



THE CONFLICT MINERALS HANDBOOK

YOUR GUIDE TO COMPLIANCE IN 2020



INTRODUCTION

Significant attention has been given in recent years to conflict minerals and the extensive human rights concerns associated with mining these resources. In response to these concerns, and under pressure from non-governmental organizations (NGOs), activists, analysts and consumers, governments and other regulatory bodies have stepped up their efforts to make businesses accountable for their mineral sourcing in conflict-affected areas.

This has made conflict mineral due diligence a sticking point for companies seeking to tackle the requirements posed by both legislative measures and wider corporate social responsibility (CSR) goals.

While conflict mineral and responsible mineral sourcing regulations around the world may vary in nature and scope, the theme is clear: comprehensive due diligence is a business imperative for companies seeking to maintain ethical sourcing practices. By having a strong program in place, companies can identify and work to address actual or potential risks in their supply chain to protect against the adverse effects which may be associated with their mineral sourcing activities.

This eBook provides corporate compliance executives and managers with detailed guidance on how to confidently assess, plan and implement conflict mineral due diligence to meet their responsible mineral sourcing obligations.

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The background is a microscopic image of minerals, showing various crystal structures and textures. Overlaid on this are several geometric shapes: a large cyan triangle at the top, a red triangle at the bottom left, and a red triangle at the bottom right. The text is rendered in a bold, sans-serif font with a slight drop shadow.

PART

01

**AN
INTRODUCTION
TO CONFLICT
MINERALS**



CHAPTER 1/ WHAT ARE CONFLICT MINERALS?

Conflict minerals are minerals sourced from conflict-affected locations, the sale of which can contribute to the perpetuation of armed violence, instability, insecurity and associated human rights violations. From a regulatory perspective, conflict minerals are most often referred to as the **3TGs**: columbite-tantalite (the metal ore from which **tantalum** is extracted); cassiterite (the metal ore from which **tin** is extracted); wolframite (the metal ore from which **tungsten** is extracted); **gold**; or their derivatives.

While there are a range of locations around the world in which minerals are extracted in conflict-affected conditions, state, national and regional conflict mineral regulations currently in existence focus on 3TGs sourced from the Democratic Republic of Congo (DRC) and the adjoining countries where these minerals are often smelted and traded.

THE EXPANDING LANDSCAPE

In recent years, human rights organizations, social justice advocates and some regulatory bodies have called for the expansion of geographic boundaries to other areas where 3TGs are extracted. Non-governmental organizations have advocated for additional minerals to be included in conflict mineral rules, suggesting cobalt be added to the list due to, among other considerations, concerns over the perpetuation of child labor during extraction activities.

While these issues are yet to be reflected in law, growing demand for greater accountability in corporate supply chains is expected to drive regulatory expansions of this nature.

REGULATORY EXPECTATIONS

Around the globe, concerns over responsible sourcing in the corporate sector have fuelled the creation of regulations and membership standards requiring companies to conduct conflict mineral due diligence. These include:

REGULATIONS

- Section 1502 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act
- U.S. state mineral sourcing disclosure obligations (California, Maryland and Massachusetts)
- EU Conflict Minerals Regulation
- EU Non-Financial Reporting Directive
- Emerging Chinese conflict mineral guidelines

STANDARDS

- EICC members and their supply chain (electronics)
- Companies adhering to optional conflict mineral attributes of IPC-1754 standard (aerospace, defense and heavy equipment)
- Companies adhering to optional conflict mineral attributes of IPC-1752A standard (electronics)
- Any company adhering to the IPC-1755 standard (conflict minerals specific)
- Company and supplier codes of conduct
- Corporate social responsibility (CSR), environmental and social governance (ESG) programs
- Sustainable investment funds and other investing requirements
- Responsible Minerals Initiative (RMI) members and their supply chain
- Responsible Jewelry Council membership
- London Bullion Market Association membership
- Institutional purchasing and public procurement

The Journey of a Conflict Mineral

What are conflict minerals?

As defined by current regulations, conflict minerals are Tin, Tungsten, Tantalum and/or Gold (3TGs) extracted from a conflict zone, the sale of which may contribute to human rights violations and instability in the region.



Where are conflict minerals found?

From a regulatory perspective, conflict minerals are 3TGs mined in the Democratic Republic of Congo (DRC) and adjoining countries.



In order to comply with these regulations and membership conditions, companies must undertake some form of due diligence and reporting. This necessitates the request of mineral sourcing information from suppliers. Compliance with these regulations and requirements is therefore a global affair, involving both public and private, U.S. and non-U.S. companies across the world and requiring them to conduct supply chain surveying, analysis and reporting in some form.

THE SMELTER LINK

Smelters are a critical part of conflict mineral due diligence. Smelters purchase raw materials from mines, recyclers and scrap suppliers, and melt them down to produce metals intended for use in production. Manufacturers that use 3TGs in their products must, at some point in their supply chain, purchase metals from a smelter.

Smelters are considered a 'pinch point' in the conflict minerals supply chain. Ore and recycled metals go through smelters or refiners before becoming commercially viable 3TGs. This makes smelters the last viable audit-point to determine the source of 3TGs. Because smelters purchase raw ores and recycled materials from many different locations, once the metals have been smelted it becomes near impossible to accurately trace their source, which may turn out to be a mine contributing to violence or human rights violations in the region.



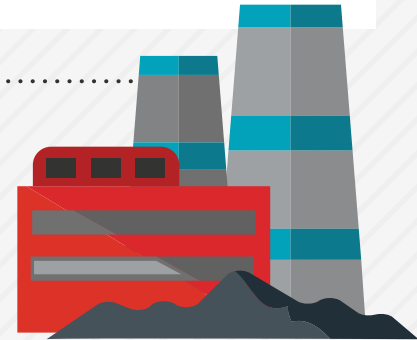
What is the significance of SORs?

Conflict minerals are processed in smelters or refiners (SORs) around the world.



Smelters and refiners are 'pinch points' in the conflict minerals supply chain because they purchase raw materials from many locations. Once the metals have been smelted it becomes near impossible to accurately trace their sources.

These smelted or refined conflict minerals are then sent to manufacturers for processing.



In which products are conflict minerals found?

- Electronics
- Laptops
- Cars
- Jewelry
- Medical equipment
- Industrial machines & tools
- Etc.



