



CONFLICT MINERALS

RESPONSIBLE SOURCING SOLUTIONS



RAW MATERIALS TRACEABILITY

In today's global marketplace, products touched by consumers in their day-to-day lives are often produced thousands of miles away using raw materials sourced from virtually any country in the world.

This globalization plays a significant role in the economic growth of developing countries and regions, leading to more efficient and cost-effective production, and resulting in lower prices for many consumer goods.

However, the global sourcing of raw materials presents a range of new challenges for manufacturers, retailers and consumers. Supply chain transparency and active oversight safeguards against the exploitation of people and the environment.



BACKGROUND ON THE DODD-FRANK ACT AND CONFLICT MINERALS



On August 22, 2012, the U.S. Securities and Exchange Commission (SEC) issued final rules for compliance with Section 1502 of the Dodd Frank Wall Street Consumer Protection Act over concerns that the involvement of armed groups in the exploitation and trade of conflict minerals is contributing to the ongoing conflict in the Democratic Republic of the Congo (DRC), resulting in a severe humanitarian crisis.

The Act requires publically traded companies in the U.S. to disclose if any tantalum, tin, tungsten or gold present in their products originated from the DRC, or an adjoining country.

In cases where minerals originated in a covered country, U.S. publicly traded companies are required to file a report to the SEC that includes a description of the measures they take to exercise due diligence on the minerals' source and chain of custody. The report must include an independent private sector audit that is conducted in accordance with standards established by the Comptroller General of the United States. Companies must comply with this new ruling beginning January 1, 2013, with the first reports due by May 31, 2014.

Who is affected by the Rule:

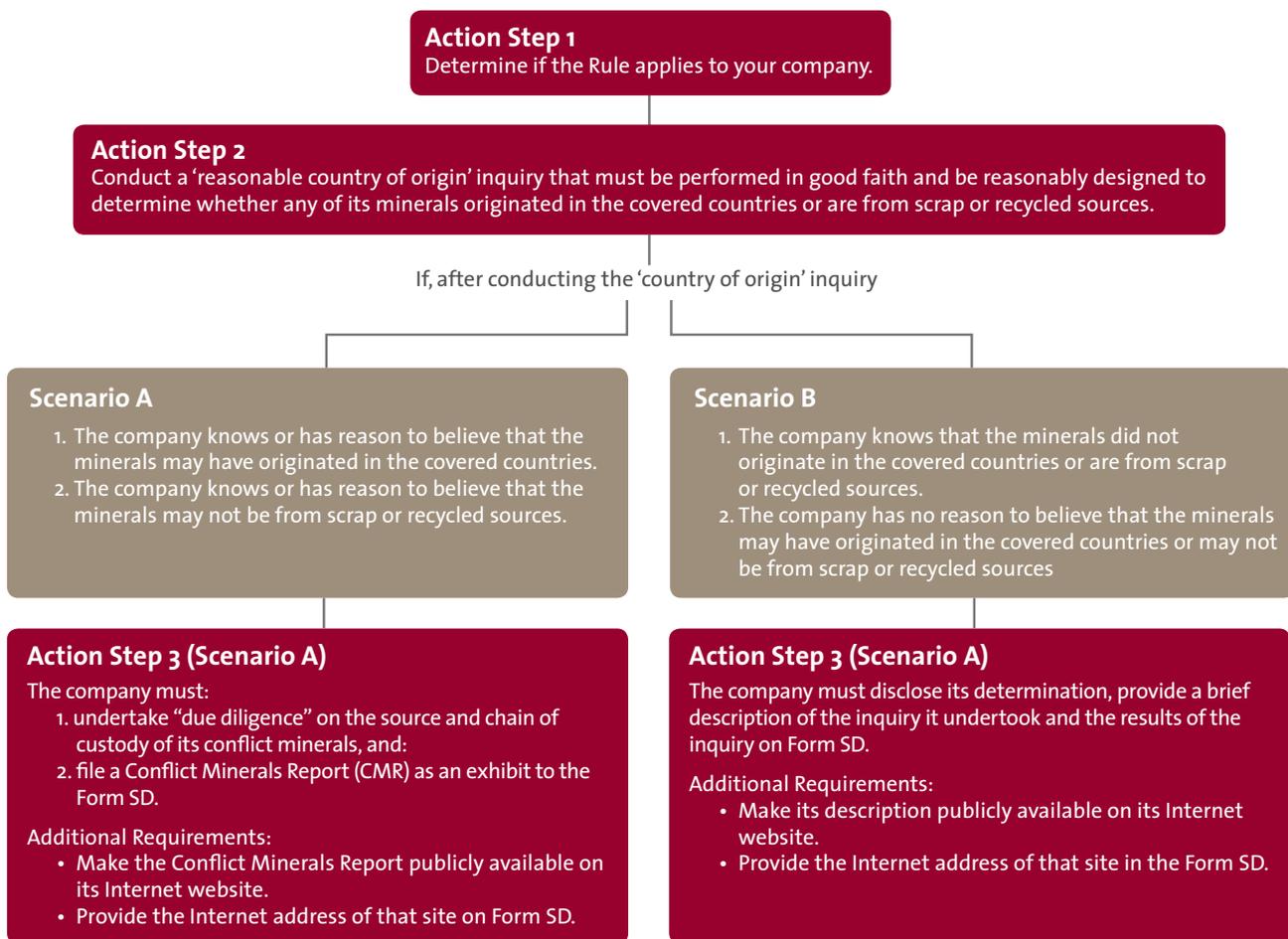
Any company whose products contain one of the four “conflict minerals” may face reputational risks owing to media reports and requests for information from investors. Companies reporting to the SEC face legal risks due to Section 1502 of the Dodd Frank Wall Street Consumer Protection Act.

