



The Conflict-Free Sourcing Initiative

Helping companies make informed choices about conflict minerals in their supply chains

An initiative of the Electronic Industry Citizenship Coalition and the Global e-Sustainability Initiative
www.conflictreesourcinginitiative.org



A Unified Approach to Conflict Mineral Compliance for the Tungsten Industry

The Westin, Sydney, 23 September 2013



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Background

- Compliance of public US downstream tungsten users with the reporting requirements of the US Security and Exchange Committee (SEC) Ruling concerning section 1502 of the Dodd Frank Act (Conflict Mineral Rule).
- All US public companies are required to provide documentation to the SEC if they are using conflict minerals (Tin, Tungsten, Tantalum & Gold) in their product.
- US companies must file in early 2014

Status in mid-2013

- Two different programs, seen as “competing”.
- **Confusion among tungsten producers about what they are supposed to do.**
- Not a single tungsten producer listed so far as “conflict free”.



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TI-CMC

- Set-up by group of large tungsten producers.
→ **smelter-level focus**
- Support by relevant industry associations: ITIA, Refractory Metals Association (RMA).
- Developed specifically for tungsten - takes particularities of tungsten supply chain into account.
- Largely self-assessment, as there is very limited supply from Covered Countries.
- Complies with the law.
- **Challenge: Downstream companies concerned about lack of independent review of tungsten sourcing.**

CFS¹

- Set-up mainly for end-users by the electronics industry.
→ **downstream focus**
- Supported by other downstream industry associations.
- Accepted scheme for tantalum; making progress for tin and gold.
- One size fits all approach to 3T, not taking tungsten specifics into account.
- Based on 3rd party audits.
- Complies with the law.
- **Challenge: by tungsten producers viewed as beyond legal requirements and invasive on producers competitiveness and confidentiality**

¹ CFS = Conflict Free Smelter Program



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Conflicting Issues:

- Tungsten producers especially in Asia are looking for clarity on which program to adhere to – what are the legal requirements? - and how can they assist their customers?
- Downstream US companies insist on independent validation (although that is more than required by the law for supply from outside of covered countries).
- Tungsten producers insist that the realities of the tungsten supply chain must be taken into account; including:
 - Very little supply from Covered Countries, very limited risk to support conflict.
 - Importance of China & complex recycling supply chain.
 - Extensive trade of intermediates (APT, oxide) between the “smelter-level” companies – interdependence – difficult to trace back to origin.
 - Confidentiality issues (small market).

Establishing a Unified Approach

- TI-CMC & CFS started working on a unified approach in mid-2013; several working sessions (face-to-face & teleconferencing)
- CFS recognizes strong industry knowledge in TI-CMC.
- TI-CMC recognizes established CFS program and confidence of downstream players into the latter.
- Unified approach to take strengths and concerns of both sides into account.
 - TI-CMC endorses validation through a CFS audit.
 - CFS together with TI-CMC revised the audit protocol and procedures, to make them suitable for tungsten.
 - Transition period and re-audit frequency.



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Unified Approach

- Companies may sign up first with **TI-CMC** and then register with **CFS** or vice-versa.
- Tungsten “smelter-level” companies who become TI-CMC Members sign-up to undergo CFS validation audit within 2 years.
- TI-CMC Members are Conflict Free under ruling.
- Companies will be listed on TI-CMC web-site as Conflict Free.
- Once registered with the CFS and member of TI-CMC, company will be listed as “in progress to become CFS compliant” on CFS Compliant Tungsten Smelter web-site.
- After CFS validation: company listed as a Conflict Free Smelter on CFS Compliant Tungsten Smelter web-site.

Unified Approach

The Unified Approach leads to the following advantages for tungsten producers:

- Improved audit protocol & procedure negotiated by the TI-CMC will be used, including extended re-audit period (3 instead of 1 year) ⁽¹⁾
- CFS Audit will be financed by downstream industry.
- During the two year transition/break-in period to undertake the audit there will be unhindered trading of intermediates between companies progressing towards CFS validation.
- TI-CMC Membership will facilitate annual legal compliance – and re-auditing of TI-CMC members will only be every three years unless the company sources from the Covered Countries.
- Improved conditions for tolling agreements.

(1) Unless company sources from Covered Countries.



