



JEITA sponsored EICC/GeSI CFS Program Outreach

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Outline/Agenda

Welcome!

- US Legislation Update
- CFS Program Overview
- Question & Answer Session



US Legislation Update



U.S. Legislation: Dodd-Frank Act



- July 2010 - President Obama signs the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”).
- Section 1502 requires companies to file disclosures and reports with the U.S. Securities and Exchange Commission related to the use of tin, tantalum, tungsten and gold in their products.
- SEC published the Conflict Minerals Final Rule on August 22nd, 2012.
- The *first* compliance year is 2013 with first reports due to the SEC on due May 31, 2014



SEC 3-Step Compliance Process

1. Determine whether company is subject to the conflict minerals rule.

If applicable to the rule, then

2. Conduct “Reasonable Country of Origin Inquiry” (RCOI) and create and file Form SD (“Specialized Disclosure”)
3. If, from RCOI, conclude mineral sourced from a ‘covered country’, then exercise supply chain due diligence and file an audited ‘Conflict Minerals Report’ (CMR)





SEC Rule – CFS Differences

- Existing Stockpiles
 - SEC: Jan. 31, 2013 “outside the supply-chain”
 - CFS: April 1, 2012
 - Validated ‘Conflict Free’ source
 - Conformant to OECD DDG
 - Mine of origin not required prior to April 1, 2012
- Recycle/scrap
 - CFS refers to as ‘secondary materials’ (OECD DDG)
 - CFS program validates adherence to the definition for exclusion
- Compliance
 - SEC: reports on filers’ conflict minerals disclosure
 - CFS: validates prior year(s) smelter sourcing activities



CFS Program Overview



CFS Program Overview

- CFS Program Background
- CFS Program Specifics
- CFS Program Auditor Information
- CFS Program Cost
(including **RESOLVE** CFS Early Adopters Fund)
- Additional Information



CFS Program Background



EICC/GeSI Timeline

Year	Item
2002	GeSI commissions investigative report on coltan (tantalum)
2007	NGO initiate discussion on 'conflict minerals' with EICC/GeSI
2008	EICC/GeSI Extractives WG established
2009	EICC/GeSI hosts first conflict minerals supply-chain workshop
2010	EICC/GeSI launch Conflict Free Smelter (CFS) Program
	First CFS program smelter audit (U.S. based Ta smelter)
2011	Publish CFS program audit protocols (first Ta then W, Sn & Au)
	CFS publishes CFS compliant Ta smelter list
	EICC/GeSI launch Conflict Minerals Reporting Template
	EICC/GeSI and JEITA host Conflict Minerals Supply-Chain Seminar in Asia (Tokyo)
2012	Complete first Gold & Tin CFS program smelter audits



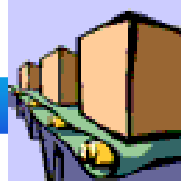
EICC and GeSI Conflict-Free Sourcing Approach



MINE



SMELTER/REFINERY



OEMS



Finished Product

In-Region Schemes

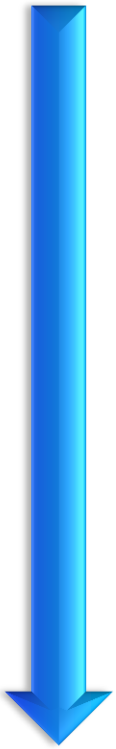
Conflict Free Smelter Program (CFS)

