

When the US Securities and Exchange Commission's conflict minerals rule was issued in 2012, US reporting companies (and their suppliers) developed and implemented conflict minerals compliance programs. Companies have continued to enhance and beef up their programs since then. Now, companies should be supplementing their compliance programs to be ready to address the requirements of the EU conflict minerals regulation when it is finally adopted.

The EU regulation, as currently proposed, will impact hundreds of thousands of European companies – many more than are covered by the US rule. And the proposed EU regulation has a much wider geographic focus than the US rule. So, what steps should a company take to develop its initial conflict minerals compliance program? Or what steps should a company take to quickly expand its existing compliance program to fulfill the likely requirements of the EU regulation?

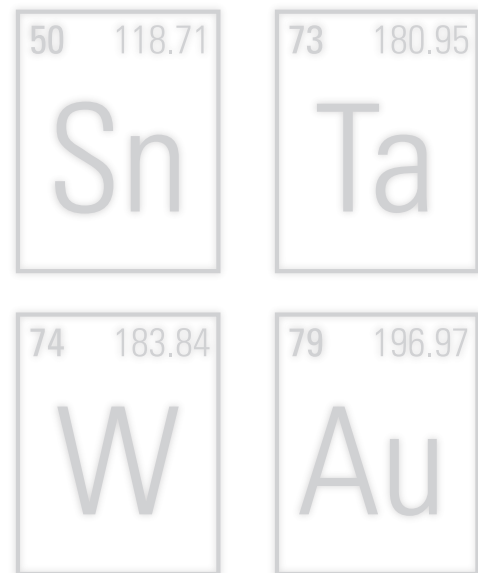
You should consider some best practices in building your own compliance program.

Internal Organization

- a. Designate your conflict minerals team and confirm one point person with overall project management responsibility.
- b. Develop overall schedule with key deadlines.
- c. Reach out to outside advisors.

Internal Team

- a. Conflict minerals core team:
 - Legal
 - Compliance
 - Supply Chain/Purchasing
 - Engineering
 - IT
 - Internal Audit
- b. Report to Board of Directors/Audit Committee.
- c. Get support from senior management.
- d. Include relevant employees and departments.



Product and Procurement Background and Status

- a. Determine which products you manufacture or contract to manufacture.
- b. Determine whether to obtain procurement information and data on a product-level or company-level basis.
- c. Examine your existing supply chain policy. Develop or revise your conflict minerals policy.
- d. Gather purchasing, bill of materials, and recipe information.
- e. Obtain recipes and bills of material for new products as they are developed or acquired.
- f. Determine functionality or production-related use of conflict minerals.

Industry Group Involvement

- a. Determine relevant industry groups.
- b. Investigate conflict minerals activities of industry groups and trade associations.
- c. Participate in industry group conflict minerals activities and gather information about industry group approach to gray areas in regulation.
- d. Determine which templates and software systems are the standard for your industry.
- e. Survey Form SD's and Conflict Minerals Reports for your industry and other peers.

Identify Conflict-Affected and High-Risk Areas (EU regulation only)

- a.** Review sources that identify what are “conflict-affected and high-risk areas”:
 - *Conflict Barometer* (by the Heidelberg Institute for International Conflict Research)
 - United Nations Security Council
 - European Union
 - African Union or regional African groupings such as ECOWAS, SADC and the EAC
 - Organization of American States
- b.** Identification to be made in advance and retroactively.

Coordinate IT System Solutions with Supply Chain Management

- a.** Inventory of existing IT systems.
- b.** Develop or enhance capabilities to accommodate the additional needs of a conflict minerals program.
- c.** Determine how to automate information gathering, analysis and storage.

Internal Communications

- a.** Policy roll-out.
- b.** R&D procedures to assure supply chain transparency for new products and materials.
- c.** Supplier qualification and onboarding procedure.
- d.** Internal training sessions.
- e.** Report to senior management and board of directors.

External Communications

- a.** Customers
 - i. Initial letters and follow-up
 - ii. Conflict minerals template responses
- b.** Suppliers
 - i. Questionnaires/templates
 - ii. Education
 - iii. Analysis of responses
 - iv. Follow up for corrections and completions
 - v. Benchmark against industry/peers
 - vi. Score and reward supplier compliance
 - vii. Corrective action

Contracts

- a.** Review key supply contracts.
- b.** Add data and transparency requirements to new and renewed supply contracts.
- c.** Revise terms and conditions/purchase order terms.
- d.** Update supplier qualification requirements and corrective action.
- e.** Undertake due diligence in acquisitions.
- f.** Include relevant conflict minerals provisions in acquisition/merger documents.

Disclosure

- a.** Conflict Minerals Policy.
- b.** US Rule (SEC reporting companies only):
 - Form SD
 - Conflict Minerals Report
 - 10-K risk factors
 - 10-K business description
- c.** EU Regulation:
 - Declaration to Member State competent authority
- d.** Website posting.

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