The final rule applies to a company that uses tantalum, tin, gold or tungsten if:

1. The company files reports with the SEC under the Exchange Act.
2. The minerals are “necessary to the functionality or production” of a product manufactured or contracted to be manufactured by the company.¹

Complying with the Final Rule:

There are two potential paths for compliance with the Dodd Frank Act.² All affected companies must conduct a “reasonable country of origin” inquiry to determine which path they must take.



Under Scenario A, companies must exercise due diligence measures that conform to a nationally or internationally recognized due diligence framework, such as the due diligence guidance developed by the Organisation for Economic Cooperation and Development (OECD).

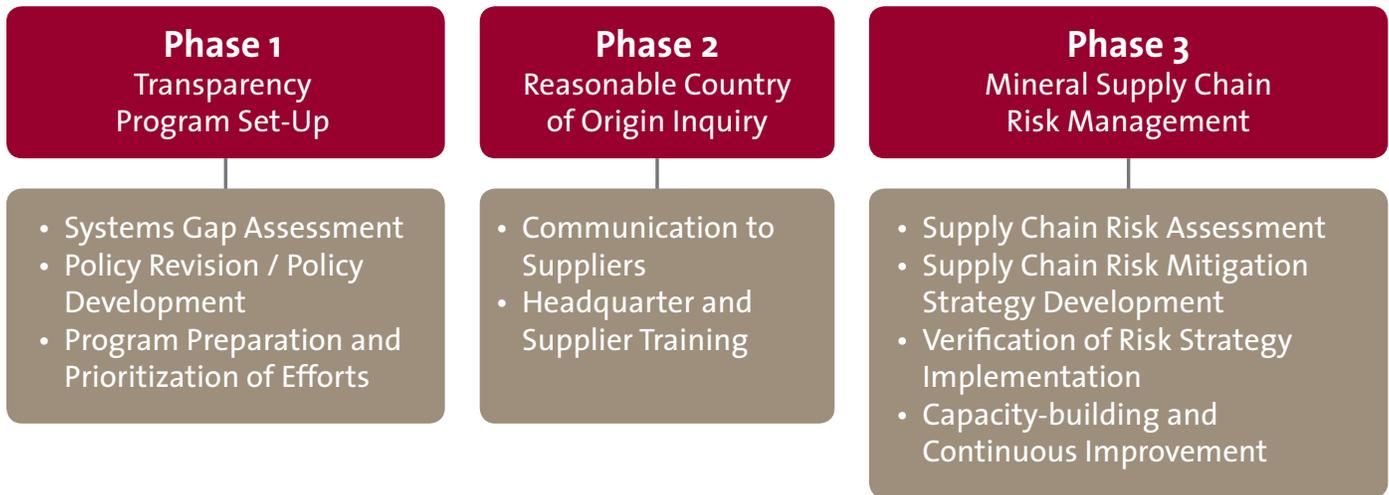
Companies must publish their due diligence findings in the Conflict Minerals Report. Depending on the outcome of their findings, companies may be required to also obtain an independent private sector audit of its Conflict Mineral Report and include the auditing entity and report within the CMR.

1., 2. U.S. Securities and Exchange Commission FACT SHEET: Disclosing the Use of Conflict Minerals. August 22, 2012.