Company Assurance

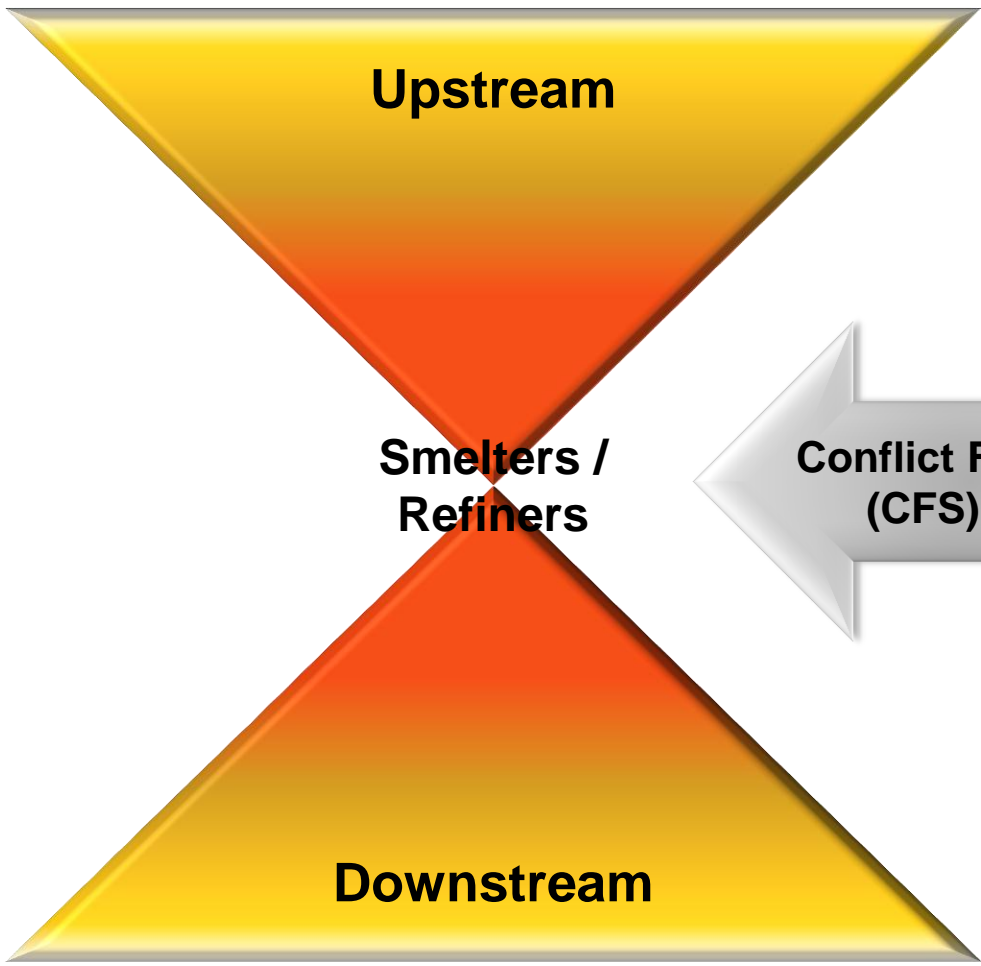


Supply Chain Focal Point – Smelters/Refiners

Raw Materials



Finished Products





CFS Audit Program

EICC and GeSI have spearheaded the development of a multi-stakeholder assessment process to determine if smelters/refiners are sourcing conflict-free minerals.

Why: Provide a mechanism that encourages responsible sourcing of tantalum, tin, tungsten, and gold (3Ts and G)

What is a smelter/refiner? - A company which converts mineral ores, concentrates or recycle/scrap material to a metal containing intermediate, purified metal or metal compound.

CFS Program is

- a voluntary initiative targeted at smelter/refiner
- a procurement validation audit conducted by an independent 3rd party
- determines whether minerals processed originated from conflict-free sources

Results: A list of smelters/refiners who are compliant with the CFS assessment protocol will be posted on the CFS website. <http://www.conflictreesmelter.org>



CFS Program Status

Milestone	Tantalum	Tungsten	Tin	Gold
Initial Protocol Release	Jan. 2011	Aug. 2011	Sept. 2011	Sept. 2011
First Smelter Audit	Sept. 2010	tbd	Jan. 2012	Feb. 2012
Initial Smelter List publically available	June 2011	tbd	tbd	May 2012
# of compliant smelters	16	tbd	3	11
# of compliant Japanese smelters	2	tbd	tbd	5
Protocol Revision	Dec. 2012 (3Ts Audit Protocol)			June 2012



