

Supplier Training – Module 2 Supplier Survey



An Initiative of the EICC and GeSI



RCS GLOBAL
Making Sure.

CFSI, the Conflict-Free Sourcing Initiative, is one of the most utilized and respected resources for companies from a range of industries addressing conflict minerals issues in their supply chains.

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RCS Global is a world-leading audit and advisory firm specializing in responsible supply chains. RCS Global is working with CFSI to develop innovative and practical responses to the responsible sourcing of raw materials.

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More information

To purchase the training toolkit accompanying this presentation or to request an in-person training for your suppliers and / or conflict minerals team, please visit:

www.rcsglobal.com



or contact RCS Global at:

info@rcsglobal.com



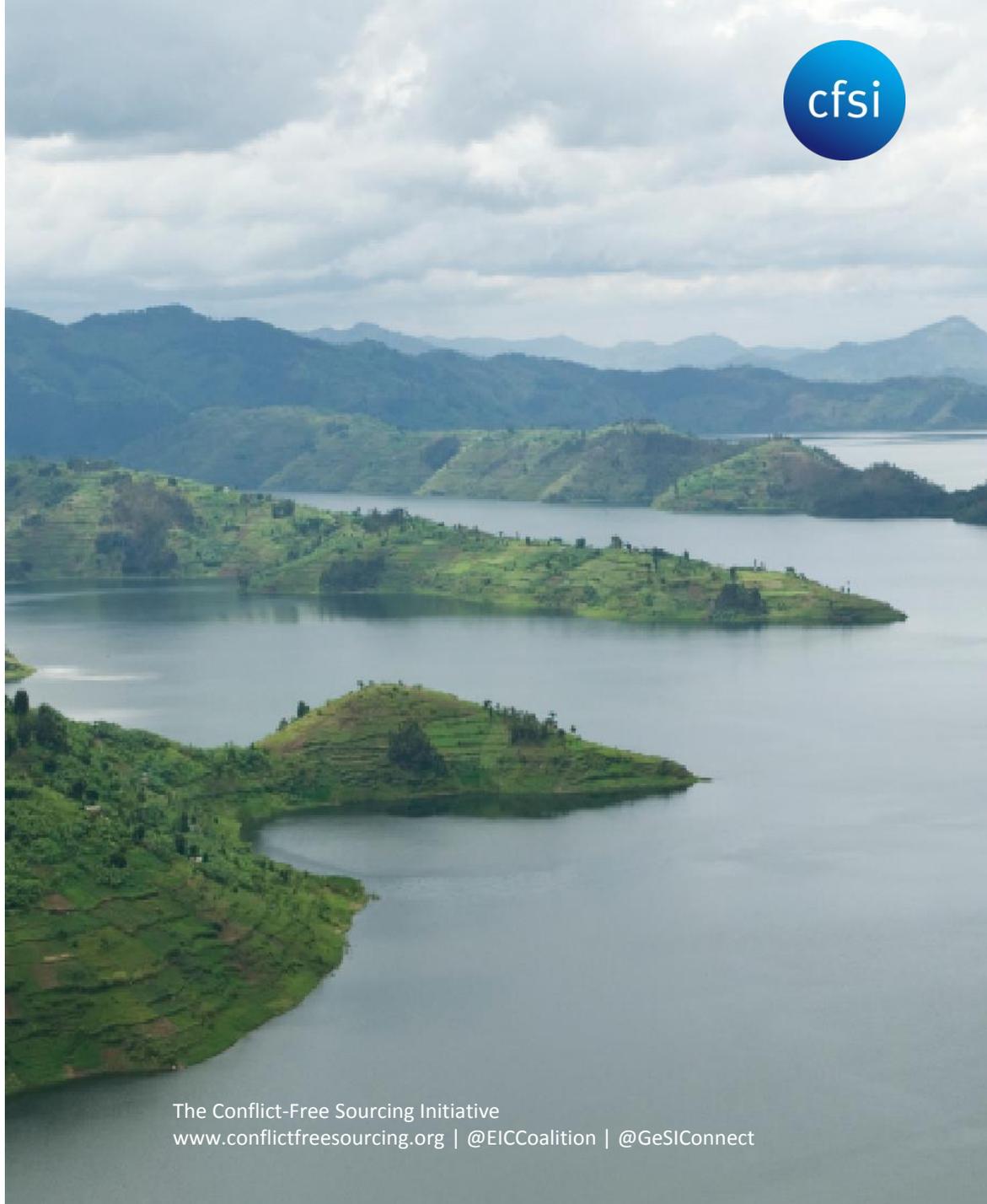
Let CFSI or RCS Global know if you are interested in working with other companies to offer joint in-person trainings to suppliers.