This makes it critical for companies to consider the smelters in their supply chains as possible points of risk when sourcing key product materials from conflict-affected locations. In fact, any smelter processing a conflict mineral that has not completed a third-party audit demonstrating compliance with conflict-free assessment protocols ultimately has some risk of contributing to conflict in the region.

There are a range of smelters that have been found to be compliant with industry validated Responsible Minerals Audit Protocols (RMAP Compliant).

Part of the due diligence and risk mitigation process must include determining whether smelters in the supply chain are compliant with RMAP standards, or if they pose a risk. Smelter information can be collected by leveraging the industry-standard Conflict Mineral Risk Template (CMRT) (see chapter 3), and responding to the subsequent findings through comprehensive due diligence.



COMMON APPLICATIONS

Conflict minerals are used across a wide spectrum of industries for various product applications. The following table (Table 1.1) details some of these applications to help companies identify where their product and supply chain vulnerabilities may be.

Table 1.1

CONFLICT MINERAL	DERIVATIVE METAL (3TGS)	INDUSTRIES	APPLICATIONS
Cassiterite	Tin	<ul style="list-style-type: none"> ▪ Electronics ▪ Automotive ▪ Industrial equipment ▪ Construction ▪ Apparel 	<ul style="list-style-type: none"> ▪ Solders for joining pipes and circuits ▪ Auto parts ▪ Tin plating of steel ▪ Lead pins ▪ Alloys (bronze, brass, pewter) ▪ PVC ▪ Buckles, zippers ▪ Watches
Columbite-tantalite	Tantalum	<ul style="list-style-type: none"> ▪ Electronics ▪ Automotive ▪ Medical equipment ▪ Industrial tools ▪ Aerospace 	<ul style="list-style-type: none"> ▪ Capacitors ▪ Hearing aids, pacemakers ▪ Auto airbags ▪ Carbide tools ▪ Jet engines ▪ Gas turbines ▪ Fuel pumps
Gold	Gold	<ul style="list-style-type: none"> ▪ Jewelry ▪ Electronics ▪ Aerospace ▪ Medical ▪ Automotive 	<ul style="list-style-type: none"> ▪ Jewelry ▪ Electroplating and wiring ▪ Medicine ▪ Dental work ▪ Surgical instruments ▪ Jet engine components ▪ Lubricants
Wolframite	Tungsten	<ul style="list-style-type: none"> ▪ Electronics, lighting ▪ Industrial machinery ▪ Aerospace ▪ Jewelry ▪ Automotive 	<ul style="list-style-type: none"> ▪ Metal wires, electrodes, electrical contacts ▪ Phones, computers ▪ Heating and welding ▪ Aircraft engines ▪ Appliances ▪ Jewelry ▪ Alloys and hardening agents



CHAPTER 2/BEYOND COMPLIANCE: THE BUSINESS CASE FOR CONFLICT MINERALS DUE DILIGENCE

To date, corporate sector responses to the issue of conflict minerals have varied from the kind of leadership role taken by forward-thinking companies, to the inaction of companies that have procrastinated in the face of regulatory and other due diligence imperatives. Nonetheless, the overwhelming consensus among strategic, successful companies has been that prioritizing conflict mineral due diligence as a key component of a wider CSR program can allow them to enjoy the competitive advantages of increased market access and enhanced brand image that are the results of these activities.

RISK REDUCTION

Put simply, conflict minerals due diligence is an exercise in risk reduction, giving companies the opportunity to manage and mitigate supply chain and operational vulnerabilities. By ensuring their production processes utilize ethically-sourced minerals, companies can avoid the legal, financial and reputational costs associated with labor disputes, work stoppages and other rights-based violations. In doing so, this keeps companies from featuring front-and-centre on the numerous 'name and shame' lists that await those found to be using unethically-sourced 3TGs mined in conflict areas.

COMPETITIVE EDGE

Successful companies understand the importance of being proactive rather than reactive in all areas of business. Conflict minerals due diligence is no exception to this rule. Therefore, it makes sense for private companies to establish a conflict minerals program in anticipation of taking on public and other firms as clients and partners, and in order to differentiate against their competitors. On the other hand, taking a reactive approach could mean large incremental expenses, cause reputational damage and being unprepared for a lucrative business opportunity.

PUBLIC OPINION

Public companies aren't the only ones that benefit from positive public and consumer opinion. Companies of all kinds are making concerted efforts to ensure they do not open themselves to reputational risk in this area. They are choosing to prioritize partnerships with private companies that can demonstrate evidence of an established and effective conflict minerals program as a way to safeguard their reputation. The more diligent a private company is, the more attractive it becomes to both consumers and business partners. This is an easy hurdle to overcome when you have an agile compliance solution in place with the ability to adapt to changes in the conflict mineral regulatory environment as they happen.

COMPANY ACCUSED OF LYING ABOUT ZERO-TOLERANCE POLICY ON CHILD LABOR

REGULATION

Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502

STORY

In 2014, Valcambi, one of the world's largest refineries, was accused of failing to conduct due diligence on the sourcing of its gold. This led to allegations regarding the use of child and exploitative labor in their supply chain.

In recent years, Valcambi has purchased thousands of tons of gold each year from Togo, a non-producer country. An investigation by the Berne Declaration (BD) found this Togolese gold had in fact been extracted and semi-refined from artisanal mines in Burkina Faso and smuggled across the border to Togo. The gold was then bought and imported to Switzerland by a subsidiary of the Ammar Group, and subsequently sold to Valcambi. The gold was smuggled from Burkina Faso to Togo due to Togo's comparatively low export fees, making the process significantly less expensive.

Beyond the issue of gold smuggling, the gold in question was found to have been extracted using child labor, violating both international labor standards and Burkinabe law.

ENFORCEMENT OUTCOME

This investigation not only affected Valcambi and its suppliers, but all of the companies buying from Valcambi, including those selling products made with its refined gold.

The electronics sector uses an estimated 279 tons of gold every year, making it the third-largest purchaser of gold in the world. Many of the world's large consumer electronics manufacturers commit to zero-tolerance child labor policies, but when Valcambi was found to be purchasing gold made with child labor, these companies were exposed to serious reputational damage and risk to their business.

