

AIAG Conflict Minerals Work Group Activities from December 2010 to August 2012

Executive Summary

- In July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law.
- The new requirements are intended to eliminate an important stream of funding for armed conflict in the DRC.
- These requirements will apply to a broad range of manufacturing companies.
- The SEC finalized the rules for complying with Conflict Minerals on August 22, 2012.
- The AIAG Conflict Minerals Work Group (CMWG) was formed in Q4 of 2010 to understand the impact of Conflict Minerals to the automotive industry and address due diligence activities. The CMWG has met bi-weekly for the last 18 months.

Background

Section 1502 of the Dodd-Frank law requires the SEC to impose reporting requirements on manufacturers if their products contain metals derived from minerals defined as “Conflict Minerals,” which currently include Cassiterite (the metal ore from which Tin is extracted), Columbite-tantalite (which is the metal ore from which Tantalum is extracted), Wolframite (which is the metal ore used to produce Tungsten), and Gold. Other minerals may be added at the discretion of the Secretary of State. The CMWG led by OEMs and Tier-one suppliers has taken a number of actions to address the requirements. Based on the requirements in the SEC rules, the automotive industry supports the OECD Due Diligence framework, the Conflict Free Smelter Program, and the EICC/GeSI Reporting Template which provides a process for executing the due diligence activities that are required by the final rule. AIAG has led the development of a web-based tool that complements the EICC-GeSI Template and enables supply chain participants to aggregate and roll up their Conflict Minerals information through the chain without compromising confidentiality.

Timeline





AIAG Conflict Minerals Work Group (CMWG) Activities

Since its formation, the CMWG has diligently monitored both the legislative and cross-industry developments regarding Conflict Minerals. In addition to participating in the SEC Conflict Minerals Panel in April 2011, the team has actively engaged with industries such as Electronics, Aerospace, Jewelry, and many others to maximize collaboration with those who are working to address the same issue. Some of the meetings, events and seminars attended by the CMWG members are as follows:

- OECD (Bi-annual meetings, Interim Governance Committee, Surveys)
- EICC/GeSI (Extractives Due Diligence Workgroup and Communication Workgroups, Bi-annual Workshops)
- Conflict Smelter Program (Audit Review Committee membership and pre-audit smelter visits)
- Public Private Alliance (Governance and Communication Committees)

In April 2011, a joint letter was issued by six OEMs and AIAG asking the industry members to begin assessing their products for one or more of the identified conflict minerals. Second, companies were asked to review the impacted products/parts/assemblies for action. Third, companies were asked to engage their suppliers to begin to identify the smelters used in the supply chain to process the Conflict Minerals. This letter was also cascaded by select tier-one members of the CMWG to their suppliers.

In conjunction with the Electronics industry, the AIAG CMWG has also collaborated on the EICC/GeSI Reporting Template which was developed to facilitate the exchange of data related to due diligence and smelter information between companies in the supply chain. Additionally, AIAG has contracted with iPoint to develop the iPCMP system, which is a web-based tool (database with reporting mechanism) designed to manage data from the EICC/GeSI Template for the automotive industry and others as well. More demonstrations and information about the iPCMP tool will be available in Q3 2012. This tool was developed by iPoint along with select members of the OEM and Tier-one supplier communities. The CMWG has formed a Governance Committee and system documentation sub groups to address the details of managing this solution for all industries.

Frequently Asked Questions

- What is the status of the final SEC rule?
 - A proposed rule was issued in December 2010. The final rule which has been delayed several times was finalized on August 22, 2012. The final rule states that every company with an SEC filing obligation will be required to file the new Form SD with the SEC by May 31, 2014 for the January 1, 2013 to December 31, 2013 calendar year. Subsequent filing is required by every May 31.
- If my company does not file or register with the SEC, do I need to worry about Conflict Minerals?
 - While you may not be required to report to the SEC, your customers, or your customers' customers may have reporting obligations. Those entities may require you to conduct similar inquiries and due diligence activities for purposes of their own conflict minerals obligations.
- What does the form SD require?
 - Form SD requires that the issuer conduct a "reasonable country of origin" inquiry to determine the source of the Conflict Minerals in its products. The issuer is required to disclose those findings of the inquiry in the Form SD.
 - Based on the outcome of the inquiry, a company may be required to attach a Conflict Minerals report as an exhibit to the Form SD.