CFS Program Specifics



Principles of CFS Audit

1. Conflict Minerals Policy

The Company will have a documented, effective and communicated policy for procurement of materials which explicitly avoids utilization of conflict minerals and adherence to regulations for transportation and other requirements including

- Public communication of the policy (such as posting to company website)
- Policy embedded into standard operating procedures and individuals trained
- For those companies sourcing from the DRC or nine surrounding countries, their sourcing policy will have to comply with Annex II of the OECD Due Diligence Guidance

2. Mass Balance

- The Company will have a established mechanism for tracing sold goods back to the purchased material source (aka traceability).
- Reconciliation of receipts, inventories, and sales volumes to demonstrate receipts are fully accounted for in a mass balance and do not exceed the theoretical sales amount.

3. Procurement and incoming materials documentation

All materials (including direct purchases and/or tolling) are appropriately documented to be from non-conflict sources and recycle/scrap material confirmed as such.

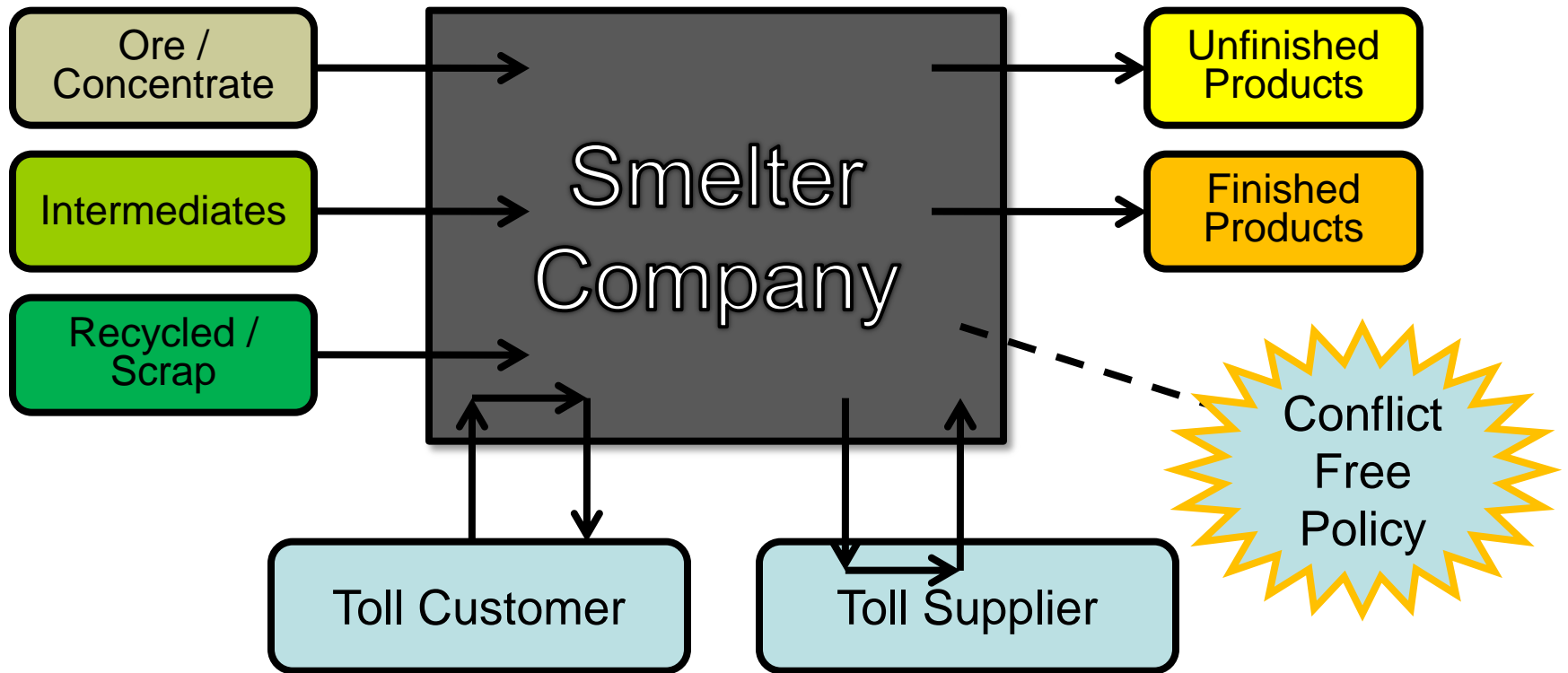
Audit is for prior year(s) procurement activities