It is common for companies to lose business and institutional investment as a result of CSR and ethical sourcing due diligence failures in their supply chain, regardless of how far upstream these may have occurred.



CHAPTER 3/ TOOLS & GUIDELINES FOR DUE DILIGENCE

While this process may seem daunting, it doesn't need to be given the availability of a range of widely used tools and guidelines available to help your company fulfil its obligations. In addition to this eBook, some examples are the Conflict Mineral Reporting Template (CMRT) which helps companies efficiently collect information on conflict minerals from their supply chains, and the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidelines which offers companies a framework they can use to constructively respond to conflict mineral vulnerabilities in their operations. These are briefly explained below as they inform and underpin most corporate approaches to conflict mineral due diligence.

CONFLICT MINERALS REPORTING TEMPLATE

Created by the electronics industry and maintained by the RMI, the Conflict Minerals Reporting Template (CMRT) is an industry-standard reporting template that helps companies perform their due diligence by collecting smelter and mineral sourcing data from their supply chain. The CMRT is available as a free-to-download Excel file, and is comprised of several

tabs and questions related to compliance with key conflict mineral regulations such as Section 1502 of the Dodd-Frank Act, the EU Conflict Mineral Regulation and more.

How does the CMRT work?

Companies distribute the template to their suppliers, who fill in their responses and submit the template back to their customers. Based on the answers provided in the CMRT, the data can be analyzed to determine the location of 3TGs within a company's supply chain, identify risks and make informed compliance and sourcing decisions.

How is the CMRT different to a company-written conflict mineral survey?

The CMRT is the industry standard template for conflict minerals reporting, and provides the most accurate and extensive information on regulatory compliance with 3TG sourcing requirements. In order to facilitate strong due diligence, the CMRT is passed along the supply chain, enabling companies to specifically identify problematic smelters and producers in their sourcing activities. This identification step is a vital part of confirming your supply chain is conflict-free.

By contrast, surveys written by companies can be incomplete, typically excluding important information on these smelters, refiners and producers. If companies fail to track down and clearly disclose this information, it can expose them to the risks associated with not meeting industry-level standards, regulatory requirements and consumer expectations when reporting on conflict minerals.

You can access additional information about the CMRT at the RMI website.¹

OECD DUE DILIGENCE GUIDELINES

The Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas² is another invaluable tool available to companies seeking to conduct conflict minerals due diligence. Like the CMRT, the guidance helps companies identify, mitigate and better respond to risks throughout the mineral supply chain. This includes the risks related to miners themselves, exporters, smelters, manufacturers and retailers in terms of human rights and other considerations.

Since being adopted in 2011, the Guidance has become the de-facto industry standard tool for companies seeking to meet the high standards and expectations set by the international community, investors, governments and consumers on transparency and accountability in the mineral supply chain. In fact, it is even referenced by binding U.S. conflict mineral rules, is the official basis of the EU regulation on responsible mineral supply chains, informed the development of the Chinese Due Diligence Guidelines for Responsible Mineral Sourcing, and is also part of the legal framework on conflict mining in a number of African countries like the DRC, Burundi and Rwanda.

Irrespective of whether or not your company falls in scope of Dodd-Frank, the EU Conflict Mineral Regulation or other rules, supply chain due diligence is an essential CSR practice for companies seeking to avoid the reputational, operational, legal and financial risks that accompany the presence of conflict minerals in their production processes.

¹ See: www.responsiblemineralsinitiative.org

² See: <http://www.oecd.org/corporate/mne/mining.htm>



CHAPTER 4/CONFLICT MINERALS IN EUROPE

THE EU CONFLICT MINERALS REGULATION & THE EU NON-FINANCIAL REPORTING DIRECTIVE

THE EU CONFLICT MINERALS REGULATION

On January 1, 2021 the EU conflict minerals regulation (EU 2017/821) will come into effect, with the intention of reducing the sourcing of minerals from conflict affected and high-risk areas (CAHRAs) where the profits from mining may fund armed conflicts. The regulation will apply to all parties importing minerals and metals into the EU and establishes requirements for businesses to maintain documentation demonstrating compliance with the regulation and the results of mandatory third-party audits.

Similar to the U.S. Dodd-Frank Act, the EU rule focuses on 3TGs, however, the regulation differs by expanding the scope beyond the DRC and into conflicted-affected regions as a whole. The EU defines CAHRAs as areas “that are currently or could be affected by conflict and other related illegal activities.”³ The official list of CAHRAs is being compiled by a group of external experts and will be updated regularly. The list is considered non-exhaustive, and companies in scope of the regulation must also comply with the requirements when operating on conflict-affected areas that aren’t listed.⁴

³European Commission. (n.d.). *The regulation explained*. Retrieved from: <https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation-explained/#application>

⁴European Commission. (n.d.). *The regulation explained*. Retrieved from: <https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation-explained/#application>

The OECD describes Conflict-Affected and High-Risk Areas as areas where armed conflict, widespread violence or other risks of harm to people are present. Armed conflict may be between two states, the result of civil unrest, insurgencies or any other action leading to large-scale violence. High-risk areas are considered areas of political instability or repression, institutional weakness or collapsing civil infrastructure.⁵

Under the regulation importers of minerals and metals must establish internal systems of due diligence based on OECD guidelines. They are required to:

- Indicate the source of origin of the minerals they are importing.
- Indicate the quantities imported and the location in which they were mined.
- Provide supplier contact information.
- Support these filings with documents.

Enforcement of the regulation will be the responsibility of individual member states. Authorities will examine documents and audit reports and will, if necessary, conduct on-the-spot inspections. Non-compliant entities will be ordered by a member state to take remedial action within a set timeframe and will be subject to follow-up inspections.⁶

The regulation has different requirements for upstream companies and downstream companies. As upstream companies – companies involved in the extraction, processing or refining of raw materials

– are the largest source of risk, they must meet the due diligence requirements outlined in the regulation. Downstream companies are further segregated into two groups: those that import metal-stage products and those operating beyond the metal stage. The former group must also meet the due diligence requirements of upstream companies, whereas the latter group is out of scope. Companies trading in products beyond the metal stage are still expected to use reporting tools to make their due diligence activities more transparent. Large companies of this type must disclose these policies in a public disclosure as outlined by the EU Non-Financial Reporting Directive.⁷

THE EU NON-FINANCIAL REPORTING DIRECTIVE

In June 2017, the EC added the disclosure of environmental and social information to the Non-Financial Reporting Directive. This addition included a conflict minerals section that requires public-interest companies with more than 500 employees to publicly disclose information on their business impacts to society and the environment.