- What are the elements of a Conflict Minerals Report?
 - A description of any of its products containing conflict minerals that are not DRC conflict free
 - The facilities used to process those conflict minerals
 - The country of origin of the conflict minerals
 - A description of the due diligence standard that the company used in making the above determinations
 - The report must be accompanied by an independent private sector audit, and must be available on the company's website
- Will IMDS be used to collect this data from the supply chain?
 - IMDS is not equipped to manage country of origin information. IMDS was designed to manage the chemical composition of products up and down the supply chain regardless of chemical, material, or component country of origin.
 - The IMDS Steering Committee has deemed Conflict Minerals to be out of scope for the system.
 - In many companies, the department / person responsible for managing and/or executing the IMDS process is not equipped to provide country of origin data for the chemicals they are reporting.
- Should companies avoid minerals from the DRC all together?
 - The aim of section 1502 was to stem the human suffering resulting from the years-long conflict in and around the DRC. A *de facto* embargo would have the unintended consequences of damaging an important industry and source of income in the DRC.
- When would the first report to the SEC be due?
 - On or before May 31, 2014 for all reporting companies, regardless of fiscal year.



Definitions from the EICC/GeSI Reporting Template

Adjoining Country

A country that shares an internationally recognized boarder with the Democratic Republic of Congo is considered an “adjoining country”.

CFS Compliant Smelter List

Conflict-Free Smelter Program Compliant Smelter List is a list of smelters which have been independently audited and determined to be compliant to a CFS protocol. The list and protocols can be found here: (<http://www.conflictreesmelter.org/>)

CFS Program

The Conflict-Free Smelter (CFS) Program is a program developed by EICC and GeSI to enhance company capability to verify the responsible sourcing of metals. Further details of the CFS Program can be found here: (<http://www.conflictreesmelter.org/>)

Conflict Mineral

As defined in 2010 United States legislation, Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502(e)(4):

CONFLICT MINERAL.—The term “conflict mineral” means—

(A) columbite-tantalite (coltan), cassiterite, gold, wolframite, or the derivatives Tin, Tantalum, Tungsten or Gold; or

(B) any other mineral or its derivatives determined by the Secretary of State to be financing conflict in the Democratic Republic of the Congo or an adjoining country.

(Available at <http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf>)

Declaration Scope

For purposes of this template, the Scope describes the applicability of the information provided by the reporting company. The scope may encompass the entirety of a company’s services and/or products, or at a company’s discretion, the template may be used to address the company’s specific Division, Category of Products, or Product(s).

Division

A division is a defined unit of a business which performs a specific service or produces a specific category of products.

Dodd-Frank

2010 United States legislation, Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502 (“Dodd-Frank”) (<http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf>)

DRC

Democratic Republic of Congo

DRC Conflict-Free

Is defined to mean the products that do not contain minerals that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country. Source: 2010 United States legislation, Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502 (<http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf>)

EICC

Electronics Industry Citizenship Coalition (www.eicc.info)

GeSI

Global e-Sustainability Initiative (www.gesi.org)

Gold Smelter

A gold refiner is a metallurgical operation that produces fine gold with a concentration of 99.5% or higher from gold and gold-bearing materials with lower concentrations.

OECD

Organization for Economic Co-operation and Development (www.oecd.org)

Product

A company’s Product or Finished good is a material or item which has completed the final stage of manufacturing and/or processing and is available for distribution or sale to customers.

Product Category

A group of products which can be described by an industry recognized generic term (ex. capacitors).



Recycled and Scrap Materials

Conflict Minerals are considered "recycled" that are reclaimed end-user or post-consumer products, but not considered "recycled" are minerals that are partially processed, or a byproduct from another ore. Source: SEC Proposed Rules (<http://www.sec.gov/rules/proposed/2010/34-63547.pdf>)

SEC

United States Securities and Exchange Commission (www.sec.gov)

Smelter

A smelter is a company that procures and processes mineral ore, slag and / or recycled materials and scrap into refined metal or metal containing intermediate products. The output can be pure (99.5% or greater) metals, powders, ingots, bars, grains, oxides or salts.

Tantalum Smelter

A tantalum smelter is a company which converts tantalum (Ta) containing ores, slags, powder or scrap into Ta containing products (such as Ta powders, Ta components, Ta oxides, alloys, wires, sintered bar or similar final products) or intermediate products (such as KTaF₆ (also known as KSalt), Ta hydroxides and Ta unrefined powders, synthetic ores and other Ta digestion materials).

Tin Smelter

A tin smelter is referred to as companies treating tin containing ore concentrates in order to produce crude or fully refined tin (≥99.85% pure). Secondary smelters are companies which treat secondary materials for the production of crude or fully refined tin. Refiners are companies that treat crude tin or suitable secondary materials to produce fully refined tin. Tin smelters may be one of, or a combination of the above.

Tungsten Smelter

A tungsten (W) refiner is defined as a company converting W ore (wolframite and scheelite), W concentrates, or W-bearing secondary material for conversion to tungsten containing intermediates such as Ammonium Para-Tungstate (APT), Ammonium Meta-Tungstate (AMT), ferrotungsten, and tungsten oxides. APT production is the typical identifying capability of a tungsten smelter.