Conflict Minerals Reporting

Year Two Summary

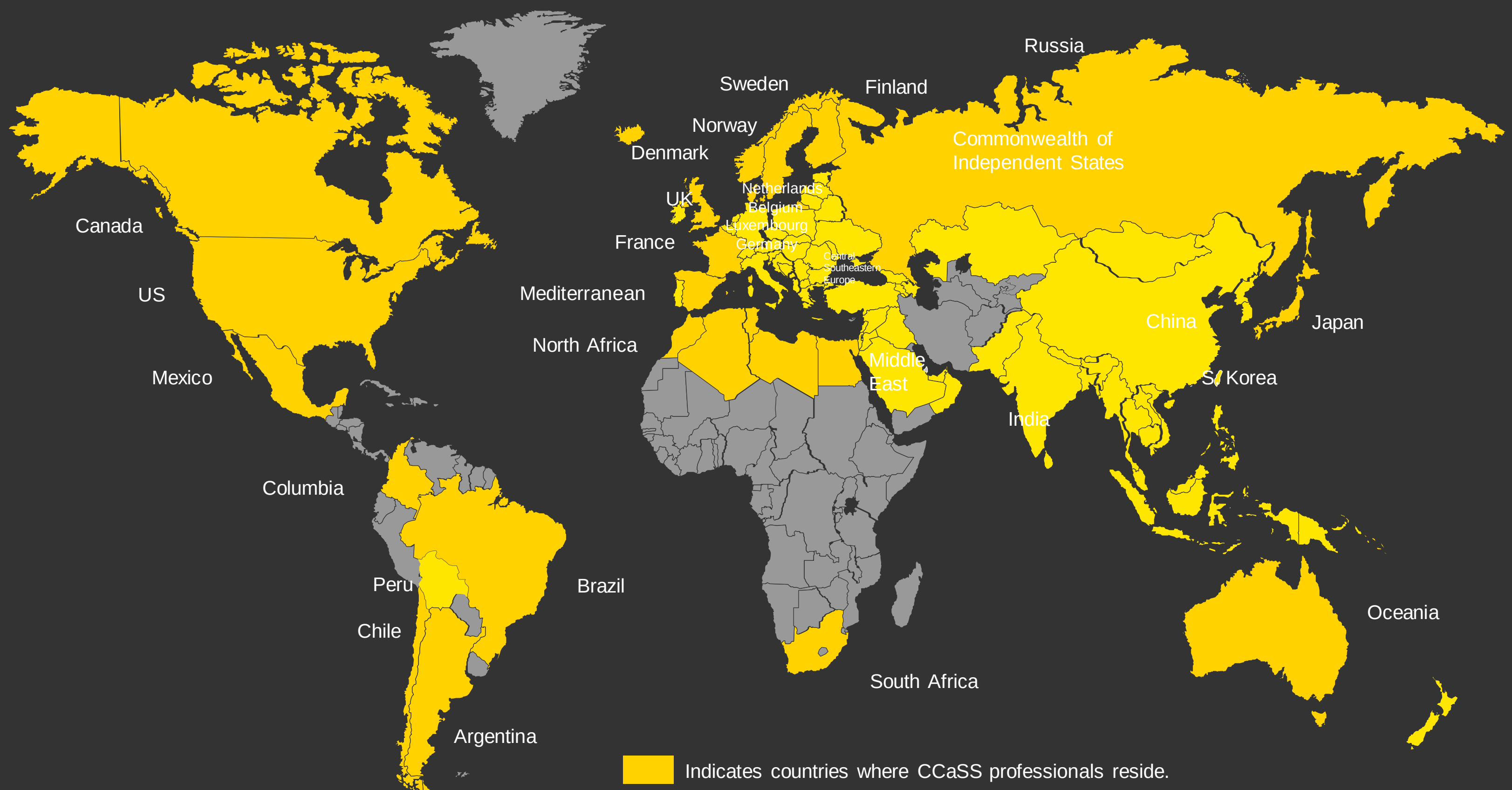
Yael Ostrowsky, Sustainability Services, EY Israel

November 2015

EY
Building a better working world

EY Climate Change and Sustainability Services
Who and where we are

- Globally integrated, multi-disciplinary network of more than 700 professionals in 25+ countries comprised of multi-disciplined environment and sustainability professionals with a deep understanding of business and environmental issues.
- The most **globally integrated** of the Big Four, leveraging our experiences and knowledge from servicing clients with similar business models.