In relation to conflict minerals, the directive establishes expectations for companies to report on due diligence activities to ensure the ethical mining of 3TGs from CAHRAs. These disclosures should be consistent with OECD guidelines and include information on:

- The results of these activities,
- The nature and number of risks identified.
- The measures taken to prevent and mitigate the risk.
- How the company has improved due diligence activities over time.⁸

⁵ OECD. (n.d.). *OECD Due Diligence for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas Second Edition*. Retrieved from: <https://www.oecd.org/corporate/mne/GuidanceEdition2.pdf>

⁶ European Commission. (n.d.). *The regulation explained*. Retrieved from: <https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation-explained/#application>

⁷ European Commission. (n.d.). *The regulation explained*. Retrieved from: <https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation-explained/#application>

⁸ European Commission. (2017). *Communication from the Commission Guidelines on non-financial reporting (methodology for reporting non-financial information)*. Retrieved from: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XC0705\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XC0705(01)&from=EN)

The background is a photograph of a mineral mine, showing a complex network of rock formations and veins. The image is overlaid with large, semi-transparent geometric shapes: a cyan triangle pointing downwards in the upper left, a red triangle pointing upwards in the lower right, and a grey triangle pointing downwards in the upper right. The text is rendered in a bold, sans-serif font.

PART

02

**CONFLICT
MINERAL DUE
DILIGENCE IN
PRACTICE**



CHAPTER 5/ENGAGING OUTSIDE HELP

Due to the diverse knowledge bases and tasks required when companies conduct conflict mineral compliance, standard practice in the industry has also seen firms engage outside service providers to supplement their processes. These most often include:

- 1. Legal:** To help companies determine the exact legal requirements of their compliance program, where applicable. Most large legal firms also offer services and advice related to conflict mineral due diligence.
- 2. Software:** To provide a platform for conflict mineral data collection, management and analytics to eliminate manual processes.
- 3. Accounting:** To audit the data collected and to ensure it is strong enough to properly support your conflict mineral compliance program. Most major accounting firms provide conflict mineral accounting services to help with this.

- 4. Consulting:** To develop the processes, work with and train suppliers on conflict mineral compliance. Consulting firms can also help with data collection. Assent Compliance provides a range of conflict mineral compliance and consulting services.

At the heart of conflict mineral compliance is the reality that these regulations are becoming more and more prevalent each year. This means your compliance system must be scalable and customizable so your organization can meet the growing list of responsibilities each of these regulations entail. For most organizations, the easiest way to stay ahead of these regulations is by enlisting the services of a software vendor.

A close-up portrait of Ken Manchen, a middle-aged man with short grey hair, smiling warmly. He is wearing a blue and white striped shirt. The background is dark, and there are red and blue geometric shapes in the top left corner.

CHAPTER 6/COMPLYING WITH CONFLICT MINERALS REGULATIONS

INSIGHTS FROM KEN MANCHEN, PRODUCT COMPLIANCE SPECIALIST

When the U.S. Dodd Frank (Section 1502) conflict minerals rule was proposed, our company knew it had the potential to significantly impact both our business and the electronics industry. I closely followed the proposed rule, joining an industry trade group which tracked and submitted comments on the proposed rule.

Like many other companies, we initially believed we could ignore the rule as we were not subject to U.S. SEC regulations. Our major customers quickly let us know otherwise. Since they were subject to the rule, our contracts with them relied upon our ability to provide them with the information they needed to demonstrate compliance.

**Guest
Chapter**

KEN MANCHEN, PRODUCT COMPLIANCE SPECIALIST

For the past 23 years, Ken Manchen has served as Corporate Director of Safety, Health & Environmental Affairs for a UK-based multinational electronics distribution company, where he is heavily involved in product compliance issues including conflict minerals. Ken is a Professional Engineer (PE), a Certified Hazardous Materials Manager (CHMM), and an ISSP Sustainability Associate and has worked in the hazardous materials field for over 30 years.

OUR COMPLIANCE STRATEGY

Developing a compliance plan was the first step in this process. Part of this meant deciding who would take responsibility for our compliance with Section 1502. Would it be operations, procurement, the product group that routinely collected restricted substances data, or our corporate compliance staff? We decided this unusual rule should be handled (at least initially) by the latter, our corporate compliance staff.

Once we had assigned tasks to key stakeholders, we made use of the EICC-GESI⁹ Conflict Minerals Reporting Template (CMRT), a commercially-available tool which helps companies collect conflict mineral information from their supply chains. We reached out to our suppliers and asked for completed CMRTs for the products they supplied to us, and asked them to supply updated CMRTs every six months. The initial quality of supplier CMRTs was poor, but this gradually improved over time.

Our compliance team also worked closely with our internal national accounts sales staff. Most of our national accounts customers were U.S.-based and required to comply with the conflict minerals rule. Our large volume customers informed our national accounts sales team of their compliance needs and expectations.

