

Responsible Minerals Online Briefing

June 2020

Japan Electronics and Information Technology
Industries Association (JEITA)

Responsible Minerals Trade Working Group

【Notice】

This document was created by the JEITA Responsible Minerals Trade Working Group.
We endeavour to ensure that our information is as recent and accurate as possible, but please be aware that this will not always be the case.

Agenda

- **Responsible Minerals Trade - Background**
 - **New risks and new minerals**
 - **Global impact**
 - **New trends**
- **Due diligence by downstream companies**
- **Major template changes in 2020 (CMRT/CRT)**

Annex: Good Practice Guidelines on Conducting Third Party Due Diligence

● **JEITA** *(Japan Electronics and Information Technology Industries Association)*

- 385 companies and/or organizations

Our vision

Become a platform connecting the electronic equipment, electronic components and devices, and IT solutions and service industries

Our work

on conflict mineral issues

- *Work launched in 2012*
- *We encourage supply chains not to use conflict minerals that contribute to human rights violations*
- *We cooperate with related industries such as automotive OEM and related governments.*

Accelerated initiatives toward responsible mineral sourcing

Demand for supply chain transparency

4. Expanded risk and mineral scope

- Review of EU regulations (2023)
- Expansion of risk scope to ESG
- Mica trends

3. Dealing with new risks/minerals

- Conflict-Affected and High-Risk areas
- Annex II risks (OECD DD Guidance)
- Cobalt survey

2021
EU Conflict
Minerals
Regulation

2. Conflict Mineral Management

- Define guidelines
- Due diligence (DD)
- Take DD-based corrective measures

2011
OECD Due
Diligence
Guidance

1. Identify and report on smelters

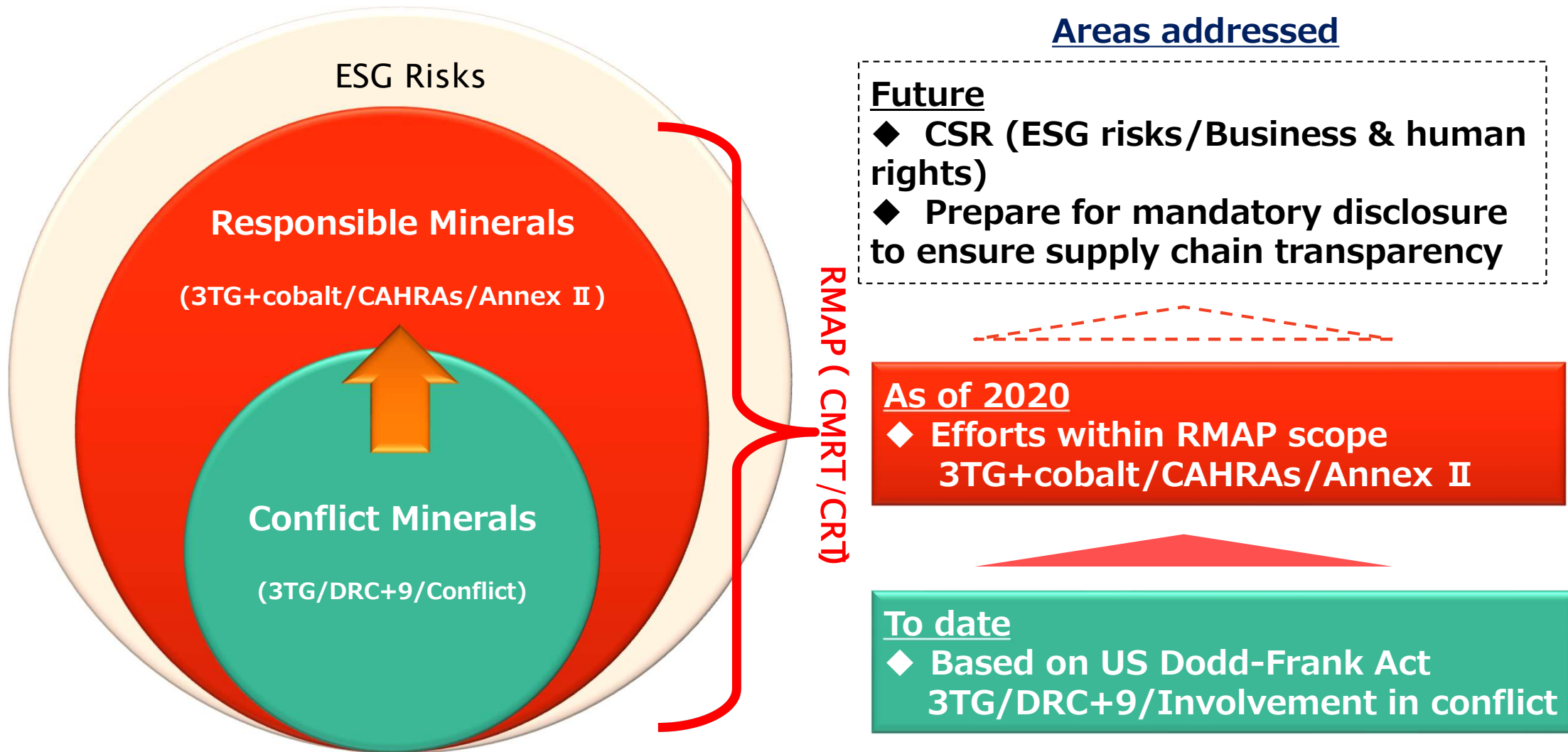
- Survey 3TG
- Report CMRT to upstream companies
- Disclose to downstream companies