Indicates countries where CCaSS professionals reside.

EY Approach to Climate Change and Sustainability

Sustainability Risks & Strategy

- **Sustainability strategy** establishment and propulsion
- Assessing a company's **social license to operate** and assistance with establishing a social license to operate strategy.

Sustainability Regulation & Standards

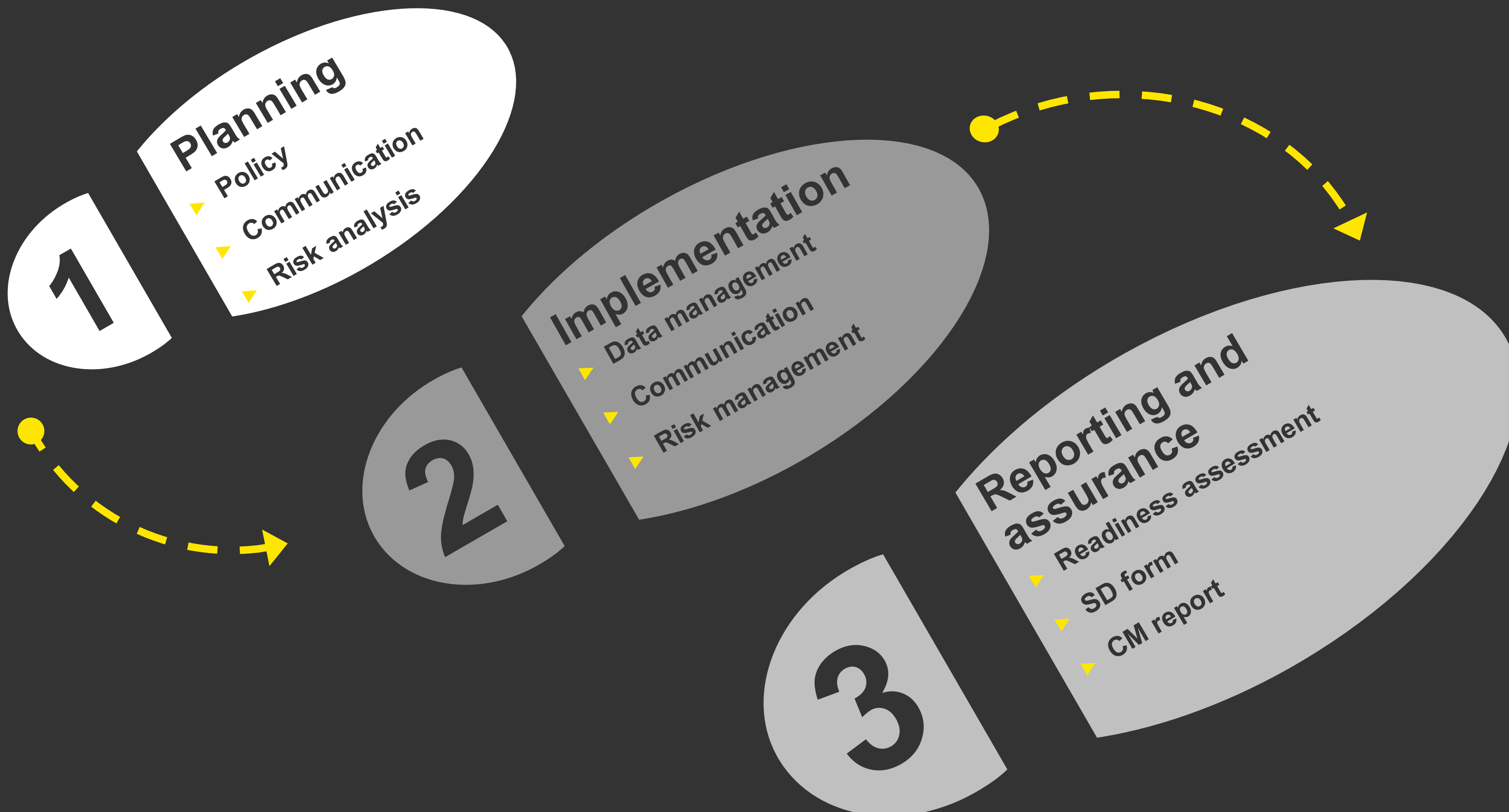
- Assisting with **reporting to CSR and carbon footprint reporting protocols**
- Escorting companies with their **Conflict Minerals** compliance process