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Listing of Tungsten Companies

TI-CMC members

company	smelter/refinery location	member since	next reporting	link to CF policy
abc	xxx, yyy	10/2013	10/2014	
def	xxx, yyy	11/2013	11/2014	
ghi	xxx, yyy	10/2013	10/2014	
klm	xxx, yyy	01/2014	01/2015	
xyz	xxx, yyy	01/2014	01/2015	

TI-CMC Supporters

company	member since

[Click here for CFS Program Supporters](#)

Select Language ▼

Conflict-Free Smelter Program

Compliant Tungsten Smelters

xyz...
 abc...

moving up once validated

TI-CMC members in progress towards CFS validation

def
 ghi
 klm

Email info@conflictreesmelter.org for more information.

Home/CFS Lists

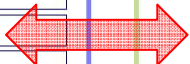
CFS Program Indicators

Audit Protocols and Training Documents

Conflict Minerals Reporting Template and Dashboard

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all companies in unified approach





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**What to do next: Apply...
for TI-CMC Membership**

and register with CFS (or vice-versa)



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What to do next: Apply...

for TI-CMC Membership

and register with CFS (or vice-versa)

To apply for TI-CMC membership (see www.ti-cmc.org):

- Fill in application form (provided in English, Chinese and Japanese),
- Sign provided Commitment Letter,
- Provide Supplier Code of Conduct including Non-conflict Statement,
- Description of the company program on Conflict Mineral issue.
- Annual fees (range of USD 2500) – to keep the program going.

To remain active member:

- Annual report on activities / advance / observations (for review – not giving confidential information, but providing some real insight into the activities)

[additional DD / audit requirements if sourcing from Covered Countries]

What to do next: Apply...

for TI-CMC Membership

and register with CFS (or vice-versa)

Apply for CFS by contacting Bryan Fiereck – summary steps follow

1. Agree to NDA and Auditee Agreement then added to CFS Active/Progressing Towards CFS Validation list
2. Complete Pre-audit Checklist
3. CFS program then identifies CFS auditor
4. Auditee schedules and completes CFS audit with designated auditor
5. Auditor issues CFS audit report to auditee & Audit Review Committee (ARC)
6. CFS program issues CFS Compliance Letter to auditee
7. Auditee's company name is added to the publically available CFS Compliant W Smelter List posted at <http://www.conflictreesmelter.org/cfshome.htm>
8. CFS program to contact auditee when re-audit is due (annually if sourcing from Covered Countries or every 3rd year)

[additional DD / audit requirements if sourcing from Covered Countries]



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Recap:

Tungsten-specific changes to the CFS audit protocol and procedures

- For Level 1 countries and recycling:
 - Spot checks only (instead verification of every purchase of non-secondary supplies and of ≥ 125 transactions for secondary materials)
- Trading of intermediates between companies listed as “TI-CMC members progressing towards CFS validation” reasonably assumed conflict free.
- For companies not using material from Covered Countries: re-audit period extended from 1 to 3 years (as long as they remain members of TI-CMC).
- Auditee (and TI-CMC) may attend ARC (Audit Review Committee of CFSI) during review of their audit results; direct off-takers are excluded from ARC participation.
- Future changes to protocol shall be agreed between CFSI and TI-CMC.



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[Side Note: Supplies from Central Africa (Covered Countries)]

- Only about 1% of the annual tungsten intake comes from the Covered Countries.
- However, following legal requirements imposed by the SEC rules, companies using this material [at all levels in the supply chain!], are subject to special rules:
 - Require 3rd party auditing in line with OECD guidelines for both, prior to TI-CMC Membership and CFS validation audit.
 - Annual re-auditing.



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Time Line

- **This is very urgent!** Downstream needs reasonable assurance for reporting to SEC by May 2014.
- October 2013:
 - Public TI-CMC/CFS announcement
 - Release revised TI-CMC framework & CFS W only Audit Protocol
 - Initial TI-CMC member list released
 - Initial “in progress towards CFS validation” list released
- CFSI intends to start CFS audits before year-end and anticipate the first CFS Compliant W Smelter List (with minimum of three compliant smelters) to be released in late 2013/early 2014.



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Contacts

TI-CMC

- James Dale, TI-CMC administrator
jdale@mpif.org
- TI-CMC board:
Frank.Habig@hcstarck.com
Karin.Laursen@globaltungsten.com
James.Oakes@ATImetals.com
S.Schmidt@wolfram.at
William.Hanna@kennametal.com

CFS

- Bryan Fiereck,
CFS contact for W Industry;
Conflict Minerals Program Manager,
Intel Corporation
Bryan.Fiereck@intel.com



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Q & A