2010
US Dodd-Frank
Act

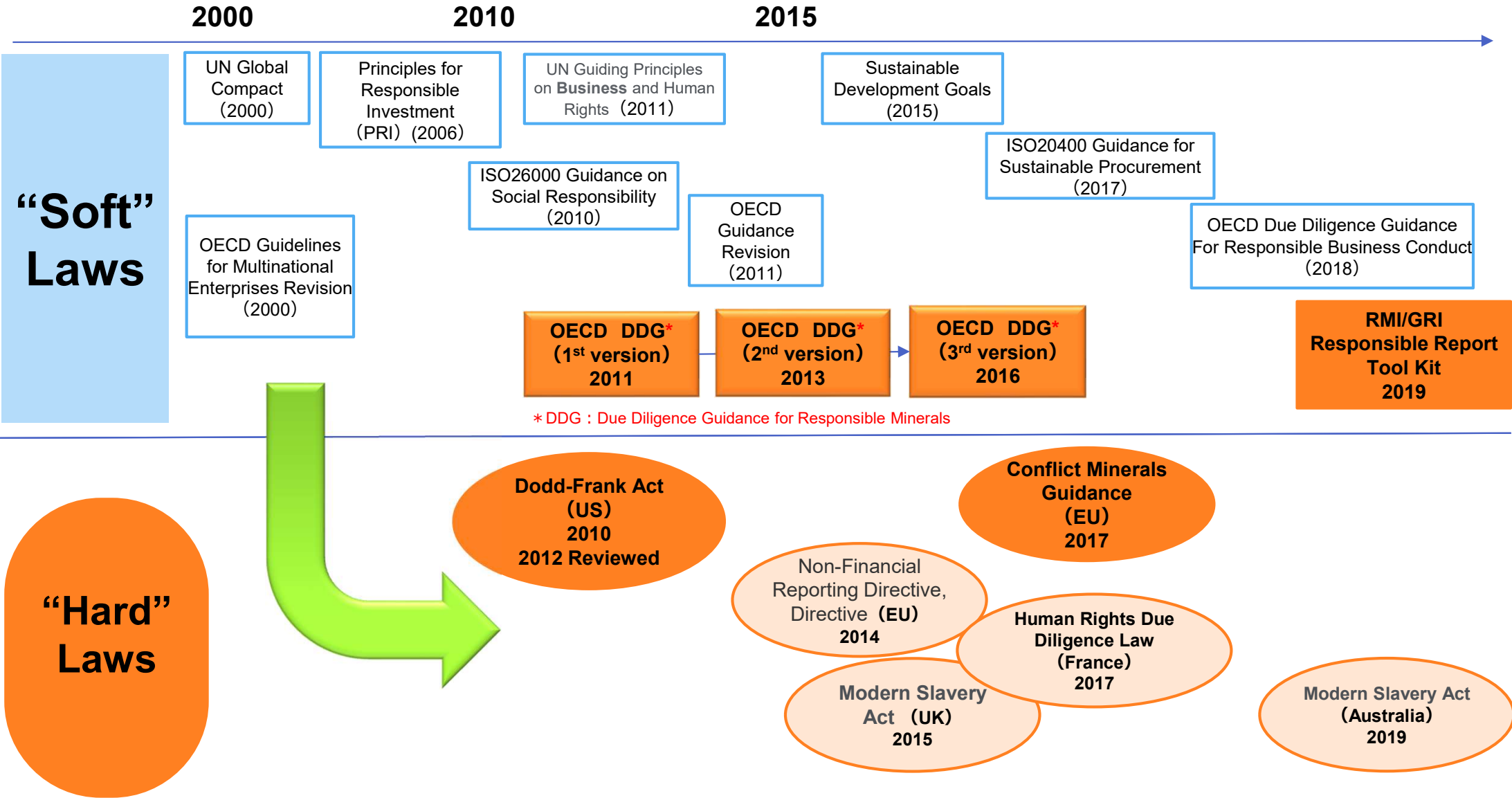
Expand scope of responsible minerals to include ESG

Responsible Mineral Sourcing

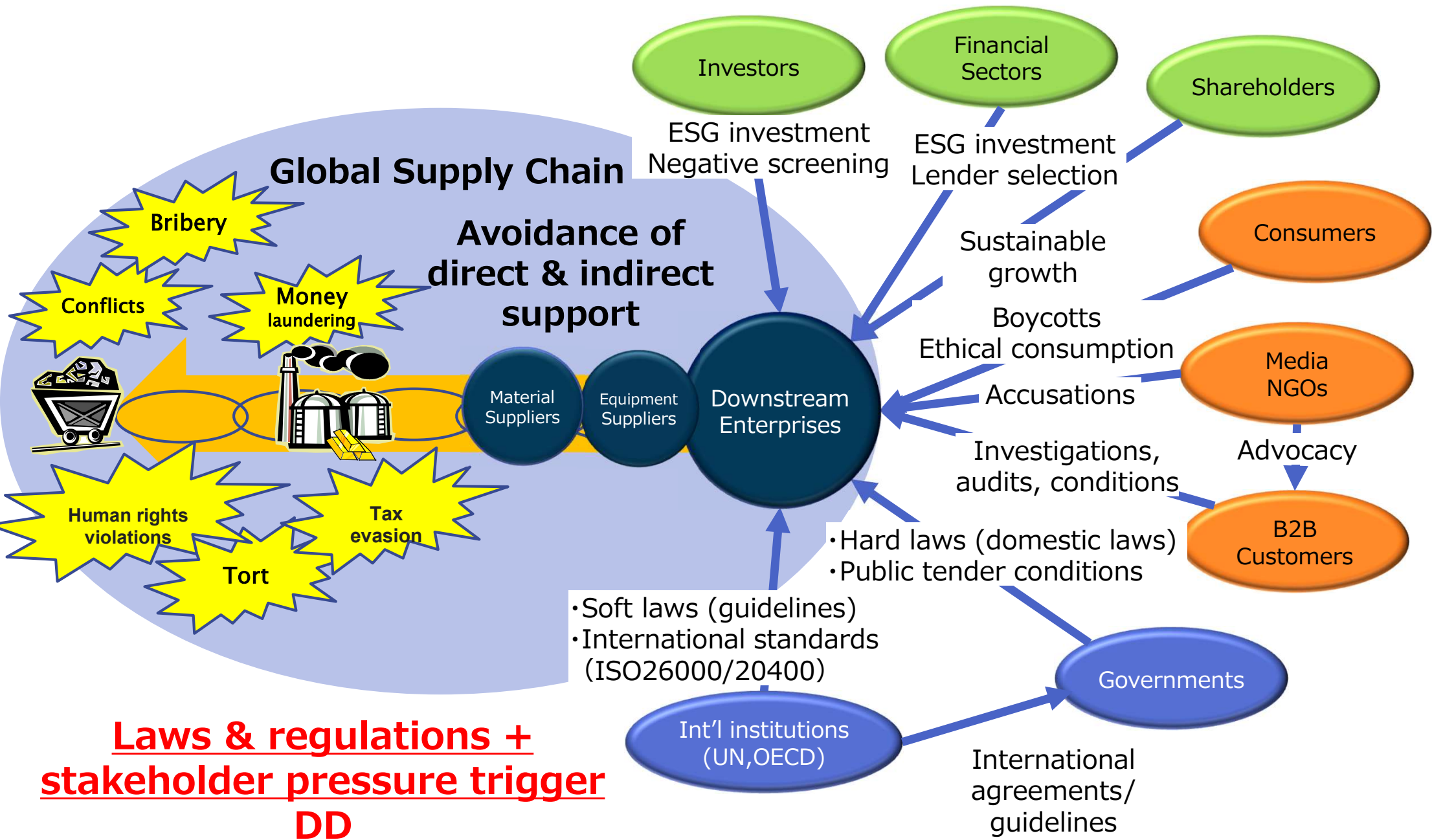
“From a CSR perspective, we do not use minerals implicated in human rights violations”