Sustainable business solutions

- Sustainability **data management** solutions.
- Various **energy management** projects.
- Identifying relevant **innovative technologies**

Our Experience with Conflict Minerals

EY CCaSS team escorts most of the companies in the Israeli market with their conflict minerals compliance journey



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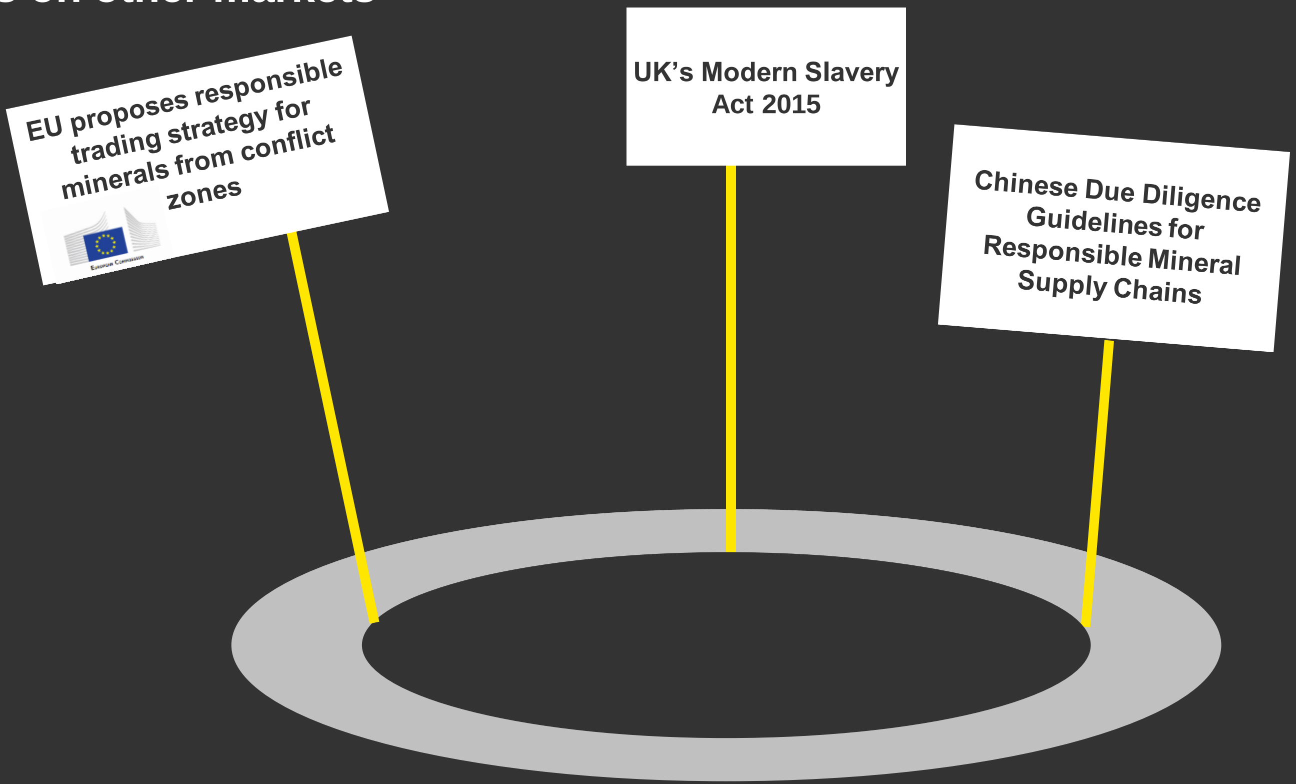
Why do we have to do something?