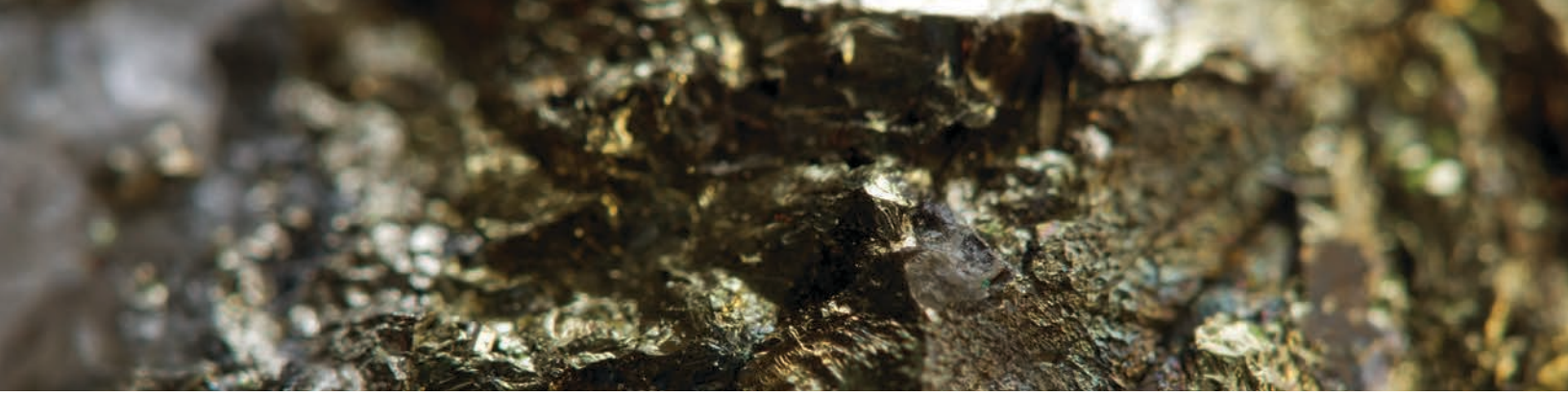
Overall, our conflict mineral program was successful because we assigned ownership of specific compliance tasks to key personnel, used industry-standard reporting tools, and worked closely with key internal stakeholders at all times. These are the kinds of practices that make a conflict mineral program sustainable and manageable in the long-term, irrespective of regulatory changes and growing public pressure for ethical sourcing.

⁹ Electronic Industry Citizenship Coalition (EICC); Global e-Sustainability Initiative (GESI)

BEST PRACTICES FOR CONFLICT MINERAL COMPLIANCE MANAGERS

During the implementation of our program, several best-practice principles became clear. Given the similarity of conflict mineral regulations around the world, these practices apply to compliance programs beyond the Dodd-Frank context, including those in the EU and elsewhere around the world.

- Adding a conflict-free requirement to your supplier code of conduct is a strong way of making ethical sourcing expectations clear to suppliers.
- Consider offering to have yourself or a staff member personally handle large volume customer compliance requests. I personally worked with over 400 large customer compliance representatives. I learned what they needed and how to effectively serve their needs. What I learned was invaluable.
- Work closely with your national accounts sales and corporate legal groups. Both are close to your major customers and their compliance needs. Specifically, national accounts members regularly attend customer supplier meetings where compliance needs are discussed, while corporate legal staff frequently review large government and customer contract clauses detailing compliance requirements. They therefore have essential information to share that will benefit your compliance program.
- Ensure sufficient resources are allocated toward obtaining compliance data for both the biggest selling products, as well as private label products if applicable (i.e. products sold under one of your company's brand names).
- Consider the use of a third-party product compliance data company to assist in the collection of more complete, reliable and up-to-date conflict minerals data from the supply chain. If you decide to go ahead with a third-party, be prepared to make an economic case for it.



WHAT IF THE U.S. CONFLICT MINERALS RULE IS REPEALED?

The existence of Section 1502 of the Dodd-Frank Act has been a conversation piece in Washington D.C. since word emerged in 2017 of President Donald Trump's desire to repeal the law. However, while two repeal bills were passed by the U.S. House of Representatives in 2018, neither was enacted. Rumors also circulated about an alleged executive order to suspend the rule, but this has not materialized.

Pamela Fierst-Walsh, Senior Advisor on Conflict Minerals at the U.S. Department of State, says corporate behavior has moved beyond one law. "It's important for companies to recognize that the conversation about conflict minerals is no longer focused on Section 1502 of the Dodd-Frank Act."¹⁰

While the rule could be modified in the future, it is unlikely to be repealed. Even if it were, major companies would continue to require their suppliers to verify the products they supply are conflict-free. There are a few reasons behind this:

1. Unethical sourcing poses a significant risk to the brand name and reputation of companies and customers alike.
2. Conflict mineral and ethical sourcing regulations are on the rise around the world. The U.S. conflict minerals rule was the first of these;

however, many others have since arrived (e.g. EU conflict mineral rule, as well as the conflict mineral considerations embedded in the California Transparency in Supply Chain Act and the UK Modern Slavery Act) or are on their way (e.g. China's proposed Cobalt and Conflict mineral sourcing initiatives).

3. Commercial pressure on companies to demonstrate the responsible sourcing of raw materials is increasing. Scrutiny of company practices by NGOs and enforcement authorities is also increasing. Those currently in scope of conflict minerals rules have already spent substantial time and financial resources on developing strong compliance programs.

Concerns over the responsible and ethical sourcing of raw materials are growing. Conflict minerals rules have been enacted in the European Union and proposed in China. Additional rules requiring companies to confirm no sourcing of materials where forced labor or human slavery occurs have been enacted in California and the UK. These concerns aren't going away.

As we experienced in the development and implementation of our own program, meeting these reporting and due diligence requirements involves complex processes. The acquisition of a compliance partner was an important step in meeting our requirements, and it was also an investment in what we rightly saw as a growing regulatory landscape.

¹⁰ Assent Compliance. (2019). Responsible Mineral Sourcing in 2019: With Contributions from the U.S. Department of State.

PART

03

**MOVING
TOWARDS
RESPONSIBLE
MINERAL
SOURCING**



CHAPTER 7/ A GLOBAL SHIFT TO RESPONSIBLE MINERAL SOURCING

FEATURING THE COBALT INSTITUTE & THE RESPONSIBLE MINERALS INITIATIVE

A GROWING DEMAND FOR RESPONSIBLE MINERAL SOURCING

Companies are facing rising pressure from consumers and external stakeholders to implement comprehensive responsible mineral sourcing programs that move beyond source of origin verification and chain of custody. This pressure reflects a global shift to responsible sourcing as the norm, and the need for

companies to ensure they have a program that addresses and mitigates a variety of human rights and environmental risks in their global supply chains related to mineral sourcing.¹¹ The demand for responsible mineral sourcing stems from long-standing human rights and environmental abuses occurring in conflict-affected and high-risk areas around the world that extend far beyond materials traceability pertaining to the 3TGs (tin, tungsten, tantalum and gold). The shift to responsible sourcing is an opportunity for companies to go further than regulatory compliance and minerals traceability, and focus their programs on reducing broad-scale human rights abuses throughout their supply chains.

