Dodd-Frank Conflict Minerals:
SEC Rule Poses Challenges For Everyone

Dodd-Frank Conflict Minerals

The Securities and Exchange Commission (SEC) published final rules for Dodd-Frank Conflict Minerals (DFCM) on August 22, 2012. "Conflict minerals" are tantalum, tin, tungsten, and gold. These metals are used in electronics, jewelry, and many other products.

DFCM outlines steps that publicly-traded companies must take to determine if it applies to them, for what products, where they come from, and whether the mining could have benefited warlords in the Democratic Republic of Congo or neighboring countries.

Companies must make disclosures on a new form, and/or retain records for review. DFCM is effective for the 2013 calendar year for most companies where it applies.

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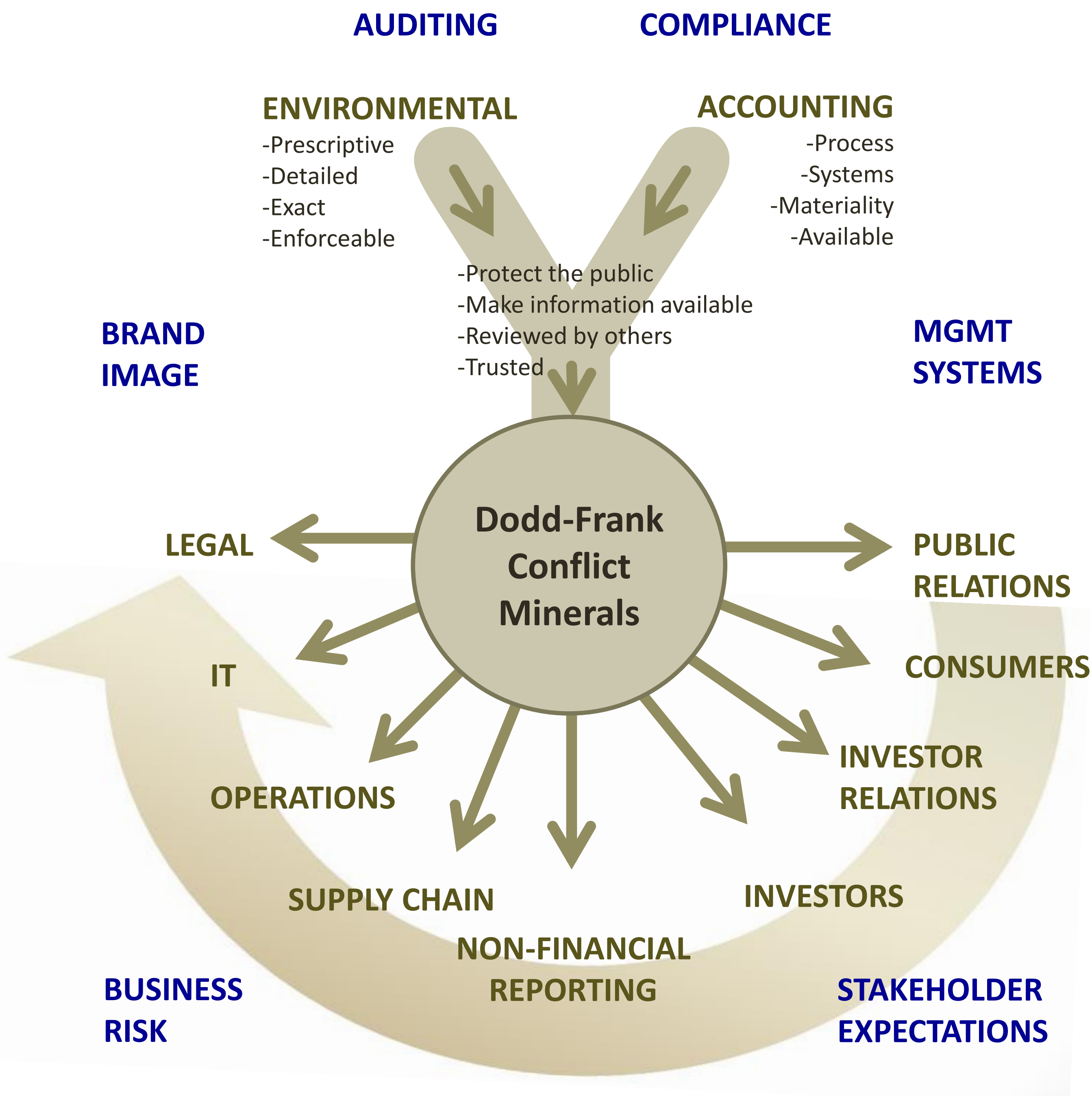
The Far Reaching Impact of Dodd-Frank



DFCM: Roles, Impacts, and Risks

Many functions will be affected by DFCM, and so should have a role in compliance efforts. As with other accounting rules, Environmental and Accounting/ Audit will likely work together. It will be essential to understand how these functions are similar – and different.