Conflict Minerals Rule
Legal implications and effects on other markets

Legal implications

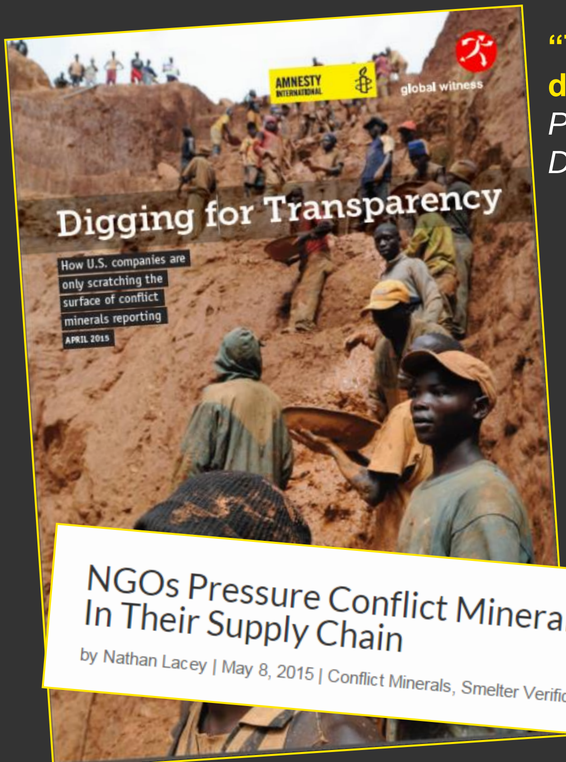
Compliance with the conflict minerals rule is required by the Exchange Act of 1934. Issuers are subject to Section 18 liability if they do not comply in good faith.

Effects on other markets



Conflict Minerals Rule
Increased NGOs attention

Increased NGOs attention and companies targeting



"The SEC should penalize companies that don't meet minimum requirements."
Patricia Jurewicz,
Director, Responsible Sourcing Network

STOP MAD MINING

enough

RESPONSIBLE sourcing network

Expectations for Companies' Conflict Minerals Reporting

By Darren Fenwick and Patricia Jurewicz

September 2013

CFCI
CONFLICT-FREE CAMPUS INITIATIVE

NGOs Pressure Conflict Minerals Filers to Identify Smelters In Their Supply Chain

by Nathan Lacey | May 8, 2015 | Conflict Minerals, Smelter Verification |

PETITION: Tackle the deadly trade in conflict minerals!

london mining network

"We would like to see that companies really are showing step by step exactly how they are adhering to the OECD guidance."
Carly Oboth,
Assistant Policy Advisor, Global Witness

Conflict Minerals Rule

Increased customers demands

Examples of requirements we encountered

- **Declaration in products level**
- **More frequent disclosure of information**
- **Prohibition of working with certain smelters**
- **Contact smelters to encourage them to join the CFSP**
- **Conflict free goal in a defined timeframe**

What we saw in RY2014?