¹¹ Ethical Corporation (2018). *Five key sustainability trends for 2018*. Retrieved from: <https://www.ethicalcorp.com/five-key-sustainability-trends-2018>

ARTISANAL & SMALL SCALE MINING

Human rights abuses that occur in non-permit artisanal and small-scale mines highlight an important example of the case for industry to adopt widespread responsible mineral sourcing practices. Artisanal and small-scale mining, though largely legal, is poorly regulated. It involves individuals or groups with little to no safety equipment, training, technology and machinery engaging in mining activities to obtain minerals or other substances to sell, often as a result of poor economic conditions, conflict, poverty and natural disaster.¹²

When the demand for raw materials is high, mineral sources in the DRC that have not been validated by the government tend to increase in prominence¹³ and, along with them, a variety of human rights abuses. Workers in non-permit mines are often subjected to unsafe working conditions, are not given safety equipment, lack legal mining titles, and can face severe human rights abuses by armed groups. To mitigate the risk of human rights violations and reduce their own reputational risk, companies should have a comprehensive responsible minerals sourcing program in place that ensures their minerals do not come from these artisanal and small-scale non-permit mines.

¹² Ethical Corporation (2018). *Five key sustainability trends for 2018*. Retrieved from: <https://www.ethicalcorp.com/five-key-sustainability-trends-2018>

¹³ Bloomberg. *Never Mind the Mines, In Congo, There's Cobalt Under the House*. (2018). Retrieved from: <https://www.bloomberg.com/news/features/2018-03-28/never-mind-the-mines-in-congo-there-s-cobalt-under-the-house>

THE EXPANDING SCOPE OF ORGANIZATIONS & INDUSTRY BODIES

Organizations and industry bodies have observed the shift toward responsible mineral sourcing. They recognize the impact it may have on the requirements companies face, and are adapting to help encourage its widespread adoption.

THE COBALT INSTITUTE

The Cobalt Institute (CI) is a non-profit trade association, formerly known as the Cobalt Development Institute (CDI), that promotes sustainable and responsible use of cobalt in all its forms, while acting as a knowledge center for governments, agencies, industry, media and the public. The CI is composed of producers, users, recyclers and traders of cobalt, and represents industry on cobalt-related health, safety and environmental matters.¹⁴

INSIGHTS FROM THE COBALT INSTITUTE: COMPANIES FACING NEW REQUIREMENTS

Industry as a whole should adopt more broad responsible mineral sourcing practices and encourage increased transparency about the practices they use. While most large-scale mining (LSM) companies have existing corporate social responsibility programs in place to mitigate human rights-related risk in their supply chain, their programs may need to adapt to meet evolving regulatory requirements as the focus on responsible mineral sourcing increases. Cobalt producers are facing occupational health and safety, and environmental-related risks

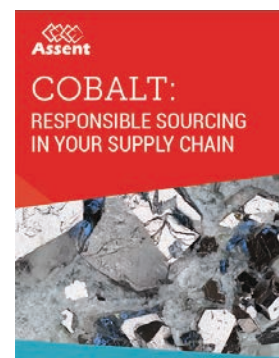
in their supply chain, which may have requirements that extend beyond the human rights initiatives they already have in place.

In response, the Cobalt Institute developed the Cobalt Industry Responsible Assessment Framework (CIRAF) to help facilitate risk management “in line with industry good practice and global standards focused on the responsible sourcing of minerals.”¹⁵ The framework will help companies respond to pressure from consumers, the cobalt market and other stakeholders to ensure responsible sourcing practices in their operations, and create a standardized approach to sustainable production.



To learn more about cobalt's rise as a mineral of concern, and what companies are doing to responsibly source it, download our eBook.

[Download](#)



¹⁴ Cobalt Institute. *About Us*. Retrieved on August 6, 2018. Retrieved from: <https://www.cobaltinstitute.org/about.html>

¹⁵ Cobalt Institute. *Introducing the Cobalt Industry Responsible Assessment Framework (CIRAF) (2017)*. Retrieved from: [https://www.cobaltinstitute.org/introducing-the-cobalt-industry-risk-assessment-framework-\(ciraf\).html](https://www.cobaltinstitute.org/introducing-the-cobalt-industry-risk-assessment-framework-(ciraf).html)

REBRANDING THE CONFLICT-FREE SOURCING INITIATIVE

The evolution of scope of several major industry organizations, such as the Electronic Industry Citizenship Coalition (EICC) and the Conflict-Free Sourcing Initiative (CFSI), goes beyond alignment with industry terminology, and instead speaks to a need to encourage and support responsible mineral sourcing globally.¹⁶ The evolving scope of these major industry organizations reflects their influence on global supply chains and the importance of corporate social responsibility (CSR) for companies.

The Responsible Minerals Initiative (RMI), formerly the Conflict-Free Sourcing Initiative, was founded in 2008 and has since become a globally utilized and respected resource for companies addressing responsible mineral-related issues in their supply chains. The RMI provides companies with the tools and resources needed to engage in responsible sourcing of minerals from conflict-affected and high-risk areas, and supports regulatory compliance.¹⁷ In 2017, the organization rebranded to the Responsible Minerals Initiative to reflect its mission to support broader responsible sourcing throughout global supply chains and align with changes occurring in industry. The rebrand reflects the global shift to responsible minerals sourcing beyond 3TGs, and addresses a broader scope of human rights abuses related to mineral sourcing that occur around the world. It also highlights the organization's direction and its ability to help companies address a broad range of mineral sourcing issues in their supply chains, and comply with various regulatory and customer requirements.

¹⁶ AIAG. *EICC, CFSI, CFSP Rebrand to Better Reflect Expanded Reach and Influence*. (2017). Retrieved from: <https://blog.aiag.org/eicc-cfsi-cfsp-rebrand-to-better-reflect-expanded-reach-and-influence>

¹⁷ Responsible Minerals Initiative. *About the Responsible Minerals Initiative*. Retrieved August 6, 2018 from: <http://www.responsiblemineralsinitiative.org/about/>

INSIGHTS FROM THE RMI: BENEFITS OF RESPONSIBLE MINERAL SOURCING

The RMI notes that there are numerous benefits for companies adjusting their programs to address broader responsible mineral sourcing issues in their global supply chains beyond complying with their regulatory requirements. One such benefit is:

REDUCED REPUTATIONAL RISK

Prioritizing responsible mineral sourcing helps companies mitigate potential reputational risk that could occur as a result of conflict and human rights issues in their supply chains. A commitment to a broad

responsible mineral sourcing program enables companies to more comprehensively identify, assess, and mitigate conflict and human rights risks in their supply chains for improved outcomes on the ground.

