

# Conflict Minerals Final SEC Regulations Summary

## Does this apply to me?

The bottom line is that if you manufacture products that have any of the 4 minerals (tin, gold, tantalum, tungsten) in them, and you are a publicly traded company, you have actions as a result of the Conflict Minerals section of the Dodd-Frank Act. These actions range from completion of new form SD to due diligence and completion of an audited Conflict Minerals Report.

Of course, like RoHS and REACH and any number of other regulations, you may not be subject to the regulations specifically, but you will be involved in supply chain actions. Your customers will want information about the conflict minerals status of the parts they buy, you'll probably be involved in someone's due diligence, you may be required to identify DRC Conflict Mineral parts, and other supply chain considerations.

## Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act ([Here](#)) includes Section 1502 Conflict Minerals. This section requires changes to the Securities Exchange Act of 1934 ([Here](#)) to include requirements for disclosures relating to conflict minerals originating in the Democratic Republic of the Congo (DRC). Sales of these Conflict Minerals originating in the DRC and adjoining countries have helped fund conflicts contributing to an emergency humanitarian situation. Identifying these minerals and their source will help de-fund the armed groups creating the humanitarian emergency in the DRC.

The SEC released [Final Rules](#) for implementing the act. There have been several changes in the final rules from the proposed rules.

## Final Rules

Below are highlights from the final rules to implement the Conflict Minerals section.

The rules apply to Issuers:

- That file reports with the SEC (Publicly traded companies).
  - There is no exception for company size.
- Use conflict minerals
  - Conflict minerals include Cassiterite (tin, tin alloy, solder), Columbite-Tantalite (Tantalum), Gold, Woframite (Tungsten)
  - Regardless of where these minerals originate, if the issuer uses them, the rules apply.
- Necessary to the functionality or production of a product manufactured
  - This provision applies if the minerals are included as part of the product. This is a change to the proposed rules. From the Final Rules document "...we are persuaded that only a conflict mineral that is contained in the product should be considered "necessary to the functionality or production" of that product". This applies to a mineral that is intentionally added, rather than a naturally-occurring by-product of the minerals.
  - There is no de minimis exception. Any amount in a product counts.

- This does not apply to prototypes and other demonstration devices containing or produced using conflict minerals.
- Or contracted to be manufactured.
  - The issuer has influence of the product's manufacturing materials, parts, ingredients, or components.
  - Instances not viewed as contracted to be manufactured
    - Contractual terms with the manufacturer that don't directly relate to the manufacturing of the product.
    - Adding a brand, mark, logo, or label to a generic product
    - Servicing, maintaining, or repairing a product made by a third party

If any of the above situations apply to you, you must conduct a reasonable country of origin inquiry performed in good faith and designed to determine if any of the minerals are from a covered country or scrap or recycled sources.

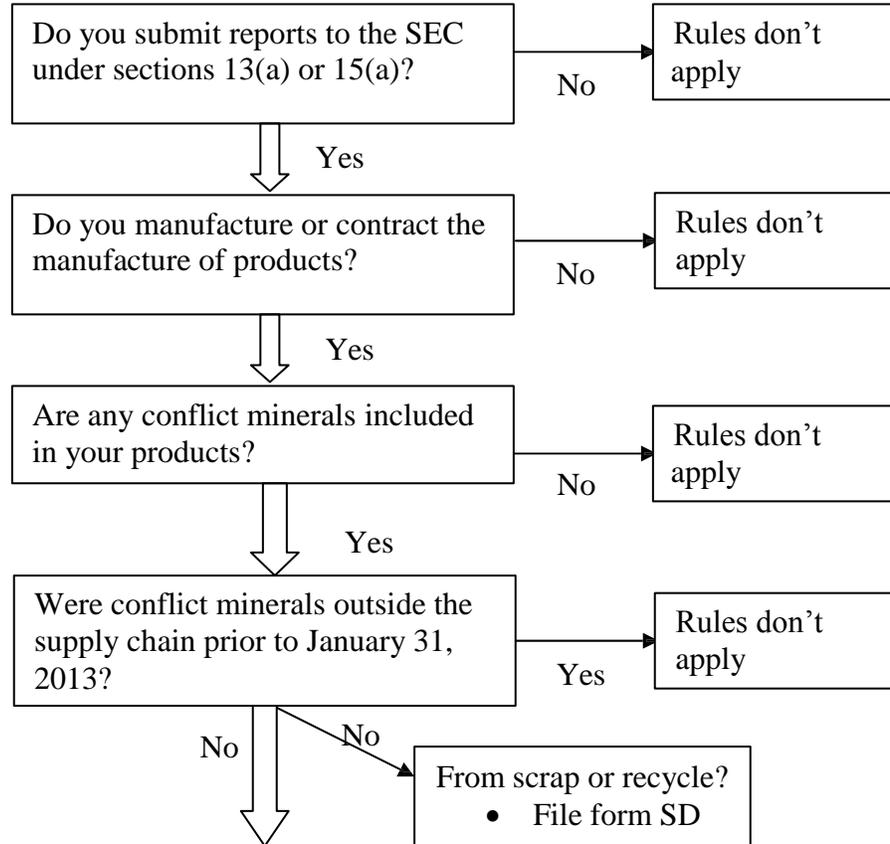
Determining whether conflict minerals originate in the DRC