CMR RY2014
By The Numbers

57

New Filers

$16 trillion

Combined market capitalization of filers

1,321 ➡ 1,266

Unique filers who submitted CMR

4.8 ➡ 6.4

CMR # of Pages

6

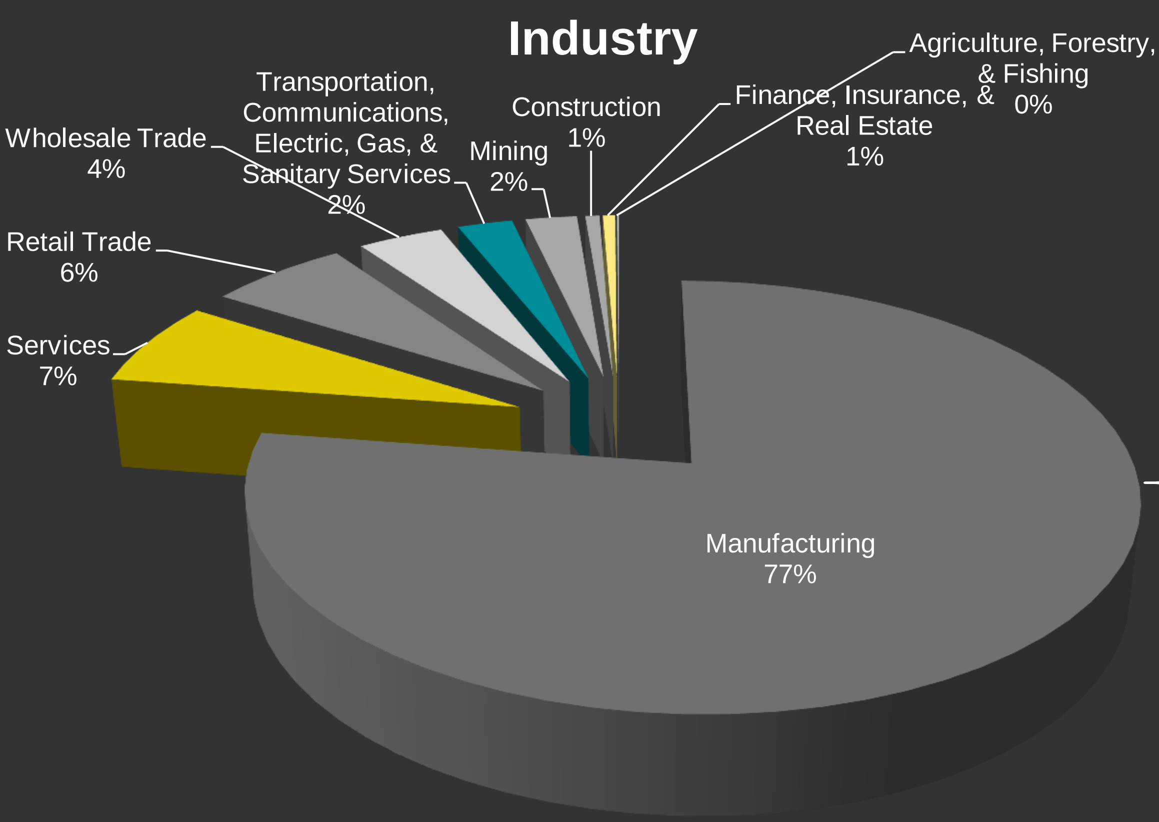
Companies(*) obtained an independent private sector audit (IPSA)

47%

Of filers disclosed a supplier response rate

(*) Advanced Semiconductor Engineering, AVX, Intel, Kemet, Philips, Signet

CMR RY2014
Filers Profile



Manufacturing Industry	%
Semiconductor & Related Devices	12%
Surgical & Medical Instruments & Apparatus	5%
Motor Vehicle Parts & Accessories	3%
Radio & TV Broadcasting & Communications Equipment	3%
Electrometrical & Electrotherapeutic Apparatus	3%
Pharmaceutical Preparations	2%
Telephone & Telegraph Apparatus	2%
Computer Communications Equipment	2%
Measuring & Controlling Devices, NEC	2%
Laboratory Analytical Instruments	2%
Printed Circuit Boards	2%
Other (self reported)	63%