Global trends surrounding responsible mineral sourcing



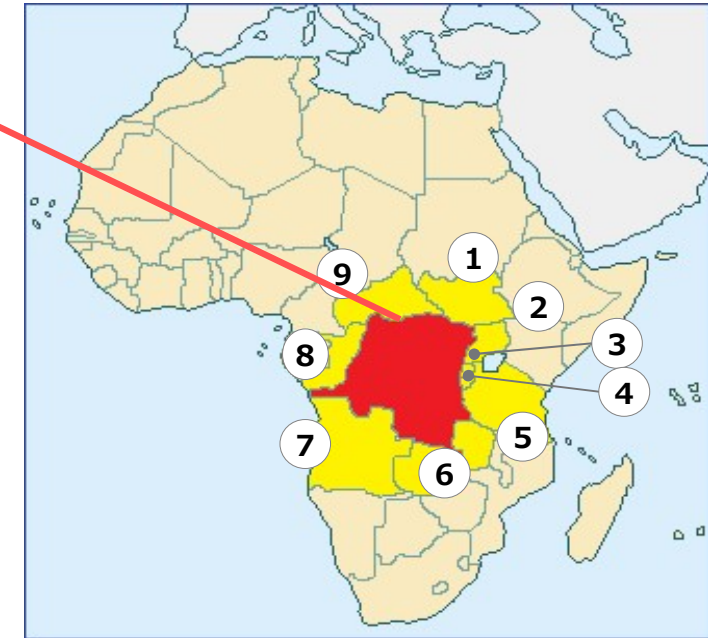
Why the call for responsible mineral procurement?



US Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)

- In the Democratic Republic of the Congo (DRC) and nine neighboring countries, the human rights violations and environmental destruction, etc. caused by armed groups funded by illegally mined mineral resources became an international problem.
- In July 2010, Article 1502 was consequently added to the US Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").
 - ① Tantalum, tin, tungsten, gold (3TG) defined as conflict minerals
 - ② US listed companies subject to the law required to investigate whether the conflict minerals used in their own products are providing that funding and disclose this the following year.
- The final implementation rules were adopted in August 2012, and conflict minerals surveys began in earnest in 2013.

- DRC
- ① South Sudan
 - ② Uganda
 - ③ Rwanda
 - ④ Burundi
 - ⑤ Tanzania
 - ⑥ Zambia
 - ⑦ Angola
 - ⑧ Congo
 - ⑨ Central Africa



- The Financial Choice Act, which includes the abolition of Article 1502, was drafted after President Trump took office but has not yet passed the Senate, leaving the US Dodd-Frank Act still in force.
- Seven years have passed since surveys started, with the required accuracy and level of responses continuing to rise.

EU Conflict Minerals Regulation (compared to US DFA)

	US Dodd-Frank Act (DFA)	EU Conflict Minerals Regulation
Effective Date	July 2010 Establishment Aug. 2012 Enforcement of SEC rules	July 2017 Establishment Jan. 2021 Fully applicable (DD responsibility)
Target	US listed manufacturers	Importers of minerals to EU * Excludes parts and product importers
Risk-	Does the mineral fund armed groups?	OECD ANNEX II based (Human rights violations, including child labor)
Minerals	Tin, tantalum, tungsten, gold	Tin, tantalum, tungsten, gold
Areas	DRC + surrounding 9 countries	Conflict-Affected and High-Risk Areas (CAHRAs)
To do	1. Search 3TG use 2. Supply chain DD 3. Submit annual report	1. Supply chain DD 2. Submit annual report 3. Ex post factor review by EU members
Prospect	DFA still VALID	2020 CAHRAs list open to public 2020 Transparency platform open to public 2020 Responsible smelter list open to public

● EU Regulation: Limited direct impact on Japanese enterprises

* Companies with their own base/local entity in the EU should check the tariff (CN) code and threshold in EU Regulation Annex I in advance.

- The release of a transparency platform for downstream companies may stimulate DD for European downstream companies
- The EU plans to review the rules in 2023. At that time,, additional minerals and making DD mandatory for downstream companies may be considered.