CFS Audit: Mass Balance

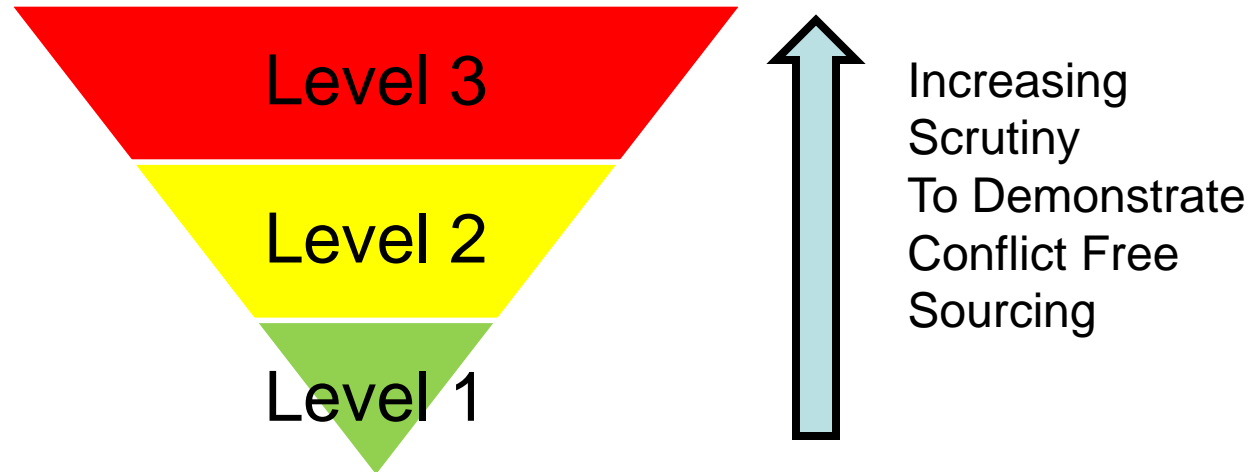
100% Company Mass Balance

- Includes all warehouses/inventory
- Includes all facilities





CFS Audit: Procurement Documentation



- Level 1: countries with known active ore production which are not identified as plausible countries for export out of region, smuggling, or transit of conflict minerals
- Level 2*: known or plausible countries for export out of region, smuggling, or transit of conflict minerals
- Level 3*: ore sources currently within conflict regions that are potentially supplying ore materials which currently include the Democratic Republic of the Congo and the nine adjoining countries

*see the audit protocol for country lists



Documentation Examples

L1	L2	L3	Examples of Acceptable Procurement Documentation
X	X	X	Government-issued country of origin certificate or copy of mine license/certificate (for domestic mines only)
X	X	X	Government issued export certificate or similar document (for imported material)
X	X	X	Bills of lading or transportation documentation
X	X	X	Sample analysis/results from supplier and/or smelter
	X	X	On-site mine visit reports conducted by the smelter or representative
	X	X	All documents that validate chain of custody from mine to smelter
	X	X	Government issued operating license/certificate for industrial operations or registered cooperatives.
		X	Demonstrated sourcing from an OECD conformant process

Review the Audit Standards and Instruction Documents

<http://www.conflictreesmelter.org/CFSAuditStandardandInstructionDocuments.htm>



CFS Audit Process Overview

order



	Pre-audit (7-14 days)	On-site audit (15-45 days)	Post-audit (max. 90 days)
Audit Steps	complete NDA & auditee agreement	Opening meeting with management	ARC Review
	complete pre-audit checklist	Facility tour	Compliance determination
	audit quote provided to smelter	CM Policy Review	<u>As applicable:</u> <ul style="list-style-type: none"> • Continuous Improvement Plan • Re-audit • ARC review • Compliance determination
	create Line Item Summary (LIS)	LIS summary review	
		Employee interviews	
		L1/2/3 document review	
		Audit report creation	
		Closing meeting with management	