- If the country of origin inquiry determines either of the following is true
  - The company knows that the minerals did not originate in the covered countries or are from scrap or recycled sources
  - The company has no reason to believe the minerals may have originated in the covered countries or may not be from scrap or recycled sourced...then the company must complete the new disclosure Form SD
  - Make its description publically available on its website
  - Provide the URL of that site on the Form SD
- If the country of origin inquiry determines both of the following are true
  - The company knows or has reason to believe that the minerals may have originated in the covered countries
  - The company knows or has reason to believe that the minerals may not be from scrap or recycled sources...then the company must undertake due diligence on the source and chain of custody and file a Conflict Minerals Report as an exhibit to Form SD making both available on the company website.
- Due Diligence
  - The due diligence must follow a nationally or internationally recognized due diligence framework. The Organization for Economic Co-operation and Development ("OECD") have a due diligence guideline that would be acceptable. (["Due Diligence Guideline for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas"](#))
  - The Due Diligence must be audited by an independent private sector auditor.
  - Audit standards are to be established by the GAO ([Here](#))
- Conflict Minerals Report
  - Description of the measures taken to exercise due diligence on the source and chain of custody – This would include a description of the due diligence including whether they used any recognized standards or guidance.
  - Include a certified independent private sector audit of the report

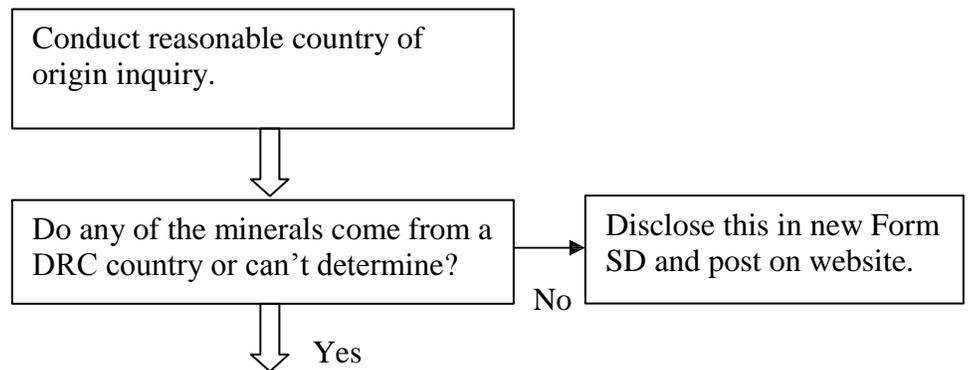
- Describe the products manufactured containing conflict minerals that are not DRC conflict free.
- The facilities used to process the conflict minerals
- The country of origin of the minerals
- The efforts to determine the mine or location of origin
  
- Conflict Undeterminable – If, after the country of origin inquiry and the due diligence, a company is unable to determine whether the minerals originated in the DRC, they may be considered “DRC conflict undeterminable”
  - Only available for a 2 year period for large companies and a 4 year period for small companies.
  - Still requires a conflict minerals report.
  - For products that are DRC Conflict undeterminable, there is no requirement for a Conflict Minerals Report audit.
  
- Outside the supply chain – Minerals that are outside the supply chain prior to January 31, 2013 are excluded.
  
- Scrap or Recycled sources
  - If minerals are obtained from scrap or recycled sources, these are considered to be DRC Conflict Free.
  - File Form SD
  
- Reporting Period
  - Based on the calendar year
  - Annually prior to May 31 for the previous calendar year
  - First report is due prior to May 31, 2014 for the calendar year 2013

There is a three step process to help identify what level of involvement a company has with the Conflict Minerals section.

**Step One: Do the proposed rules apply to us?**



**Step Two: Determine whether minerals come from DRC and the resulting disclosures.**



**Step Three: Due Diligence and Conflict Minerals Report**

- File Form SD
- Conduct Due Diligence
- Complete Conflict Minerals Report
- In necessary, have independent private sector audit
- File with the SEC