HOW UL CAN HELP

UL helps companies design and implement measures to increase transparency when sourcing raw materials. Integrated with each client’s sourcing practices, UL assists clients in the establishment of meaningful due diligence through the implementation of our three-phase program:



Mineral supply chain transparency programs not only serve for compliance with Section 1502 of the Dodd-Frank Act, but provide companies with the necessary tools and systems to effectively address future issues related to raw material sourcing.

UL believes that full transparency and due diligence in the supply chain can only be achieved through the continuous monitoring and re-evaluation of information gathered. Working closely with our clients, UL supports the entire minerals supply chain management process.

PHASE 1: MINERAL SUPPLY CHAIN TRANSPARENCY PROGRAM SET-UP

Systems Gap Assessment:

UL reviews existing management systems, policies and procedures regarding product content, material procurement and selection of suppliers to determine any gaps between those systems, policies and procedures and the recommendations put forward by the OECD Due Diligence Guidance and other industry best practices.

The assessment pinpoints potential risks associated with due diligence measures in the mineral supply chain and aides in identifying system gaps that pose a compliance risk under Section 1502 of the Dodd Frank Act.

The Systems Gap Assessment is a collaborative engagement that requires active participation of senior management and other key personnel. It is composed of preliminary research on the legal requirements and current best practices in the area of mineral supply chain transparency, and an onsite visit

at the client’s headquarter location to review the company’s policies, procedures and practices.

Deliverables include: a report detailing key gaps in management systems, and prioritized areas of potential risk.

Policy Revision and Policy Development:

UL helps clients revise or draft new policies and procedures related to minerals sourcing, aligned with the recommendations of the OECD Due Diligence Guidance and existing best practices in the area of conflict mineral supply chain due diligence.

Deliverables include: creation of, or enhancement to procurement policies, a Conflict Minerals policy, operating procedures for the selection of suppliers, or Supplier Code of Conduct (SCoC).

Program Preparation and Prioritization of Efforts:

In support of Dodd-Frank, UL identifies and prioritizes product lines or supply chain touch-points and identifies resources required for the implementation of a mineral supply chain transparency program for the first reporting cycle of 2014. UL can stage the program to include all affected product lines and supply chains to prepare clients for full compliance with Section 1502 by the 2016 deadline.

Deliverables include: risk prioritized matrix of product lines / supply chains

PHASE 2: REASONABLE COUNTRY OF ORIGIN ENQUIRY

Communication to Suppliers

UL develops supplier communications that enable clients to clearly communicate mineral supply chain transparency requirements to vendors and suppliers within their supply chain. Each communication is customized to meet the unique needs of the client's internal policies and programs, and their specific supply chain. Conflict Minerals Questionnaires are used to gather information from suppliers on the origin of raw materials as well as smelters and refineries used in the client's supply chain.

Deliverables include: fully-developed Supplier Code of Conduct (SCOC), supplier memos and other written communications, supplier manuals and reference guides, Conflict Minerals Questionnaire.

Headquarter and Supplier Training

UL offers standardized or customized training for headquarter employees affected by the mineral supply chain transparency program, as well as for suppliers, vendors, product manufacturers, and component manufacturers.

Deliverables include: On-site or on-line training, offered in a variety of languages.

PHASE 3: MINERAL SUPPLY CHAIN RISK MANAGEMENT

Supply Chain Risk Assessment

Supply chain risk assessments identify red flags and high-risk vendors (or contractors) in the supply chain. These

assessments are carried out in accordance with Annex II for the 3Ts and the Gold Supplement to the OECD Due Diligence Guidance.

UL's risk assessments directly align with the OECD Guidance, and include:

- A. Identification of smelters and refineries within the supply chain
- B. Evaluation of due diligence measures implemented by identified smelters and refineries
- C. Evaluation of risks and identification of "red flags" associated with the raw material sourcing practices within the identified smelters and refineries

UL rates each supplier or step in the supply chain based three assessment dimensions: applicability of red flags as defined by the OECD Guidance, public information on mineral supply chains including industry verification programs at the smelter or refinery level, and UL's knowledge and expertise of the mineral supply chain.

Deliverables include: multi-dimensional risk assessment and prioritized "red flag" areas of the supply chain.

Supply Chain Risk Mitigation Strategy Development

UL guides clients in developing risk mitigation strategies, based on the outcomes of the supply chain risk assessment. Our mitigation recommendations are in accordance with the recommendations of the OECD Due Diligence Guidance (where applicable) and align with the client's conflict minerals policies.

UL recommends risk mitigation strategies that focus on three categories of suppliers:

- suppliers where issues identified require termination of the business relationship,
- suppliers where issues identified require a suspension of the business relationship, and;
- suppliers where no issues are identified or issues allow for the continuation of the business relationship under certain conditions.