In this module you will learn how to

- Identify the products and suppliers in scope;
- Survey suppliers;
- Identify smelters and refiners in your supply chain;
- Assess supplier responses;
- Aggregate the data and fill out the CMRT.



Determination of Scope



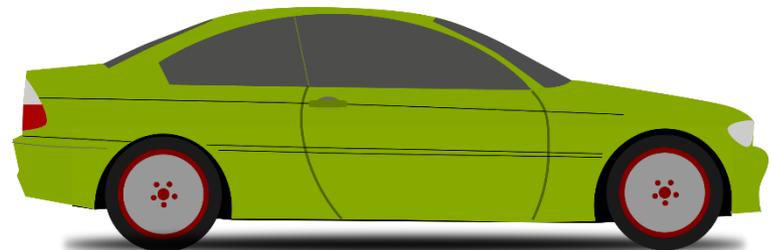
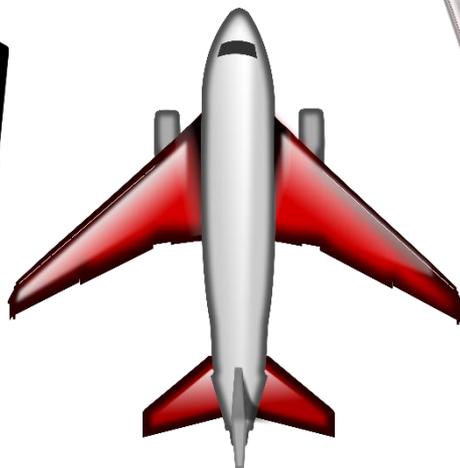
Basic requirements

Conflict Minerals sourcing requirements apply to all products, components, parts or material that are necessary to the functionality or production of the product manufactured or contracted to be manufactured and that contain any of the following minerals (3TG):

- Tantalite-columbite, or the derivative Tantalum
- Cassiterite, or the derivative Tin
- Wolframite, or the derivative Tungsten
- Gold

Examples of 3TG Usage

- **Tantalum:** Capacitors
- **Tin:** Solder for joining circuits, glass
- **Tungsten:** Metal wires, electrodes, electrical contacts, vibration motors
- **Gold:** electric plating and wiring



Determination of scope process

Maintain records for each step!

Step 1: Identify covered finished products



Step 2: Identify all products, parts, components or material that contain 3TG



Step 3: Identify all suppliers of products, parts, components or material that contain 3TG

Include all products supplied to customers in this **calendar year**, include end of life (EOL) products and service parts.

Exclude tools, capital equipment, ornamentation, decoration, embellishment, packaging, test and pre-production, non-3TG components such as plastic, rubber, silicon.

Demonstrate how you linked 1st Tier Suppliers to each component and made sure all 1st Tier Suppliers are included.

Record maintenance

- **Maintain records to demonstrate:**
 - That you have identified all relevant suppliers
 - Where suppliers do not need to submit a CMRT: that material is either NOT part of the finished product OR does NOT contain 3TG
- **Include new 1st Tier Suppliers in each updated CMRT:**
 - Implement a process to include new products / suppliers

Examples of records include:

- Product lists for the current calendar year
- Purchase history for the current calendar year
- List of component categories with definition
- Bill of Materials (BOM) for covered products
- Specification Sheets (Spec Sheet) or Drawings for covered products
- List / Export from database of all 1st Tier Suppliers
- List of 1st Tier Suppliers providing component that contain 3TG

What to do when suppliers declare no 3TG content?

- **Review for plausibility of no 3TG:**
 - Check the component provided by this 1st Tier Supplier
 - Review the BOM, Spec Sheet or Drawing for the component
 - Ask your engineers / design team
- **Maintain records to demonstrate no 3TG content:**
 - Records must explicitly indicate no 3TG
 - Avoid self-declaring as conflict-free: records must show you obtained evidence to support no 3TG
- **Confirm no 3TG content on a regular basis:**
 - Change: Request notification if 3TG has been added to the component
 - No Change: Request confirmation



Surveying suppliers

Supply Chain surveying

Purpose: Identify smelters and refineries in the supply chain to assess risks.