CMR RY2014

Determinations and conclusions

Five determinations were used for RY2014:

1) Not Specified
2) "DRC Conflict Undeterminable"*, whether implicit (without determination labels) or explicit **65%**
3) "DRC Conflict Free", whether implicit (without determination labels) or explicit
4) "DRC Conflict Free" and "DRC Conflict Undeterminable", whether implicit (without determination labels) or explicit
5) Based on RCOI only: products do not contain necessary 3TG originating from Covered Countries

58%

Of filers chose not to use explicit determination labels

40

filers implied their products were DRC conflict free, but did not have an IPSA performed

CMR RY2014
Who and what?

Most companies with 3TG handle all **4 3TGs**

Average of **500 3TG relevant suppliers**

66% audited SORs in supply chain (average)

81% suppliers response rate (average)

82%

Of filers used Conflict Free Sourcing Initiative (CFSI) conflict mineral reporting template (CMRT)

64%

Of companies relied on the CFSI's SOR list

48%

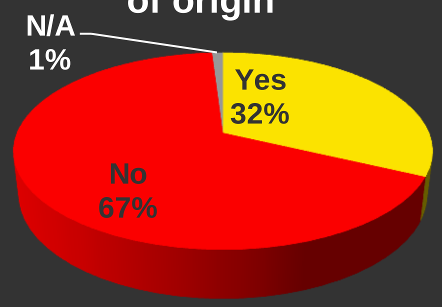
Required or expected their suppliers to source from conflict free audited/verified SOR

6 verification bodies were mentioned

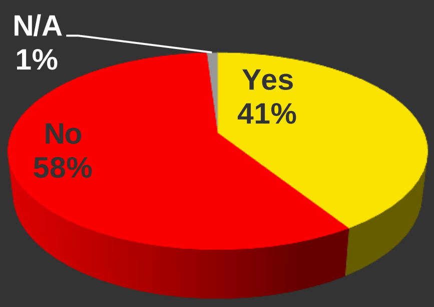
- Tungsten Industry-Conflict Minerals Council (TI-CMC)
- Conflict Free Tin Initiative (CFTI)
- iTSCi (ITRI Tin Supply Chain Initiative)
- London Bullion Market Association (LBMA)
- Responsible Jewellery Council (RJC)
- Conflict-Free Sourcing Initiative (CFSI)

CMR RY2014
What makes a good report?

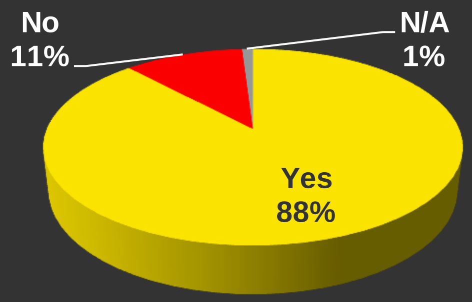
Identification of country/ies of origin



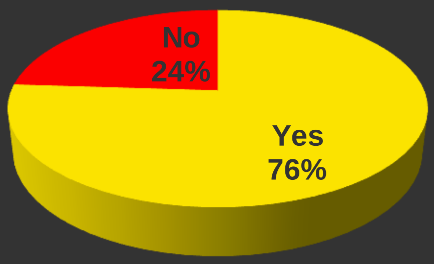
Identification of SOR names



Disclosure of efforts to determine the mine or location of origin



RCOI steps described separately from DD



- 9% of filers did not present a **conclusion statement**
- 5% of filers did not name **internationally recognized DD framework**
- 9% of filers did not name **steps to improve DD**
- 4% of filers did not **describe products**
- 8% of filers did not provide a working **URL to CMR on website**

What can we do to improve?