We help clients develop and implement remediation and continuous improvement programs within their supply chain.

Deliverables include: a formal risk mitigation strategy, and the development and implementation of a remediation program.



Risk Mitigation Strategy Implementation: Verification

Once specific risks are assessed and a risk mitigation strategy is developed, UL proposes two types of onsite verification assessments to assess due diligence and chain of custody practices at the supplier level, based on the supplier's risk level:

Supplier Due Diligence Assessments

Supplier Due Diligence Assessments are recommended for lower risk suppliers, and focus on the supplier's management, procurement and record-keeping systems. Assessments can be carried out in combination with social compliance assessments or other inspections.

Deliverables include: a report of supplier's management systems and due diligence measures for the mineral supply chain.

Supplier Chain of Custody Assessments

Chain of custody assessments are recommended for high-risk suppliers, and provide the client with reasonable assurance regarding the conflict-free origin of minerals used in their supply chain. Auditors deploy investigative techniques to attempt to establish a full chain of custody for purchases of tantalum, tin, tungsten or gold bearing material up to the smelter and/or refinery level.

Deliverables include: a report of supplier's management systems, smelters and refineries used as well as due diligence and chain of custody measures for the mineral supply chain.

Risk Mitigation Strategy Implementation: Capacity-Building and Continuous Improvement

Where risks are identified within key suppliers, UL recommends direct engagement to help establish capacity-building and continuous improvement programs. Capacity-building and continuous improvement measures are customized based on the specific opportunities of each supplier.

Deliverables may include: supplier manuals for due diligence and chain of custody in the mineral supply chain, customized supplier training on mineral supply chain transparency, and onsite capacity-building consultations with high-risk suppliers.

WHY UL

UL has deep knowledge on the illegal exploitation of minerals in the African Great Lakes region, and robust experience in developing customized assessment tools and conducting onsite verifications.

UL was one of the first service providers to engage with industry associations as well as multi-stakeholder initiatives aiming to increase transparency and responsible sourcing practices in the mineral supply chain. We continue to lead the industry in providing services within all levels of the mineral supply chain. Our experience includes:

Mining:

- On-the-ground assessments of artisanal mine sites in the Democratic Republic of Congo, South Kivu Province. Assessments were carried out under the DRC's national certification framework.
- Involvement in several mining projects since 2009 such as on-site assessments of varying scope in South Africa, Colombia, and Russia (both open-pit and underground mining), and providing input for mining initiatives and standards.

Mineral Processing:

- On-site assessments of tantalum and tin smelters, and gold refineries as one of three worldwide approved auditors for the EICC-GeSI Conflict Free Smelter Program (CFS Program). Assessments have been completed under the CFS program in Europe, the Americas, Asia and Africa.
- Acknowledgement as the first accredited monitor for the Responsible Jewellery Council (RJC) Code of Practices Certification, and the only company that has conducted RJC Chain of Custody certifications of gold refineries.
- Working with the London Bullion Market Association (LBMA) to develop guidance and assessment tools to be used by auditors for the verification of LBMA accredited gold refineries' compliance with the LBMA Responsible Gold Guidance.

Standards and Policy Development:

- Confirming procurement policies and supplier code of conducts are in line with requirements of Section 1502 of the Dodd-Frank Act, and are harmonized with relevant industry initiatives in the mineral supply chain.
- Testing and Piloting CFS assessment protocols and tools, and continuously providing input to the EICC-GeSI group to improve assessment methodologies and work towards harmonization with upstream initiatives.
- As a member of the RJC Standards Committee, UL actively commits to promoting ethical sourcing practices in the jewelry value chain and to working with the RJC towards this objective.
- Participating in the OECD Multi-Stakeholder Consultation Process since 2010; UL was a member of the OECD Drafting Committee for the Gold Supplement to the OECD Due Diligence Guidance.
- Engagement with the International Conference on the Great Lakes Region (ICGLR) on the development of the ICGLR third-party auditing mechanism.

ABOUT UL

UL is the Leading Voice for Global Safety

Since 1894, the mission of UL (Underwriters Laboratories) has been “working for a safer world,” which is at the core of everything the company does.

Through its network of nearly 9,000 employees and more than 200 laboratories and inspection centers, UL advances safety through careful research and investigation, helps prevent or reduce loss of life and property, and promotes safe living and working environments for all people.

In 2011, more than 23 billion UL safety certification marks appeared on products around the world, and UL’s safety messages reached more than two billion consumers in Asia, Europe, and North America alone.

