



## Ensure your products meet U. S. Conflict Minerals Rules

### Industry Challenges

- A new SEC rule requires most U. S. manufacturers to annually report whether their products contain the minerals tantalum, tin, tantalum, and gold sourced from Conflict Countries.
- Without data linking parts with suppliers and smelters, companies cannot prove compliance.

### Sensitel VeriSupply

- Intelligent system that automates uploading of supply chain data
- Links supplier's GeSI surveys with brand owner's SKUs, BOMs, and parts.
- Publishes SEC disclosure report

### U.S. Issuers Face New Challenges

In August 2013, the U. S. Securities and Exchange Commission adopted a new form and rule pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to the use of conflict minerals—Tantalum, Tin, Tungsten, and Gold (often referred to as 3TG). The SEC Rule ('Rule'), effective November 1, 2013, requires issuers ("manufacturers") to disclose annually whether any products manufactured by them contain conflict minerals originated in the Democratic Republic of the Congo or any adjoining country which presently includes Angola, Burundi, Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia, together labeled "Covered Countries." Issuers have until May 31, 2014 to file initial disclosure report and annual disclosures.

### Implications of the Rule

The Rule affects not only issuers but also participants in an issuer's supply chain—component manufacturers, mining companies, and smelters—performing mineral extraction, regardless of whether they are public or nonpublic companies. These companies and their affected suppliers will likely incur significant compliance risks.

### Issuers' Requirements

An issuer needs to determine whether its:

- Manufactured products contain conflict minerals subject to the requirements of Dodd–Frank Section 1502;
- Necessary conflict minerals originated in the Covered Countries;
- Entire supply chain is free of conflict minerals.

Additionally, an issuer with necessary conflict minerals from Covered Countries that are not from recycled or scrap sources needs to conduct due diligence, and potentially provide a Conflict Minerals Report. These requirements trickle down to the issuer's customer who has to ensure the issuer has complied with the Rule to avoid possible penalties on their part. The entire process is shown in Figure 1.



Figure 1: Workflow for Conflict Minerals Compliance

### Issuers' Challenges

Issuers have many daunting challenges in meeting the requirements of the Rule:

- Validation, purification, and linkage of data on conflict minerals parts can be difficult.
- Smelters have varied levels of sophistication, which also can cause problems.
- Due-diligence requirements by researching the chain of custody for hundreds can be a massive undertaking for a company.
- Manual and semi-manual conflict minerals compliance processes could require significant staff and time. Moreover, it could be extremely difficult to do checks-and-balances on supplier input.
- Internal information needs to be constantly synchronized with public information.

Lack of a documented due diligence trail stands to have a significant revenue impact.

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## Sensitel's Solution: VeriSupply

The Conflict Minerals issue is often being interpreted purely as one of compliance with a U. S. law. However, the biggest challenge organizations face is supplier data collection and management. There is an enormous amount of ever-changing data, for instance, relevant products, bills of materials, approved suppliers, materials chemical content, smelter names and contact information, [EICC-GeSI](#) recognized and/or certified smelters. Collecting and managing all this data tends to be done today on separate Excel worksheets. This is prone to data-entry errors and difficult to link for both reporting and compliance strategy development purposes. End customer expectations are more stringent and extensive than compliance requirements. What is needed is not reporting, but being able to develop a strategy to move towards the goal of Conflict-Free Products.

There are many solutions addressing this problem, but most of them:

- Focus on just SEC reporting;
- Are literally pre-defined, providing supplier *document management*, not realizing what is also needed is deep *data management*;
- Were developed with little or no user input and are being marketed as SEC compliance tools.

## VeriSupply Differentiators

Sensitel offers VeriSupply, one of its flagship products, comprising an end-to-end workflow, software modules (Figure 2), and a robust data management platform (Figure 3) to help issuers comply with the Rule.



Figure 2: VeriSupply Modules for Compliance

## VeriSupply Features

- Intelligent system that automates uploading of supply chain data and automates anomaly detection.
- Free-form linkages across supply chain – Tier 1 to all the way down to the smelters and mining sources.
- Flexible and open system that can be expanded at will to execute your overall risk-management strategy and workflow.
- Accurate due-diligence by merging public data with your internal data to improve data quality.
- Physical tracking of a component and raw metal lots, providing for extensibility to Africa “bag and tag” programs.

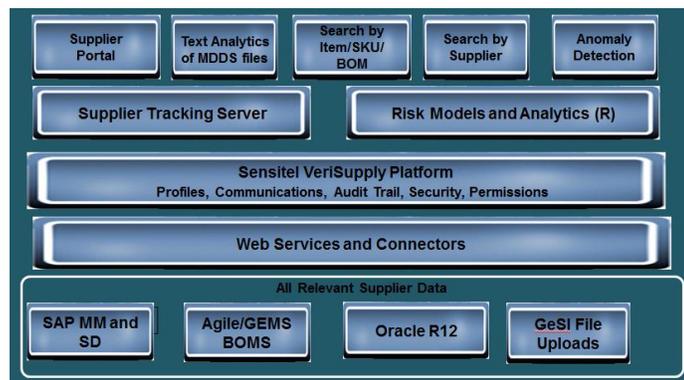


Figure 3: Sensitel VeriSupply Conflict Minerals Platform

VeriSupply has been developed with input from leading companies and addresses their needs; it is easily configurable and highly flexible.

*“VeriSupply met our recognized needs and was flexible enough to address several needs that we had not yet recognized.”* — Director Procurement for a Large Memory Supplier

We invite you to a risk free demonstration of VeriSupply for your Conflict Free Minerals needs.