human-rights abuses.

¹OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, July, 2011. <http://dx.doi.org/10.1787/9789264111110-en>

²See Appendix A for a detailed description of Section 1502 of the Dodd-Frank Act.

Section 1502's disclosure and reporting obligations will impact all entities involved in the use of conflict minerals or their derivatives. Although the legal disclosure and reporting obligations apply only to publicly traded companies, conflict minerals information and data requests are expected to rapidly spread through the entire electronics supply chain. Companies that must comply with Section 1502's disclosure and reporting requirements will need to engage their suppliers in order to demonstrate due diligence regarding the source and chain of custody of 3TG in their manufactured products.

Therefore, it is essential for all companies that supply a product, component or part that contains a conflict mineral, regardless of size or ownership structure, to prepare to respond to conflict minerals inquiries. While publicly traded companies will have legal obligations to disclose and report on the 3TG in their manufactured products, suppliers to those companies will have commercial obligations to disclose and report on the 3TG in the manufactured products that they supply. Suppliers, therefore, will want to establish their own due diligence programs for conflict minerals in order to meet their customers' requests.

This document establishes guidance for the formation of due diligence programs for supply chain conflict minerals tracking, management, disclosure and reporting.

This document is not, and should not be used as, a guide to legal compliance with Section 1502 of the Dodd-Frank Act.

Establishing a Conflict Minerals Program

This document is intended to provide a guide for establishing and implementing a conflict minerals program to meet reporting obligations and external inquiries.

This guide outlines core elements, but provides flexibility to accommodate companies of all sizes. This guide's approach recognizes the complexities and business challenges that are associated with the global electronics industry and its vast network of global suppliers. The appropriate level of a company's due diligence is often scaled to its size or the number of its supply chain relationships. The scope of the supply chain inquiry will depend upon the company's particular facts and circumstances, including the company's size, products, relationships with suppliers and other factors. The design of a conflict minerals due diligence program, therefore, should be based upon the company's unique circumstances.

Establishing a Conflict Minerals Program

1. Establish Company Program for Conflict Minerals
2. Identify and Prioritize Relevant Products and Suppliers
3. Assess Supply Chain Risks
4. Fulfill Conflict Minerals Reporting Obligations
5. Maintain a Due Diligence Program: Review and Revision

Step 1: Establish Company Program for Conflict Minerals

Once a company determines that one or more conflict minerals are in its manufactured products, the next step is to establish a company conflict minerals program. The program may include several core elements that are further described below.

Formation of Company Team and/or Coordinator

The development and implementation of a conflict minerals program will require the engagement of personnel from various company departments, including legal, engineering, financial, procurement, information technology, public relations, quality, corporate responsibility, environmental, and social responsibility. It may be helpful to form a team of people drawn from the relevant departments in order to establish the company program. Smaller companies may lack the personnel resources to form a team and, instead, may wish to dedicate one staff person to work one-on-one with relevant departments. See Table 2 for examples of how each department may contribute to the development of a company conflict minerals program.

The development and implementation of a conflict minerals program may have significant impacts on a company in terms of brand image, customer relationships and legal liability. Senior company management, therefore, is encouraged to be aware of the formation of the company program and participate in its formation.

Table 2: Potential Contributions of Company Departments

Department	Potential Contribution
Legal (Compliance)	Ensure that any legal issues are addressed (e.g., compliance, confidentiality, contract review, corporate statements)
Procurement (Supply chain management)	Ensure that communications with suppliers are addressed through contracts, purchase orders or other means
Engineering (Technology)	Provide information regarding manufactured products, raw materials, and possible use of 3TG
Information Technology	Establish and implement company database for tracking and reporting 3TG data
Finance	Determine if financial reporting or auditing is required

Once formed, the company team may identify and prioritize any issues that may arise through the implementation of a company program. For example confidentiality issues may arise around the need to include intellectual property and confidential business information in company documents, contracts, policies and statements. Early identification of such issues will assist in ensuring that they can be addressed as the program is implemented.

Some companies may decide to provide materials to educate company employees as a supplement to the formation of the conflict minerals team. Training materials could include: fact sheets or white papers on the situation in the DRC, Section 1502 or the SEC regulation; company efforts on conflict minerals; and the importance of company compliance and employee cooperation.

Some companies may choose to outsource the development or implementation of their conflict minerals program. If a company chooses to outsource its conflict minerals planning, it should consider the pros and cons of using external resources. Conflict minerals reporting, either to the SEC or to a customer, is a very serious matter. Third-party providers should be experienced in establishing and implementing complex supply chain inquiries. Third-party service providers should have a strong company history demonstrating personnel expertise and competence. Companies are encouraged to review third-party service providers' client recommendations, insurance coverage, and confidentiality protections to ensure that their specific company needs will be met.