(Ref) EU Conflict Minerals Regulation – Target Mineral List

Part A: Minerals

Description	CN code	TARIC subdivision	Volume threshold (kg)
Tin ores and concentrates	2609 00 00		5 000
Tungsten ores and concentrates	2611 00 00		250 000
Tantalum or niobium ores and concentrates	ex 2615 90 00	10	※Article 1(4) and Article 18 apply
Gold ores and concentrate	ex 2616 90 00	10	※Article 1(4) and Article 18 apply
Gold, unwrought or in semi-manufactured forms, or in powder with a gold concentration lower than 99,5 % that has not passed the refining stage	ex 7108 ^(*)		100

Part B: Metals

Description	CN code	TARIC subdivision	Volume threshold (kg)
Tungsten oxides and hydroxides	2825 90 40		100 000
Tin oxides and hydroxides	ex 2825 90 85	10	※Article 1(4) and Article 18 apply
Tin chlorides	2827 39 10		10 000
Tungstates	2841 80 00		100 000
Tantalates	ex 2841 90 85	30	※Article 1(4) and Article 18 apply
Carbides of tungsten	2849 90 30		10 000
Carbides of tantalum	ex 2849 90 50	10	※Article 1(4) and Article 18 apply
Tantalum, unwrought including bars and rods, obtained simply by sintering; powders	8103 20 00		2 500

Part B: Metals (cont.)

Description	CN code	TARIC subdivision	Volume threshold (kg)
Gold, unwrought or in semi-manufactured forms, or in powder form with a gold concentration of 99,5 % or higher that has passed the refining stage	ex 7108 ^(*)		100
Ferrotungsten and ferro-silico-tungsten	7202 80 00		25 000
Tin, unwrought	8001		100 000
Tin bars, rods, profiles and wires	8003 00 00		1 400
Tin, other articles	8007 00		2 100
Tungsten, powders	8101 10 00		2 500
Tungsten, unwrought, including bars and rods obtained simply by sintering	8101 94 00		500
Tungsten wire	8101 96 00		250
Tungsten bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil, and other	8101 99		350
Tantalum, unwrought including bars and rods, obtained simply by sintering; powders	8103 20 00		2 500
Tantalum bars and rods, other than those obtained simply by sintering, profiles, wire, plates, sheets, strip and foil, and other	8103 90		150

※Threshold will be set within the range not less than 95% of the total import volume by April to July 2020.

^(*) ^(*) For the purpose of amending this threshold, the imported volume obtained by applying the methodology and criteria of Article 18 shall be set as the threshold for both ex 7108 tariff lines included in Annex I.

Definition in OECD DD Guidance Annex II

Conflict-affected and high-risk areas (CAHRAs) are identified by the presence or absence of armed conflict, widespread violence, or other risks that could harm people.

Armed conflict can take many forms, including international or non-international conflict. It can involve two or more countries, or it can be a war of liberation, a rebellion, or a civil war.

High-risk areas include areas with political instability, oppression, institutional shortcomings, and instability, areas where domestic infrastructure has collapsed, and areas where violence is widespread. There are widespread human rights abuses and violations of national or international law in these areas.

Definition in EU Conflict Minerals Regulation (applied to CMRT)

Areas in a state of armed conflict, fragile post-conflict areas, as well as areas witnessing weak or non-existing governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses.

- ✓ **RMI defines the minimum range of CAHRAs as “DRC+9 countries” and “EU CAHRAs”.**
- ✓ **Finally, enterprises should engage in DD with reference to the following information sources.**

- **EU non-binding guidelines which identify CAHRAs**

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018H1149>

- **RMI website information designed to help identify CAHRAs**

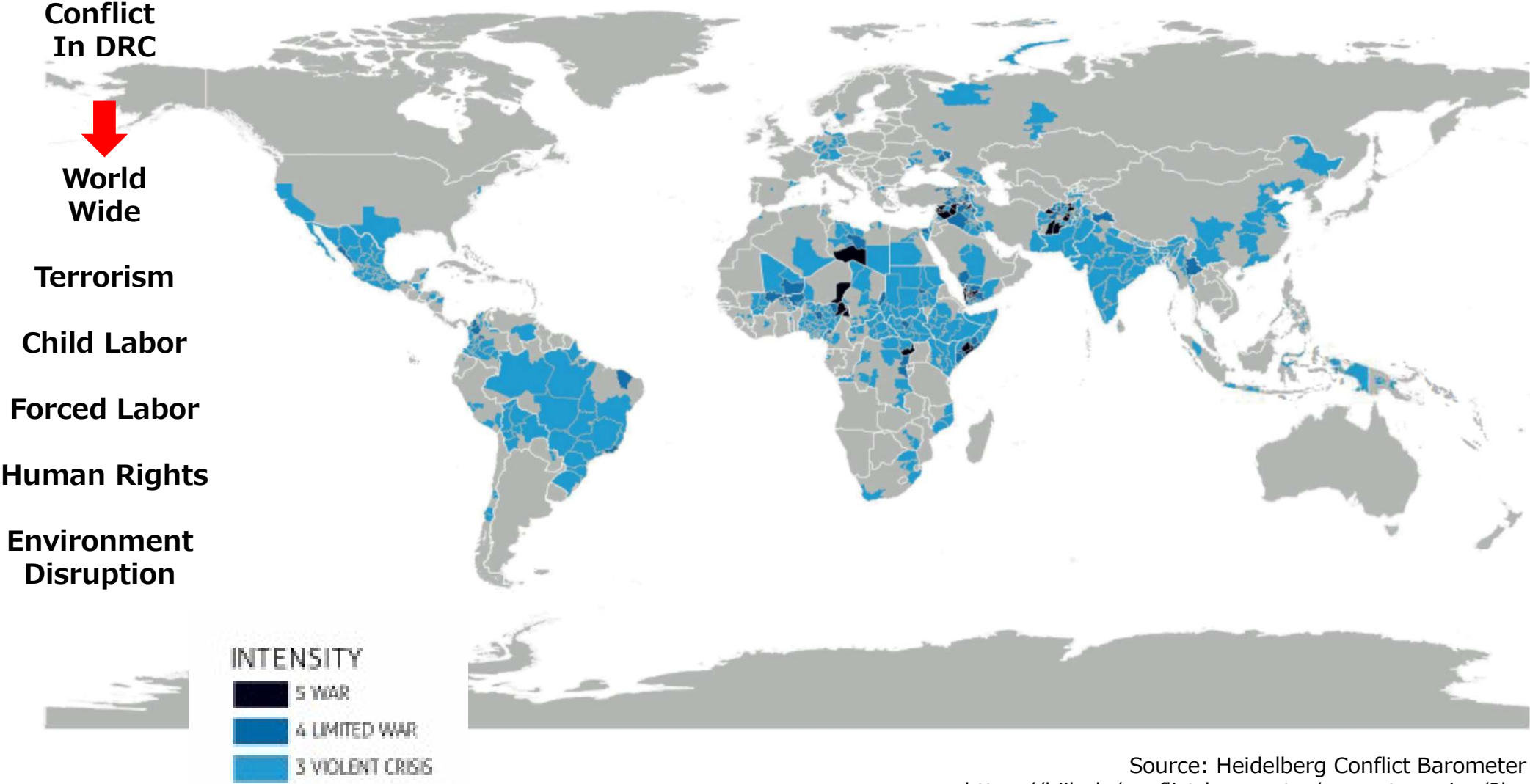
<http://www.responsiblemineralsinitiative.org/minerals-due-diligence/risk-management/conflict-affected-and-high-risk-areas/>