Additional details available in the “Introduction to the CFS Program” training document at <http://www.conflictfreesmelter.org/CFSAuditStandardandInstructionDocuments.htm>



Audit Preparation Suggestions

- Review CFS informational documents prior to on-site audit
 - “Introduction to the CFS Program” (available in Japanese)
 - Audit Standards and Instructions Document
 - Gold Audit Protocol
 - 3Ts Audit Protocol (merged Ta, Sn & W protocols into one document)
 - Available at the CFS Program website – see link ‘Audit Protocol and Training Documents’
<http://www.conflictreesmelter.org/CFSAuditStandardandInstructionDocuments.htm>
- Prepare for the on-site audit before the auditors arrive
 - Similar to ISO audit
 - Share CFS program information and process with site personnel
 - Ensure personnel are available and supportive
 - Organize evidence prior to auditor arrival



CFS Program Auditor Information




CFS Auditor Information

- Qualified CFS auditor firms
 - Liz Mueller, Inc.: <http://www.lizmuller.com/>
 - UL-STR: <http://www.strquality.com/en-us/responsible-sourcing/Pages/default.aspx>
 - SGS: www.sgs.com
- Background and Details
 - Follow ISO19011 standards
 - Conduct audit expectations in accordance to OECD
 - Global company with regionally based staff
 - CFS program selects auditors for the smelter based on cost and availability



CFS Program Cost



CFS Audit

Cost Information

Because smelter benefit from their participation in the CFS program due to the resultant company marketing information, smelters pay the audit costs to participate.

- CFS Program costs:
 - Typical program costs are \$5,000-10,000 USD
 - Cost covers 3rd party auditor and EICC/GeSI admin costs
 - EICC/GeSI nor its member companies financially benefit from the CFS program.
 - Audit costs are directly related to the amount of time the auditor needs to complete the validation.
 - Properly preparing for the audit before the auditors arrive on-site is the best way to minimize audit costs.
- Audit Frequency:
 - Annual on-site validation currently required
 - Annual re-audit is needed to maintain CFS listing



RESOLVE

CFS Early Adopters Fund

<http://solutions-network.org/site-cfs/>



CFS Early Adopters Fund

- Goal: support responsible minerals sourcing and “conflict-free” compliance by encouraging smelters to participate in the CFS Program
- Concept: Smelters found CFS compliant are eligible for an incentive to offset the audit costs
- Incentive: refund for up to one half of the audit cost to a maximum of \$5,000USD
- Who:
 - Support provided by Intel, HP, and the GE Foundation
 - Resolve is the Fund program administrator
 - CFS program is not associated with the Fund



CFS Early Adopters Fund (cont.)

7-step Process (see <http://solutions-network.org/site-cfs/how-to-apply/>)

1. Pass the CFS compliance audit
2. Request an application from RESOLVE
3. RESOLVE sends the application
4. Smelter completes and returns the application to RESOLVE
5. RESOLVE reviews application
6. RESOLVE notifies smelter of application results
7. RESOLVE distributes funds to the smelter

Complete details at <http://solutions-network.org/site-cfs/>

FAQ at <http://solutions-network.org/site-cfs/faq/>

Further questions, please contact payments@resolv.org



Additional Information



Additional Information

- CFS Program website:
<http://www.conflictreesmelter.org>
- Additional details available for smelters in the “Introduction to the CFS Program” training document at
<http://www.conflictreesmelter.org/CFSAuditStandardandInstructionDocuments.htm>
- Review the Audit Standards and Instruction Documents (Gold protocol; 3Ts protocol)
<http://www.conflictreesmelter.org/CFSAuditStandardandInstructionDocuments.htm>



Conclusion

- **Smelters/refiners should participate in the CFS program NOW.**
- **Ready to participate? Send email to info@conflictreesmelter.org**
- **Thank You for attending.**
- **Questions?**