Surveying is a means to the end, not the end itself! What counts is what you do with the information received.

CMRT is a standardized tool to collect this information, used by various industries.

Surveying Suppliers often lacks management systems. Design and implement appropriate systems to manage this process:



- Assign responsibility
- Build internal teams and provide training to make sure knowledge is not lost in case of staff turnover
- Set clear timelines and plan staff resources accordingly
- Make use of existing 1st Tier Supplier communication

Supply Chain surveying: Getting Started

1. Contact all 1st Tier Suppliers and request them to complete the CMRT. Include the link or a copy of the most recent CMRT version in the request.
2. Ensure there is sufficient time for 1st Tier Suppliers' own inquiries.
3. Follow up before the Customer's reporting deadline so you have enough time to review, validate and follow up with your 1st Tier Suppliers.

Note: 1st Tier Suppliers do NOT need to sign a “conflict free” declaration. The CMRT is sufficient.



Plan and document your processes so that staff turnover does not lead to loss of knowledge and communication on conflict minerals.

Tips to improve supplier response rate

1. Communicate clear deadlines

- Ensure sufficient lead time (at least two months) to meet Customer’s reporting deadlines.

2. Follow-up regularly

- E.g. Bi-weekly

3. Emphasize high priority of this request

- Explain data quality needed
- Clarify why data is required

4. Escalate to Customer (if necessary)

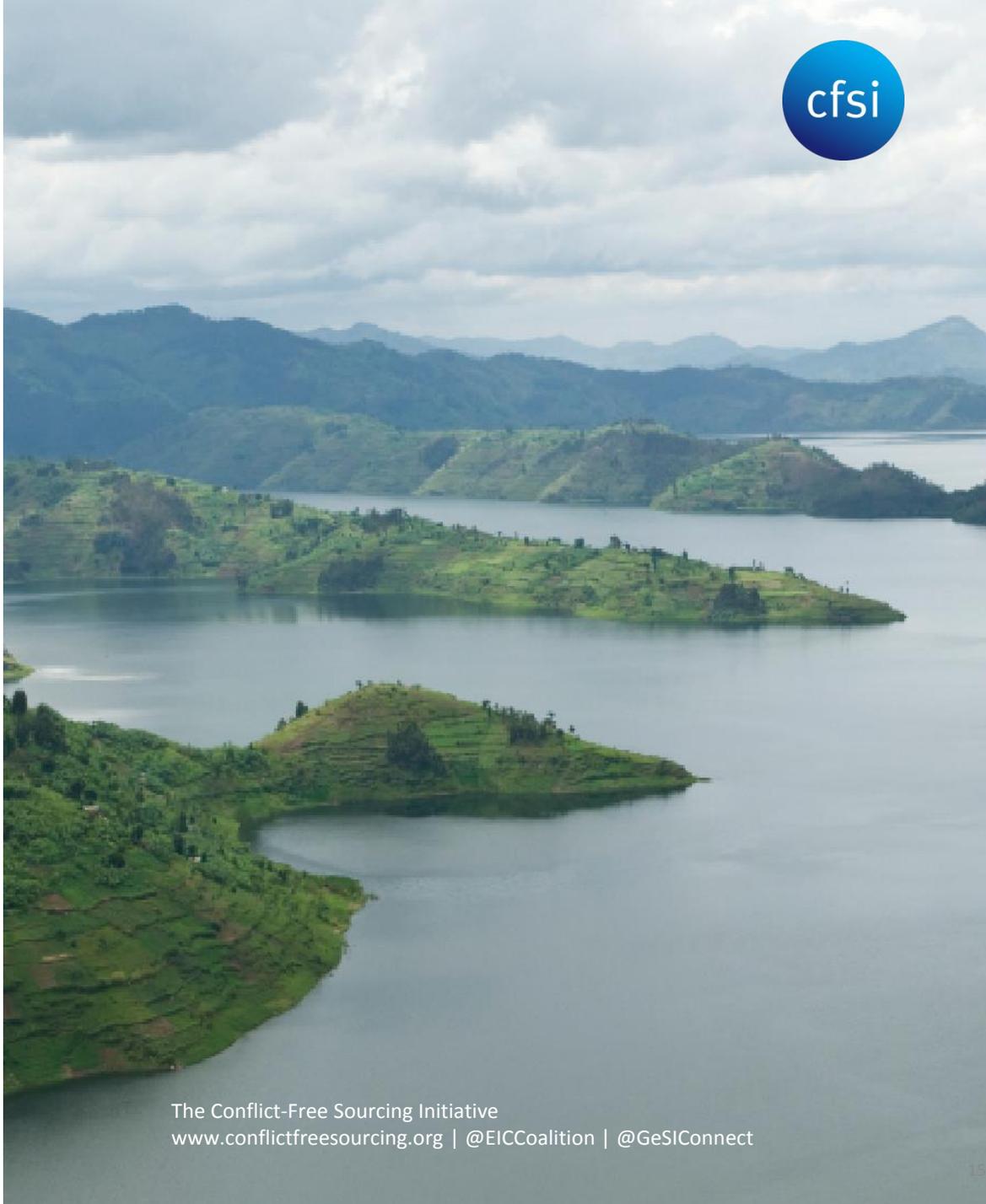
- Provide detailed account of when/how often 1st Tier Supplier was contacted, response (if any), list of contacts, and other relevant information