- **EU to publish a CAHRA list open to the public by Dec. 2020**

(Sample) High-Risk Areas

CONFLICTS IN 2019
(SUBNATIONAL LEVEL)

As of May 2020



Source: Heidelberg Conflict Barometer 2019
<https://hiik.de/conflict-barometer/current-version/?lang=en>

From “Conflict in DRC+9 Countries” to “OECD Annex II Risk in CAHRAs”

OECD DD Guidance Annex II

Model Supply Chain Policy for Responsible Global Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

1. Serious abuses associated with the extraction, transport or trade of minerals (child labor, etc.)
2. Direct or indirect support to non-state armed groups
3. Public or private security forces
4. Bribery and fraudulent representation of the origin of minerals
5. Money laundering
6. Payment of taxes, fees, and royalties due to governments

- **Name** Responsible Minerals Information System (ReMIS)
- **Target Minerals** 3 TG and others (cobalt, etc.)
- **Language** English and EU official languages
- **Registration** Voluntary
- **Content** Company type (upstream/downstream), sectors, minerals, and supply chain schemes, inclusion/exclusion from regulation scope, DD policy and implementation status
- **Target members**
Personnel and enterprises within the EU
(Each EU member country to check validity)

Japanese companies may receive more survey requests from European downstream companies wishing to disclose their DD status on the platform.

US regulations affecting RMAP

◎ **OFAC (Office of Foreign Asset Control) regulations**

- For foreign policy and security purposes, OFAC has instituted regulations banning direct and indirect transactions with countries or regions and specific individuals or groups designated by the US and frozen their assets.

- Target areas/countries:

Iran, North Korea, Syria, Cuba, Ukraine (Crimea) and multiple individuals (Sudan and Myanmar may be phased off the list)

OFAC has published the SDN list on its website.

<https://www.treasury.gov/resource-center/sanctions/sdn-list/pages/default.aspx>

OFAC regulations identified as the scope of risks that smelters should monitor under new RMAP auditing standards (applicable from January 2019)

Moves to expand audits to other materials

■ RMI: Audit program for mica processing facilities together with the Responsible Mica Initiative

Considering including environmental, social and governance (ESG) areas in auditing standards along with OECD Guidance Annex II risks. Pilot audits to take place Aug-Dec 2020.

■ OECD: Portal for Supply Chain Risk Information

<https://www.oecd.org/daf/inv/mne/oecd-portal-for-supply-chain-risk-information.htm>

- Provides risk information to support Steps 1 and 2 of the Guidance (**TBD**)
- Provides information on supply chains, national risk, and mineral risk
- **Covers 38 materials**

■ RMI & Drive Sustainability: “Material Change”

https://drivesustainability.org/wp-content/uploads/2018/07/Material-Change_VF.pdf

- Research report aimed at enabling peers and investors to discuss responsible sourcing by comparing environmental, social and governance issues in materials and producing countries.
- 37 materials: Aluminum, nickel, copper, glass, rubber, iron, lithium, mica, zinc, leather, etc.

- ✓ Interest in targeted raw materials grows along with methods of dealing with these
- ✓ Investors increasingly expect enterprises to disclose information (ESG investment)

Moves to expand targeted risks

RRA (Risk Readiness Assessment)

Voluntary self-assessment and self-reporting tool for minerals and metals producers and processors to communicate their environmental, social and governance practices and performance.

Objective: To promote a common understanding of good practices and a means to consistently assess risks and actions to manage risks in the mineral supply chain.

Materials (22 Categories)