With the definition of safety constantly evolving, UL has expanded its focus to include an unparalleled breadth of offerings to address and anticipate the needs of UL clients in a rapidly changing marketplace. Its goal is to better help businesses meet the shifting safety and performance demands of a changing world. As such, UL now serves its clients with five distinct business units; Product Safety, Environment, Life & Health, Verification Services and Knowledge Services.

UL Verification Services offers expertise in commercial testing, inspection and auditing that is recognized and respected around the world. Currently, UL Verification Services provides support to the appliance, high-tech, lighting, energy, automotive, credit card and retail industries with a focus on market access services for wireless products, testing of interoperability and electromagnetic compatibility, and energy efficiency testing. Its full range of technical services supports manufacturing business operations from initial design through prototyping and into final production. These services also enhance retail or go-to-market supply chain quality management operations.

Responsible Sourcing is a business segment within Verification Services.

ABOUT RESPONSIBLE SOURCING

Responsible Sourcing’s mission is to be the global leader in advancing sustainable business practices within supply chains, worldwide.

UL’s Responsible Sourcing group provides auditing and advisory services in six areas of expertise: Social Responsibility and Accountability, Risk Identification and Management, Environmental Responsibility, Brand Protection and Supply Chain Security, Extractives and Raw Materials Sourcing, and Capacity-building and Continuous Improvement.

With locations in over 30 countries across five continents, UL has the global footprint to provide services in over 140 countries. Annually, the Responsible Sourcing group conducts over 20,000 audits.

For more information on all the ways UL can help implement sustainable practices within your supply chain, contact RSinfo@ul.com or visit www.UL.com.

AFFECTED PRODUCTS

Examples of products and components that could contain conflict minerals*

*this list is not exhaustive

	TIN	TUNGSTEN	TANTALUM	GOLD	
PRODUCTS	Electronics:	Cell phones, laptop, touchscreen, others Solders, joints, Oxide	Cell phones (vibrating function), printers, laptops, TV, others Wires, electron emitters, tubes, alloys	Cell phones, laptop, printer, camera lenses, game consoles Capacitors, semi-conductors, refractive index-glass	Computers, USB cables Coating of electrical contacts, wires
	Automotive:	Car radiators, fuel tanks, battery, brake pads, others Solders	Electronic appliances, gear teeth, car horn, others Circuits, coating	Most electronic appliances: audio systems, GPS, parking sensors, wiper systems, ignition system, fuel pump, central locking, etc Capacitors, semi-conductors	Fuel cells, board electronics Coating of electrical contacts, wires
	Food:	Tin cans Coating			
	Energy:	Solar panels Oxide			
	Medical devices:		X-ray machines, dental instruments Tubes	Implantable devices (e.g. pacemakers), prosthetic devices, others Capacitors, clips, implants, alloys	Implants, dental applications, cancer treatment, microsurgery Minimal quantities of gold
	Consumer goods:		Lamps, microwaves, pen balls, glass with light-control technology, golf clubs, hiking gear, bicycles, ceramic glass Wires, Filaments		
	Production:		Metal cutting tools, mining tools, drilling tools Cemented carbides	Cutting tools; pipes, tanks, valves (used in chemical equipment for corrosive liquids) Carbides, alloys	
	Aerospace:			Jet engines Super alloys	
	Jewellery:				Fine and Fashion jewellery, watches
	Others:		Military ammunition, grenades, missiles		Cockpit windows (de-icing purposes), helmets of astronauts, nanotechnology, jet engines Coating

COMPONENTS

Common Terms

Chain of custody: The chronological documentation showing the seizure, custody, control, transfer, analysis, and disposition of evidence, physical or electronic.

Conflict minerals: cassiterite (tin), columbite-tantalite (tantalum), wolframite (tungsten) and gold that benefit armed groups in the Democratic Republic of Congo or an adjoining country.

DRC and neighbouring countries: The Democratic Republic of the Congo, Angola, Burundi, Central African Republic, Congo (Brazzaville), Rwanda, South Sudan, Tanzania, Uganda, Zambia.

Due diligence: performance of investigative measures that a reasonably prudent person would perform in the management of his or her own property. (Source: Section 1502 of the Dodd-Frank Act)

Great Lakes region: Eastern Provinces of the DRC (Province Orientale, North Kivu, South Kivu, Katanga), Burundi, Rwanda, Uganda.

Mass balance: the comparisons of the inputs and outputs of processes.

Traceability: the ability to trace the history, application or location of an entity by means of recorded identifications. (Source: ISO8402:1994)

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