5. Maintain records

- Show records of communication with 1st Tier Suppliers, especially in case of escalation



Assessing supplier responses



Assess supplier response

Step 1: Ensure all sections of the CMRT are completed: Declaration Page, Smelter List and (if applicable) Product List.

Step 2: Review responses in the CMRT for reporting errors.

Step 3: Check the smelters disclosed against the Smelter Validation Scheme Lists (available in this module) to determine if all smelters are validated to be “conflict free”.

Step 4: Follow up with your supplier if Steps 1-3 highlighted any gaps or inconsistencies.

Top 10 CMRT reporting errors

Reporting Error	Example	Suggested Correction
Incorrect answer to question 3, “do any of the smelters in your supply chain source the 3TG from the covered countries?”	Supplier answers “No,” even though a smelter on the list publicly reports sourcing from the covered countries. NOTE: It is possible to be CFSP-compliant and source (responsibly) from the covered countries.	Conduct research with the resources provided later in this training to determine if any of the suppliers source 3TG from the covered countries. If you don’t have the information, respond “unknown”.
Incorrect answer to question 6, “have you identified all of the smelters supplying the 3TG to your supply chain?”	Supplier answers “No, <25%” to question 5, “have you received data/information for each 3TG from all relevant suppliers?” and answers “Yes” to question 6.	Answer “Yes” to question 6 only if: <ol style="list-style-type: none"> 1) You have received 100% of responses of your suppliers. 2) You have received almost all of the responses, and based on commodity representation of your supply chain, you reasonably believe that all known smelters have been identified.

Top 10 CMRT reporting errors (continued)

Reporting Error	Example	Suggested Correction
Not providing the correct URL for the Conflict Minerals Policy.	Supplier answers “Yes” to question A, “do you have a policy in place that addresses conflict minerals sourcing?” but does not include a valid URL in the comments section of question B.	Provide a working URL to your publicly available Conflict Minerals Policy.
Inconsistent responses on due diligence	Supplier answers, “No” to question E, “have you implemented due diligence measures for conflict-free sourcing?” but, “Yes” to questions H or I.	Consistently answer questions A-J. Ensure responses correspond to your actual due diligence program.
Inactive / Non-operational Smelters	Supplier lists a smelter on the Smelter List Tab that has been removed from the Standard Smelter List because it is no longer in operation.	Check against the Standard Smelter List and other resources (see resource slide).
Aliases	Supplier cannot find a smelter on the Smelter Reference List because they are using an unofficial alias.	Make sure to include the formal name as listed on the Smelter Reference List as the Standard Smelter Name.