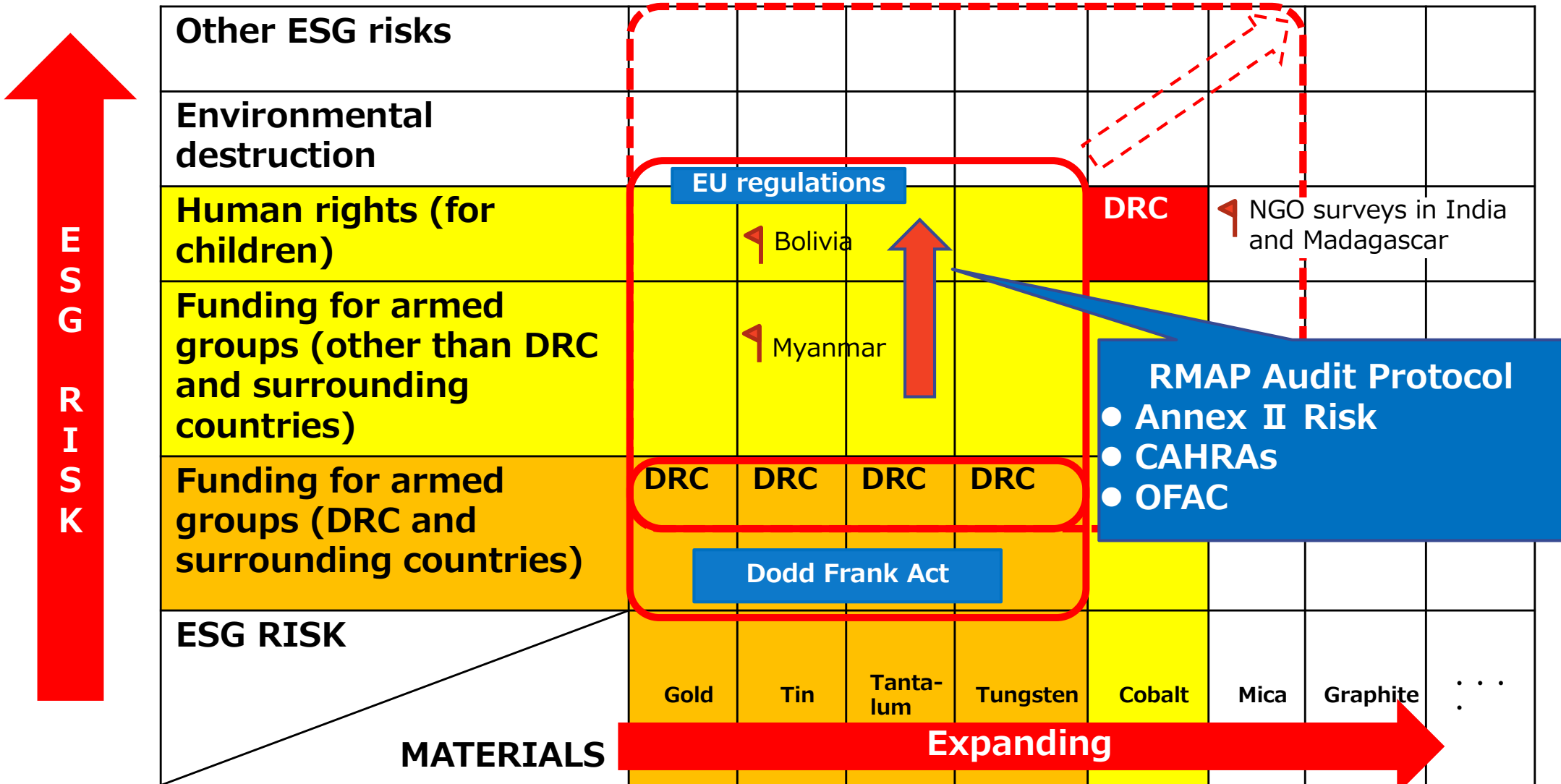
Aluminum, alumina, bauxite, cobalt, copper, gold, graphite, iron ore, lead, lithium, mica, molybdenum, nickel, palladium, platinum, rare earth elements, silver, steel, tantalum, tin, tungsten, zinc

Risk areas and Standards (32 Items)

- | | | |
|---|---|--|
| 1. Legal Compliance | 12. Occupational Health and Safety | 23. Community Health and Safety |
| 2. Business Integrity | 13. Employee Grievance Mechanism | 24. Community Development |
| 3. Stakeholder Engagement | 14. Environmental Risk Management | 25. Artisanal and Small Scale Mining |
| 4. Business Relationships | 15. Greenhouse Gas (GHG) Emissions | 26. Human Rights |
| 5. Child Labor | 16. Energy Consumption | 27. Security and Human Rights |
| 6. Forced Labor | 17. Fresh Water Management and Conservation | 28. Indigenous Peoples Rights |
| 7. Freedom of Association and Collective Bargaining | 18. Waste Management | 29. Land acquisition and resettlement |
| 8. Discrimination and Harassment | 19. Tailings Management | 30. Cultural Heritage |
| 9. Gender Equality | 20. Pollution | 31. Due Diligence in Mineral Supply Chains |
| 10. Working Hours | 21. Biodiversity and Protected Areas | 32. Transparency and Disclosure |
| 11. Remuneration | 22. Mine Closure and Reclamation | |

In future, both minerals and risks could expand even further.

Mega Trends



Minerals, areas and risks that companies need to consider in the context of responsible mineral sourcing will continue to expand

International initiatives by downstream companies

RBA (Responsible Business Alliance)

<http://www.responsiblebusiness.org/>

Promotes CSR in global supply chains

Membership comprises over 150 companies from the electric, automobile and retail industries

RBA Code of Conduct formulated and announced

Japanese members (as of April 2020)

Brother Industries, Canon, EIZO, Fujitsu, Funai Electric, Konica Minolta, Nikon, Ricoh, Seiko Epson, Senju Metals, Sony, Sumitomo Electric, Tokyo Electron, Toshiba, TDK

RMI (Responsible Minerals Initiative)