Dodd-Frank Conflict Minerals: Myths and Realities

DFCM is an important chapter in the trend for Sustainability groups to link social and environmental issues with financial reporting and disclosures.

Still, accounting rules are different from environmental regulations, safety regulations, or Sustainability reporting frameworks. The applicability, process, the number of steps required, disclosures, and recordkeeping will probably vary from company to company. So, too, will the necessary changes to contracts, product specifications, information management systems, and other functions.

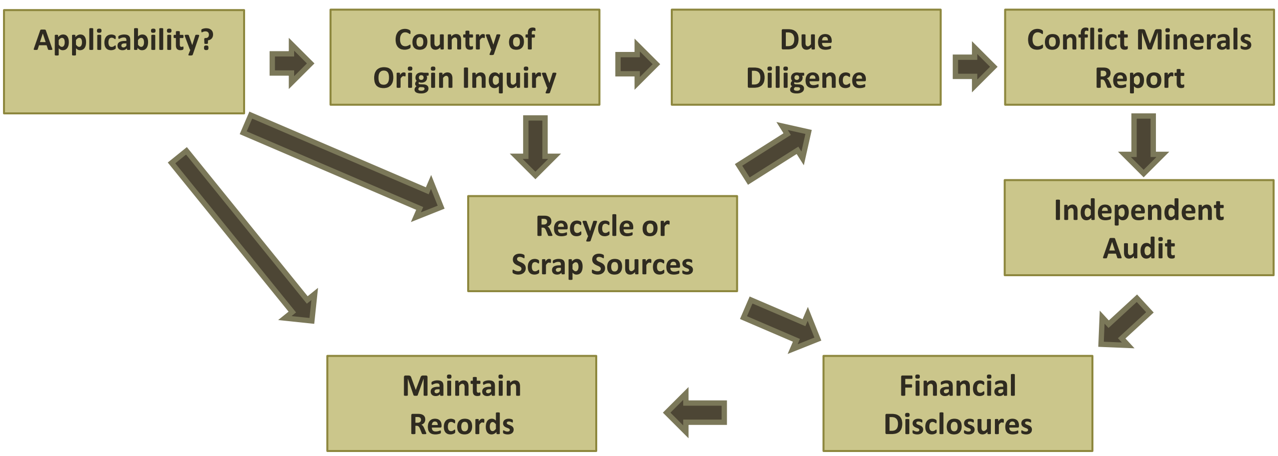
There are many myths about what it will take to comply with DFCM. Have you heard any of these?

Myth	Reality
Environmental, social & financial folks are finally on the same page.	DFCM is important to each, but there continue to be differences: •Environmental regulations tend to be prescriptive and exact. •Social standards seek equitable changes in the fabric of society. •Accounting rules emphasize process, materiality, support, and documentation.
Our supplier said "OK", so we're done.	Suppliers may use different systems, controls, criteria, or standards. A supplier may have different materiality to your company than it does for others. Your company may change specifications, or the supplier may change their operations.
That other group will take care of it.	Product components (including conflict minerals) touch many functional groups. Whoever is leading the DFCM effort – Legal, Accounting, or Supply Chain – cannot understand the perspectives, needs, and capabilities of other groups if they are not at the table.
The audit will make sure everything is fine.	Country of Origin Inquiry (COI) and the appropriate disclosures will suffice for many companies – no audit will be performed. Audits, when required, have a limited objective. Investors may want additional disclosures or assurance.
After we do this, we're done.	Similar information is requested via standard global Sustainability reporting frameworks, investor requests, proxy filings, and other means. Requests are likely to broaden to other geographies (Indonesia) and other minerals.

Dodd-Frank Conflict Minerals: What's Your Path?

DFCM will require different things of different companies. Companies may elect to apply DFCM compliance lessons to other minerals, other substances in the supply chain, other geographies, other stakeholder expectations, or other issues that pose business risk to the companies. Choosing your path for DFCM compliance is not easy, nor is it sufficient.

Experience with accounting rules, environmental regulations, social issues, enterprise risk management, and financial and non-financial reporting will help companies develop and implement DFCM programs more effectively and efficiently.



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Douglas Hileman, P.E., CPEA, CRMA has over 35 years of experience, and helps companies improve operations, compliance, external communications and reporting, and management systems. He worked nine years in industry (chemicals, energy), and over 25 years in consulting. During his six years at PricewaterhouseCoopers LLP, he supported dozens of financial audit procedures. He has worked with clients to develop and improve programs to comply with new accounting rules, and environmental and safety regulations. He has helped clients with Sustainability program development and reporting, stakeholder engagement, and supply chain reporting. He teaches business courses in the Sustainability certificate program at UCLA Extension. He is a member of the Professional Issues Committee of the Institute of Internal Auditors.

Next Steps: To discuss your Dodd-Frank Conflict mineral questions, or to discuss how companies have effectively used teams to comply with new accounting rules, call to set up an appointment.

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