Top 10 CMRT reporting errors (continued)

Reporting Error	Example	Suggested Correction
Holding Groups	Supplier lists a parent company and not the facility name (e.g. “H.C. Starck” instead of “H.C. Starck GmbH.”)	Identify the actual smelter name, not the parent or group company. The smelter drop down list in the CMRT only includes facility names. If you are not sure which facility your supplier is sourcing from, go back to the supplier and request clarification.
Country or Metal Errors	In the Smelter List Tab, supplier chooses the metal tantalum but the smelter listed only produces tin.	Check to ensure the metal corresponds with the smelter’s production using the Standard Smelter List.
Metals declared but no smelters listed	In the Smelter List Tab, supplier chooses a metal but does not list the smelter name.	ALWAYS list smelters for metals declared.
Smelter reported in the smelter list but the mineral is not declared	Supplier answers “No” for tin for questions 1 and 2, but lists tin smelters on the Smelter List Tab.	Check to ensure the smelter corresponds to a metal.

Validation schemes resources

Reported smelters should be compared to these lists for purpose of due diligence:

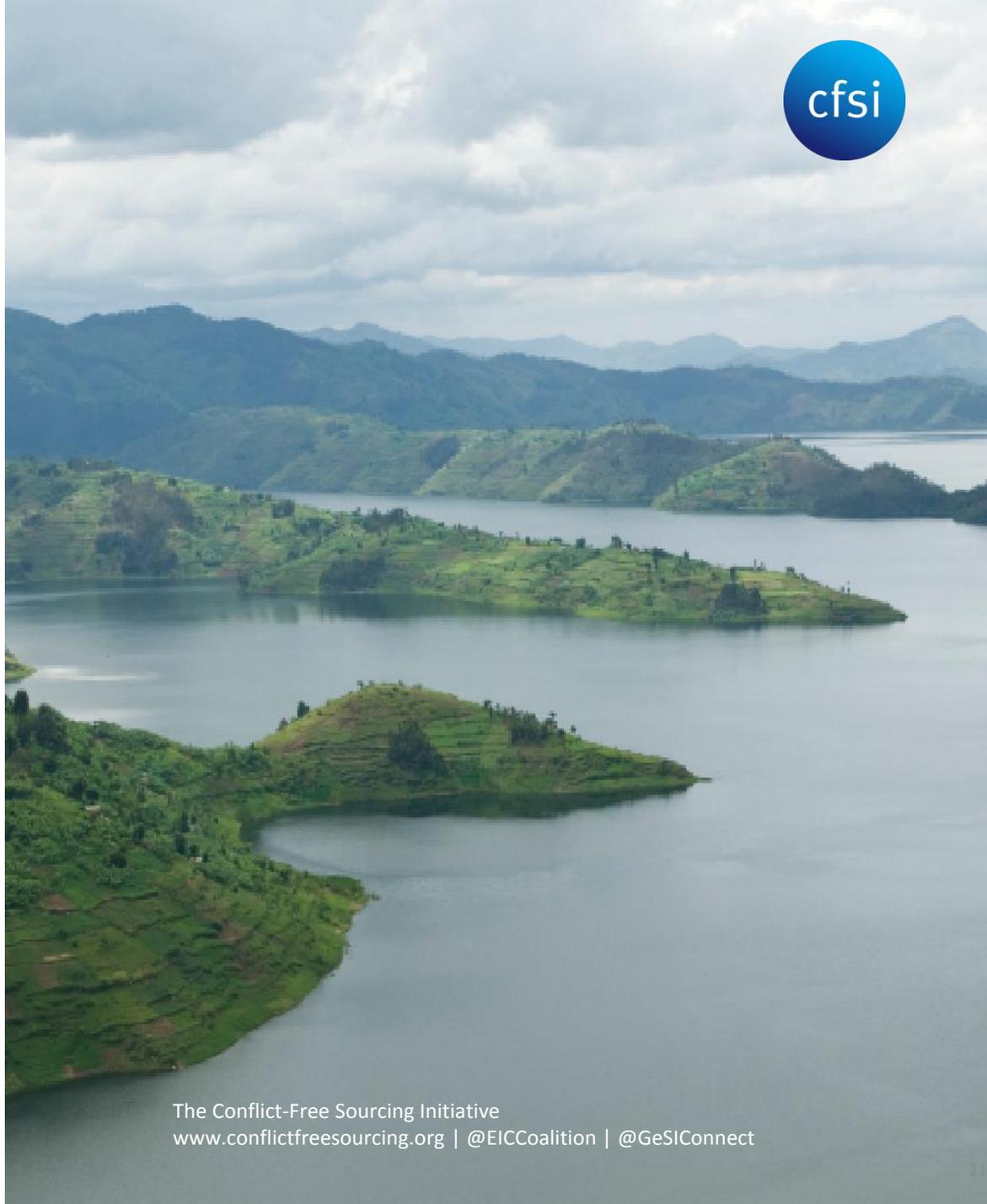
- **CFSI Masterlist*** = CFSP-compliant and active 3TG smelters / refiners, LBMA and RJC validated gold refiners:
 - <http://www.conflictreesourcing.org/conflict-free-smelter-refiner-lists/>
- **LBMA Accredited Good Delivery Refiners** = LBMA active and validated gold refiners :
 - <http://www.lbma.org.uk/Default.aspx?CCID=21993&FID=141296&ExcludeBoolFalse=True&ID=/refiners-gold-current>
- **Responsible Jewellery Council** = RJC active and validated gold refiners :
 - <http://www.responsiblejewellery.com/>
- **TI-CMC**** = General information on Tungsten smelters only:
 - <http://www.ti-cmc.org/>