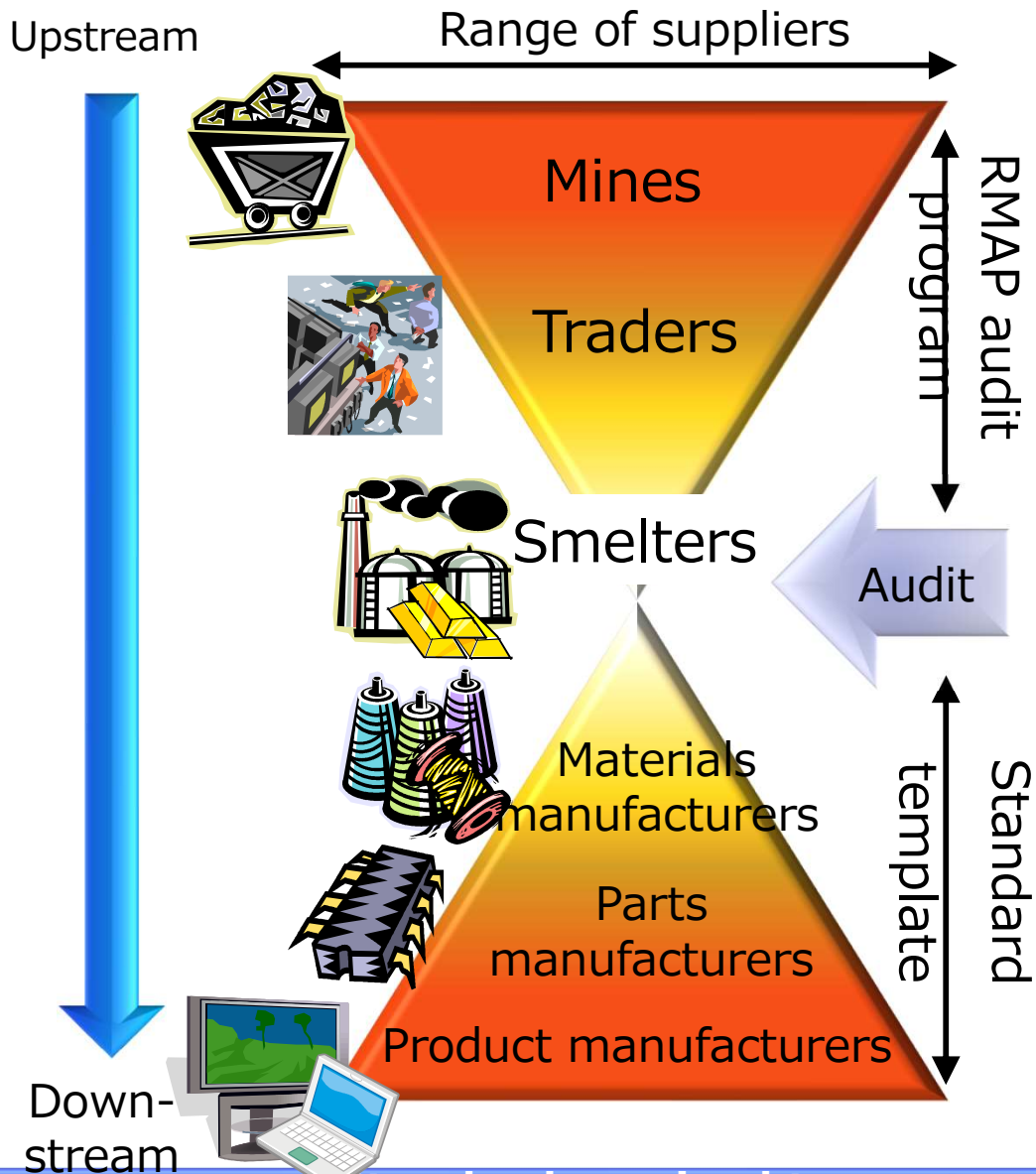
<http://www.responsiblemineralsinitiative.org/>

A sub-organization of RBA and one of the most utilized and respected resources for companies in various industries working on responsible mineral sourcing issues in their supply chains

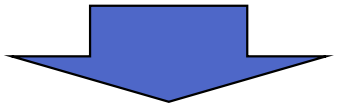
Formulates and publishes CMRT and CRT forms; formulates RMAP auditing standards

Many Japanese members; JEITA as Association Member

Responsible Minerals Assurance Process (RMAP)



- Vast cost and time for companies to audit each smelter.



RMAP Investigation

In the long supply chain hierarchy, the number of smelters is divided into two tiers to improve survey efficiency.

- From smelters upstream, smelters are audited through the RMAP program in the region to determine the origin of smelted minerals
- From smelters downstream, the CMRT is used to streamline surveys.

RMAP (Responsible Minerals Assurance Process)
 CMRT (Conflict Minerals Reporting Template)

Standards revised to ensure that the audit program covers 3TG/CAHRAs/Annex II risks

New RMAP audit protocol expands target risks

Full application of RMAP's new audit protocol from January 2019

<http://www.responsiblemineralsinitiative.org/standards-development/audit-standards/>

**“Conflict risk in DRC and neighboring countries”
→ “OECD Annex II risks in CAHRAs”**

OECD DD Guidance Annex II

Model Supply Chain Policy for Responsible Global Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

1. Serious abuses associated with the extraction, transport or trade of minerals (child labor, etc.)
2. Direct or indirect support to non-state armed groups
3. Public or private security forces
4. Bribery and fraudulent representation of the origin of minerals
5. Money laundering
6. Payment of taxes, fees, and royalties due to governments

Due Diligence

Due Diligence

⇒ **Risk Assessment (for supply chain transparency)**

⇒ **Make the supply chain transparent and confirm whether the origin of raw materials presents issues and, should such issues be found to exist, take action to redress them**

OECD Due Diligence Guideline

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

[Background]

Created to help companies respect human rights and avoid contributing to conflict through their mineral sourcing practices, including the selection of suppliers

Due Diligence Five-Step Framework

- **Step 1: Establish strong company management systems.**
- **Step 2: Identify and assess risks in the supply chain.**
- **Step 3: Design and implement a strategy to mitigate to identified risks.**
- **Step 4: Carry out independent third-party audit of key control points in the supply chain**
- **Step 5: Report annually on supply chain due diligence**

The OECD DD Five Steps

5 Steps in OECD Due Diligence Guidance	To do
Step 1: Establish strong company management systems	<ul style="list-style-type: none"> • Adopt due-diligence policies and communicate these inside and outside the company • Create a DD organization chart (clarify leaders and responsible personnel) • Strengthen cooperation with suppliers • Keep CMRT/CRT (or communication) records for at least five years • Communicate company expectations (conformance, etc.) when requesting a survey
Step 2: Identify and assess risks in the supply chain	<ul style="list-style-type: none"> • Conduct a supplier survey using CMRT/CRT • Clarify procedure for confirming the received CMRT/CRT (risk detection/identification)
Step 3: Design and implement a strategy to respond to identified risks	<ul style="list-style-type: none"> • Consider and implement measures to mitigate and reduce risk
Step 4: Carry out independent third-party audit of key control points in the supply chain	<ul style="list-style-type: none"> • Utilize RMAP audit results • Encourage smelters to participate in RMAP (implement through the industry)
Step 5: Report annually on supply chain due diligence	<ul style="list-style-type: none"> • Report voluntary DD status in CSR reports and on company website

2020 Survey Highlights

- **CMRT** Rev.5.12 (Apr. 26, 2019) ⇒ Rev.6.01* (Latest as of May 19, 2020)
⇒ Responds to revisions such as the addition of Q4 on CAHRAs; in addition to the US Dodd-Frank Act, also corresponds to EU regulations.