Develop a Company Policy Statement

The company should draft a formal statement on its conflict minerals program in order to respond to external requests for information. This statement should clearly and concisely communicate the company's program. It should focus on an external audience — the company's customers, suppliers, the public, or other stakeholders. It should be in a form that can be easily posted on the company's website, in company documents or annual reports, or communicated to other stakeholders upon request. An example of a company policy statement is provided in Figure 1.

Determine Data Gathering and Assessment Procedures

An effective conflict minerals program will identify the tools and procedures that the company will use in gathering data from its suppliers, inputting it into the company's database and evaluating those responses to meet the company's own conflict minerals obligations. The goal is to establish a system of controls with transparency over the 3TG used in the company's supply chain. Many of these supplier tools may already be in place, such as purchasing and engineering specifications, purchase orders, contractual provisions, supplier codes of conduct and supplier declaration tools.

The "Dos and Don'ts" of a Company Conflict Minerals Statement

Don't encourage a "DRC-free" supply chain

Do express company expectations of suppliers

Do encourage suppliers to expect similar expectations of their own suppliers

Do address activities that are within your company's control

Do address your company's commitment to compliance and due diligence activities

Don't make unrealistic promises that your supply chain will not be able to uphold

Figure 1: Example of a Company Statement

Suppliers are expected to ensure that parts and products supplied to **[Company Name]** are DRC conflict-free (do not contain metals derived from “conflict minerals”; columbite-tantalite (tantalum), cassiterite (tin), gold, wolframite (tungsten), or their derivatives such that they directly or indirectly finance or benefit armed groups through mining or mineral trading in the Democratic Republic of the Congo or an adjoining country). Suppliers are to establish policies, due diligence frameworks, and management systems consistent with the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, that are designed to accomplish this goal.

The company may wish to evaluate its existing supplier and customer communication tools to determine whether they can be modified to accommodate conflict minerals needs. Some companies may choose to handle conflict minerals obligations separately from existing supply chain reporting systems due to company-specific needs regarding timing, corporate culture or potential liability. Others may choose to build conflict minerals due diligence into their existing corporate systems. One benefit of building the conflict minerals program into existing systems is that the program becomes part of the company’s existing management systems and, therefore, part of the company’s standard operating practices.

Plan for Conflict Minerals Data Management

In executing its conflict minerals program, companies will need to collect and store information from their suppliers. Use of a database or software tool to store

and manage data is recommended. Some companies may choose to use existing databases that are used for tracking other supply chain data; however, modifications may be required due to unique conflict minerals data needs. Any tool for conflict minerals data tracking should facilitate the gathering of supplier data, provide a documented audit trail, and allow for the storage of electronic records. An electronic or computerized database may simplify data collection, secure document storage, organize reporting responses, and enhance supplier communication should legal requirements, deadlines, or other issues change.

Companies should consider the following data elements for conflict minerals data management: supplier and mineral identification, maintaining responses, supplier prioritization based on responses, presence of 3TG in their products, and mineral sourcing information. Specific information that will likely need to be collected includes: (1) the conflict minerals or derivatives used, (2) the country of origin (if known), (3) whether the minerals are “DRC conflict free” and if so, the basis for the claim; and (4) any additional information, such as smelter certifications or other proof of mine-of-origin. Supplier responses that indicate that conflict minerals are not contained in their products will also need to be collected and stored along with any affirmative responses in order to demonstrate due diligence.

IPC is developing a conflict minerals data exchange standard, IPC-1755, to facilitate the business-to-business exchange of conflict minerals data between companies, their suppliers and their customers. This standard will establish a single set of data elements, or information, that companies would gather. A single set of data elements will significantly benefit the industry by eliminating the burden on the supply chain to answer different types of inquiries from each customer and by allowing for cross-platform data sharing. This standard is being developed by a broad spectrum of industries belonging to the Electronic Industry Citizenship Coalition (EICC), Global e-Sustainability Initiative (GeSI), Automotive Industry Action Group (AIAG), Japan Electronics and Information Technology Industries Association (JEITA), Retail Industry Leaders Association (RILA), and the National Retail Federation (NRF). It is expected that many common conflict minerals software programs will support IPC’s data exchange standard, including future versions of the EICC/GeSI Template and the software program being developed by the AIAG.