*The CFSI cross-recognizes gold refiners who have passed their LBMA Responsible Gold audit or RJC Chain of Custody Audit and have agreed to be cross listed. Likewise, LBMA and RJC cross-recognize CFSP-accredited refiners.

**The CFSI recognizes TI-CMC members who have agreed to undergo a CFSP audit within 2 years of joining TI-CMC as “progressing towards CFSP validation.”



Aggregating data to prepare your own CMRT

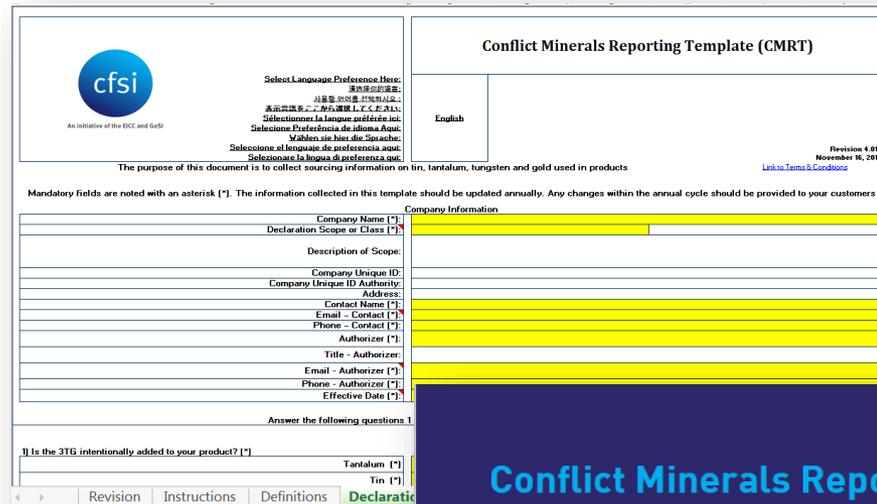


General tips

- The CMRT must be complete and accurate to the best of your ability.
- The CMRT is used to list smelters, not suppliers.
- When requested by a customer, fill out the form as accurately as possible.
- Do not submit a declaration of conflict-free sourcing to customers who request the use of the CMRT.

How data is collected through the Supply Chain

- Data is collected primarily through the Conflict Minerals Reporting Template
- A completion guide is available to help companies fill out the form