* Rev.6.0 initially issued on May 13, 2020 but revised immediately due to a bug

- ✓ Where the answer to Q4 on the declaration worksheet is "Yes", consideration needs to be given to ways of identifying those smelters/refiners whose country of origin are CAHRAs and what country was determined to be CAHRAs (outside of the DRC+9).
(E.g., by entering the CID number in the comment column or using the O column in the smelter list, etc.)
- ✓ The in-house aggregation method in Q4 needs to be reviewed.
- ✓ Review of answers to questions A to H (CAHRAs, responsible mineral sourcing policy, etc.)

- **CRT** Rev.1.1 (Dec. 21, 2018) ⇒ Rev.2.11* (Latest as of May 19, 2020)
⇒ Only partial changes in the wording of Question F, updates to the smelter list, and some bug fixes. No major impact.

* Rev.2.1 initially issued on May 13, 2020 but revised immediately due to a bug

Rev.6.01 features the following changes.

- In the company information in the declaration worksheet, the phone number of the person responsible for the contents of the declaration information is now optional rather than mandatory.
- “Do any of the smelters in your supply chain source the 3TG from conflict-affected and high-risk areas? Added as Question 4. (Subsequent numbers are moved down one.)
- Question A has been changed to “responsible minerals sourcing policy”.
- Only the English text of Question B of Declaration has been changed to "responsible minerals".
- Question C has been removed. (Subsequent letters are moved up one.)
- Question E becomes D and becomes "due diligence measures for responsible sourcing".
- Question I becomes H, "to SEC" has been deleted, and the options have been changed so that SEC and EU can be selected.

2020 Survey Highlights: Changes in CMRT Rev.6.01

CMRT6.0 Declaration sheet comparison table ※ <OPTION>

section	CMRT5.12	CMRT6.01	Explanation
Company Information	Telephone number of the person responsible for the contents of the declaration information (*)	Telephone number of the person responsible for the contents of the declaration information	From mandatory to optional
Q4	—	Do any of the smelters in your supply chain have 3TG origins in conflict areas and high-risk areas? (*) <Yes, No or Unknown>	Question added due to EU regulation compliance
Question A	<u>Have you finalized your conflict mineral procurement policy?</u> (*) <Yes or No>	<u>Have you established a responsible mineral procurement policy?</u> (*) <Yes or No>	Question changed due to EU regulation compliance
Question B	Can your <u>conflict</u> minerals sourcing policy be seen in your website? (*) <Yes or No>	Can your <u>responsible</u> minerals sourcing policy be seen in your website? (*) <Yes or No>	Question changed due to EU regulation compliance
Question C →abolished	Do you require your primary supplier to be DRC conflict free? (*) <Yes or No>	—	Question abolished due to EU regulations
Question H H→G	Do you implement due diligence measures for conflict-free mineral procurement? (*) <Yes or No>	Do you implement due diligence measures for <u>responsible mineral sourcing?</u> (*) <Yes or No>	Question changed due to EU regulation compliance
Question I I→H	Do you need to submit the Conflict Minerals Disclosure Information to the SEC once a year? (*) <Yes or No>	Does your company need to submit disclosure information on conflict minerals once a year? (*) <"Yes, with the SEC", "Yes, with the EU", "Yes, with the SEC and EU" or "No">	Question and options changed due to EU regulation compliance

2020 Survey Highlights: Changes in CRT2.11

Rev.1.1 (Published Dec. 21, 2018)→ Rev.2.0 (Published Oct 30, 2019)

→ **Rev.2.11*** (Published May 19, 2020; latest version)

* Rev.2.1 was initially issued on May 13, 2020 but revised immediately due to a bug.

Changes since Rev.1.1 are only the wording correction in Question F, a smelter list update, and some bug fixes.

- ✓ The bug on line 57 of Checker in CRT Rev.1.1 has been fixed.
 - ✓ You can safely ignore the following bugs that remain in the CRT Rev.2.11 version.
 - The Checker's Product List (line 56) is highlighted in red when "A. Company" is selected in the Declaration's "Declaration Range or Class".
 - When "Smelter not yet identified" is selected for Smelter List Column C:
Smelter Look-up
 - Column D: Smelter name will gray out**
 - Column E: Smelter country will remain blank**
- (According to the instructions, Columns D and E will autopopulate to say "unknown.")

Rev.2.11 can be drawn up in the same way as Rev.1.1.

The next revision is scheduled for fall 2020.

Reference: ECAP (Extended Corrective Action Plan)

What is ECAP?

Companies on the Extended Corrective Action Plan (ECAP) list on the RMI website (URL shown below) are non-conformant to RMAP standards, as determined by their recent RMAP independent third-party assessment, but have committed to address outstanding issues going forward and are working on these.

<http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/extended-corrective-action-plan/>

* While a company may be temporarily removed from the conformant list and you may be asked by a customer to remove them from your supply chain, please note that they may be subsequently restored to the list.

*Two companies were temporarily placed on this list in 2019 but subsequently restored to the conformant list.

Please check the ECAP list as well as the Conformant/Active list when checking smelters

Summary

4. Expanded risk scope
Mandatory disclosure

3. Dealing with
new risks

2. Conflict mineral
management system

1. Identify and report on
smelters

★ Future risk preparation

★ Responding to CAHRAs/
Annex II Risk/3TG+Cobalt

★ Ongoing DD improvement

★ Greater accuracy in survey
responses