PREPARE FOR CHANGING REGULATORY REQUIREMENTS

Companies that go beyond tracing mineral origin in their programs ensure they can remain ahead of the regulatory landscape as it evolves. In the future, the landscape could potentially include additional geographies outside of the African Great Lakes Region, and minerals in addition to 3TGs.

THE BROADER IMPACT OF RESPONSIBLE SOURCING

Section 1502 of the Dodd-Frank Act was a catalyst for conflict mineral compliance, requiring companies to conduct due diligence to ensure they were not funding illegal armed conflict when sourcing 3TGs from the DRC and surrounding countries. Companies in scope of this law are now understanding the broader impact of sourcing responsibility, and must take steps in their programs to support the identification and mitigation of various human rights and sustainability risks in their supply chains to comply with their evolving regulatory requirements. The global shift to responsible mineral sourcing means companies may face compliance requirements under regulations they may not have previously been in scope of. For example, while Section 1502 requires companies to conduct due diligence on the origin of their 3TGs, the broader impact of responsible mineral sourcing may reveal other risks to the organization — such as supporting bribery and corruption — simply by sourcing materials at risk.

Companies should approach their due diligence with these evolving requirements in mind, but practices already used in their current programs can be leveraged to support this change. Many existing regulations,

such as the EU Conflict Minerals Regulation, will require companies to adhere to the OECD Due Diligence Guidance, a framework that looks at broader responsible sourcing requirements under Annex II, which should be leveraged to inform their programs as a minimum requirement to responsible minerals sourcing.¹⁸ It provides a basis for responsible mineral management focused on 3TGs, but will include other high-risk areas around the globe, and helps companies ensure they are addressing a variety of human rights-related risks in their operations.

THE NEXT STEP

Moving forward, companies should strive to implement a comprehensive CSR program that addresses a broad range of human rights-related risks in their supply chains. As industry makes the move to widespread adoption of responsible mineral sourcing, companies that integrate responsible sourcing practices into their everyday operations demonstrate their commitment to CSR principles; a supply chain where risks are identified, assessed and mitigated; and their ability to create positive change on a global scale.

¹⁸ OECD *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. Third edition. Retrieved from: <http://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>

PART

04

**WORKING
WITH ASSENT**



CHAPTER 8/ ASSENT'S SUPPLY CHAIN DATA MANAGEMENT SOLUTION

For conflict mineral due diligence, as with any restricted substance regulatory field, experience and innovation make the difference between a reactive, status-quo compliance company and a forward-thinking supply chain data management company like Assent.

At Assent, we have worked with Fortune 500 firms around the world to design and implement software modules that track product compliance and human rights compliance for a multitude of regulations. Our established partnerships with the Big Four accounting firms and leading law firms helps us give compliance officers and executives all the tools they need for conflict mineral compliance, as well as a transferable framework and

software platform which can be used to ensure compliance with any product compliance and/or CSR imperatives. This functionality is complemented by the Assent University Library and Classroom, which encompasses cutting-edge learning systems and industry expertise to deliver conflict mineral compliance and regulatory education for you and your supply chain. To learn more, visit assentcompliance.com/assent-university.

This combination of regulatory expertise, learning tools and an unmatched compliance platform solution are the basis of Assent's ongoing innovation in the conflict mineral compliance space. The following case study of Textron Inc demonstrates the success of Assent's compliance solution in action.



WOODWARD INC. & ASSENT

BACKGROUND

Woodward Inc. is an independent designer, manufacturer and service provider of control solutions used in aerospace and industrial markets. In 2018 it achieved revenue of over \$2 billion USD and has offices and facilities in 17 countries, employing more than 9,000 people. As a publicly-traded company in the U.S., it is also in scope of Section 1502 of the Dodd-Frank Act.

Beyond its regulatory requirements, Woodward has a corporate mission to conduct business in an ethical and responsible way, and Joe Auer, Woodward's Product Material Compliance Project Manager, is especially happy with the company's conflict minerals program, which has been empowered by the Assent Compliance Platform.

"The platform did the automatic roll-up, and we had much more confidence in all our supplier inputs through the efforts of the Supplier Engagement team," Auer said. He added that the platform has helped Woodward identify potential risks in its supply chain, and provided a vehicle for Woodward to address those risks.

"I am very happy with Assent's platform, their passion and support and how they are evolving to meet the needs of the growing regulatory space."

CASE STUDY



WHO IS ASSENT?

Assent is the global leader in supply chain data management. Combining leading-edge technologies with extensive supply chain expertise, Assent provides SaaS solutions that manage third-party data to protect corporate brands, increase market accessibility, and reduce operational and financial risk.

WHAT WE DO

Assent provides cloud-based SaaS solutions that help companies identify and assess risk in their supply chains, educate stakeholders on regulatory and data program requirements, and increase transparency between businesses. Our world-class support services and regulatory expertise ensures companies have the guidance and resources they need to ensure program success.

I didn't really start enjoying compliance until I started working with Assent.

—BILL WHEATLEY

FORMER DIRECTOR OF STRATEGIC PROJECTS

\$1.5 BILLION MARKET CAP MEDICAL DEVICE COMPANY

\$400,000–\$500,000

in annual savings

10,000–12,000

working hours saved



INDUSTRY-SPECIFIC SOLUTIONS FOR:



ELECTRONICS



OIL & GAS



RETAIL



AUTOMOTIVE



MEDICAL
DEVICES



INDUSTRIAL
EQUIPMENT



AEROSPACE
& DEFENSE

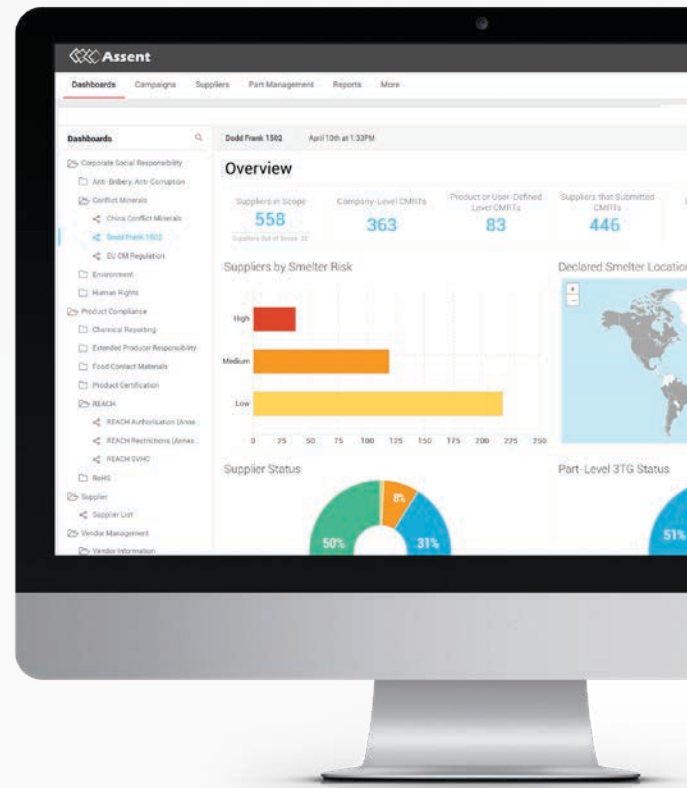
Assent Compliance Platform



The Assent Compliance Platform is the leading supply chain data management solution. It enables companies to:

- Automate data acquisition, validation and management from a centralized, workflow-driven cloud interface.
- Reallocate resources toward core business activities.
- Mitigate a broad range of risk.

Developed by a rapidly-growing team of talented product engineers, the platform is driven by leading-edge technology and guided by Assent's regulatory expertise, making the platform the essential supply chain data management solution.



REGULATORY TEAM

Assent's Regulatory team is comprised of subject matter experts with more than 100 years of combined experience in product compliance, corporate social responsibility and vendor management. Our team of experts are global leaders in their respective fields and contribute to establishing industry standards.



ASSENT UNIVERSITY

Assent University facilitates stakeholder and supplier education and training with expert-created courses. As an integral part of our comprehensive supply chain data management solution, Assent University provides informative content to support your regulatory education and due diligence requirements.

DATA & NETWORK

Assent works with a network of over 250,000 manufacturers for real-time access to supplier contact data, with a database that increases by thousands of records per day.

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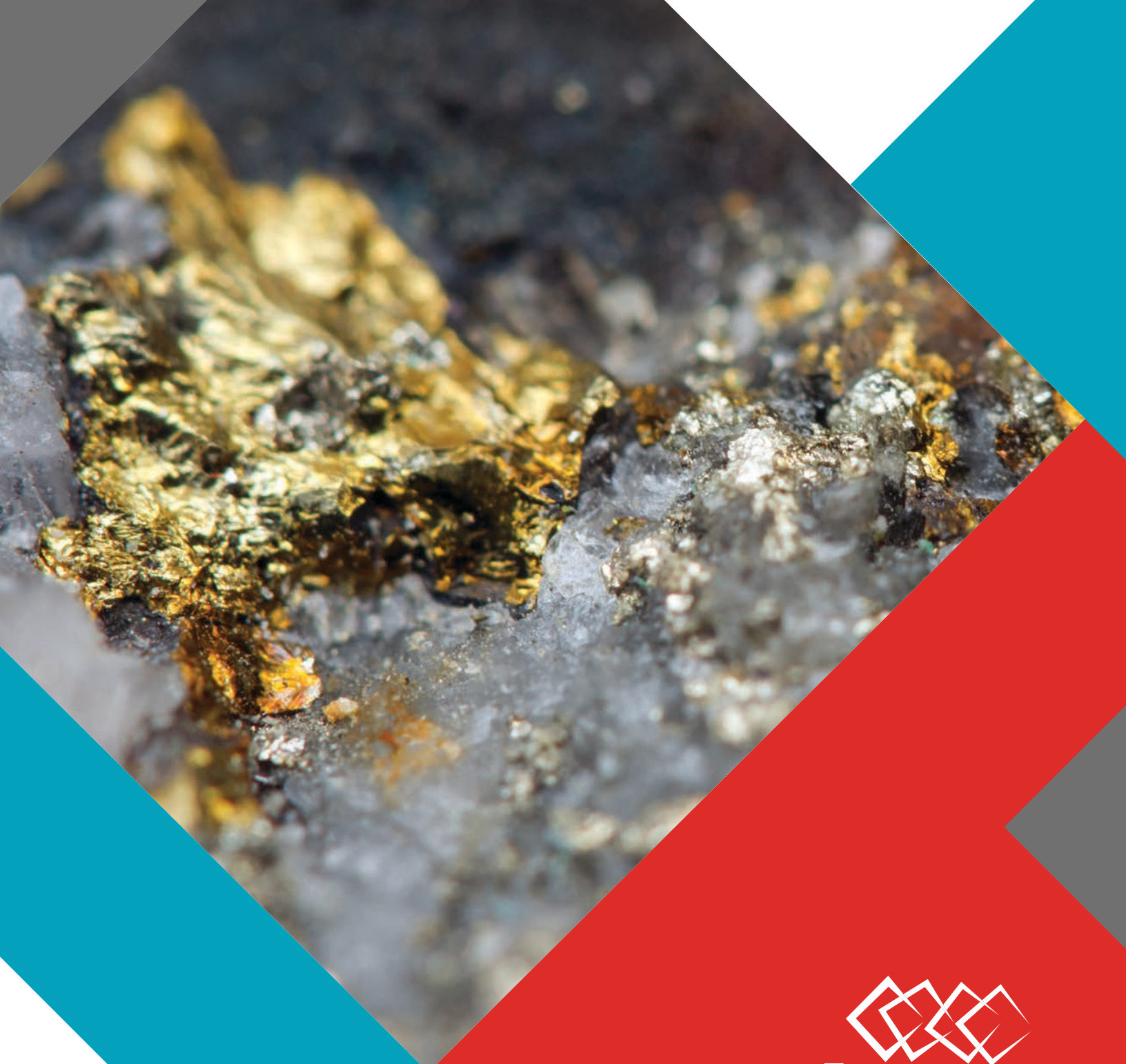
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