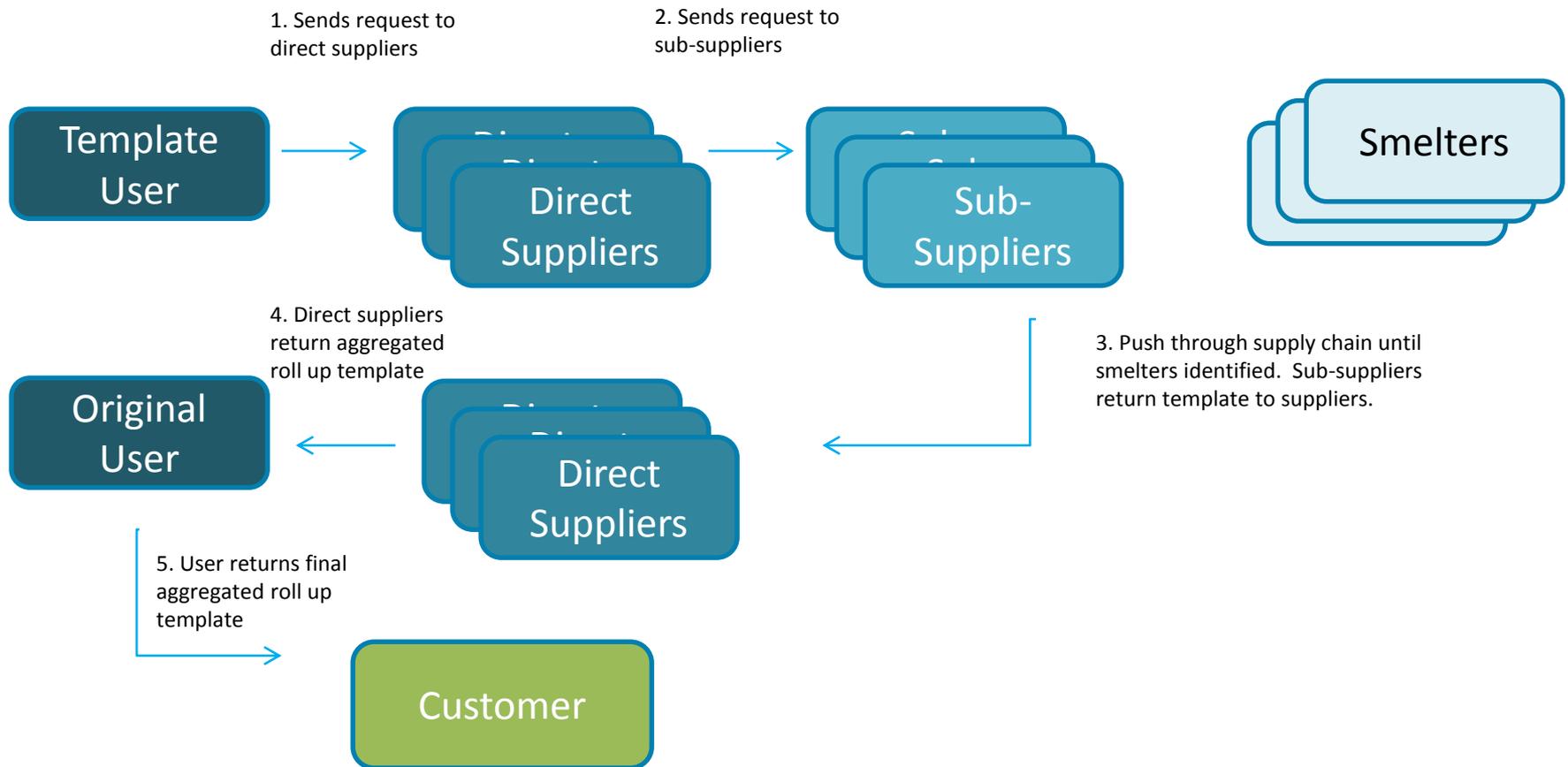
Conflict Minerals Reporting Template (CMRT)
COMPLETION GUIDE
 Revision 4.01b



An initiative of the EICC and GeSI

Both can be found at:
<http://www.conflictreesourcing.org/conflict-minerals-reporting-template/>

Flow of the CMRT in the Supply Chain



How to compile your own CMRT?

ALL SUPPLIER DATA HAS TO BE TAKEN INTO CONSIDERATION FOR YOUR OWN CMRT

Consider all responses in Declaration Page of Supplier CMRTs.

- Minerals reported (Q.1&2)
- DRC Origin (Q.3) – Respond “unknown” if you don’t know where smelters source from
- Recyclers (Q.4)

Double-check that responses are correct.

- Your own response rate (Q.5)
- Have you disclosed all smelters (Q.7)
- Q.A-J answers must correspond to your actual due diligence program (a “no” answer in Q.A-J is not “wrong”).

Smelter List

- Use the free aggregation software of the CFSI:
<http://www.conflictreesourcing.org/conflict-minerals-reporting-template/mrpro/>
- Remove all duplicates and errors
- If using a new version, make sure all smelter data is valid in the new template (new templates include an updated smelter reference list)
- Make a good faith effort to determine that all smelters and refiners are valid



NEVER REMOVE A SMELTER FROM YOUR CMRT IF IT IS STILL IN YOUR SUPPLY CHAIN



THANK YOU!