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How to improve your CM program

Suppliers Engagement

- Communicate your conflict mineral policy to your supplier and add it to your contracts
- Ensure you have a method to enforce your policy when suppliers are found to not be in compliance
- Send out Suppliers survey, use the most up-to-date CMRT and provide training or support

How to improve your CM program

Survey Responses Verification

1. Make sure that your supplier surveys were reviewed, complete and accurate
2. Follow up with suppliers that did not respond or did not provide adequate answers
3. Evaluate suppliers' due diligence process
4. Make sure that suppliers smelter lists appear to be accurate and appropriate
5. In your filing include your supplier response rate

How to improve your CM program

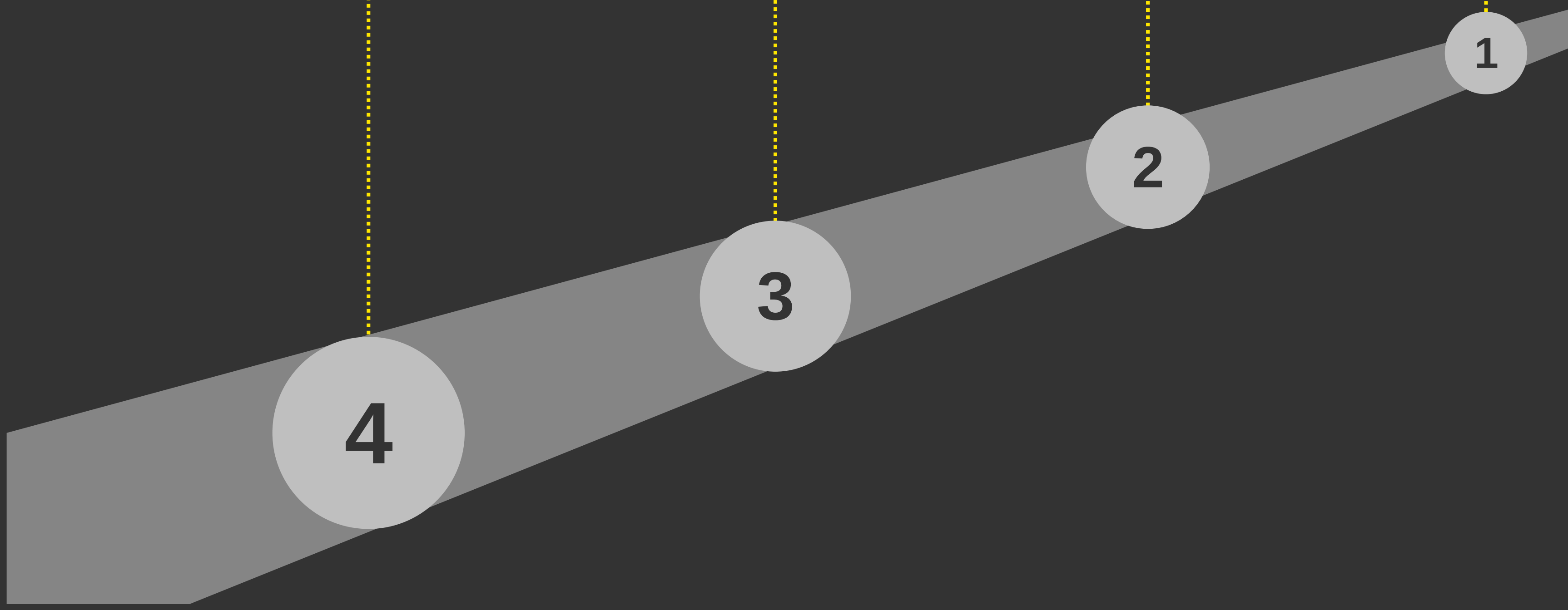
SOR (Towards Conflict Free)

Require suppliers to source from verified Conflict Free SORs

State the quantity of verified CF smelters

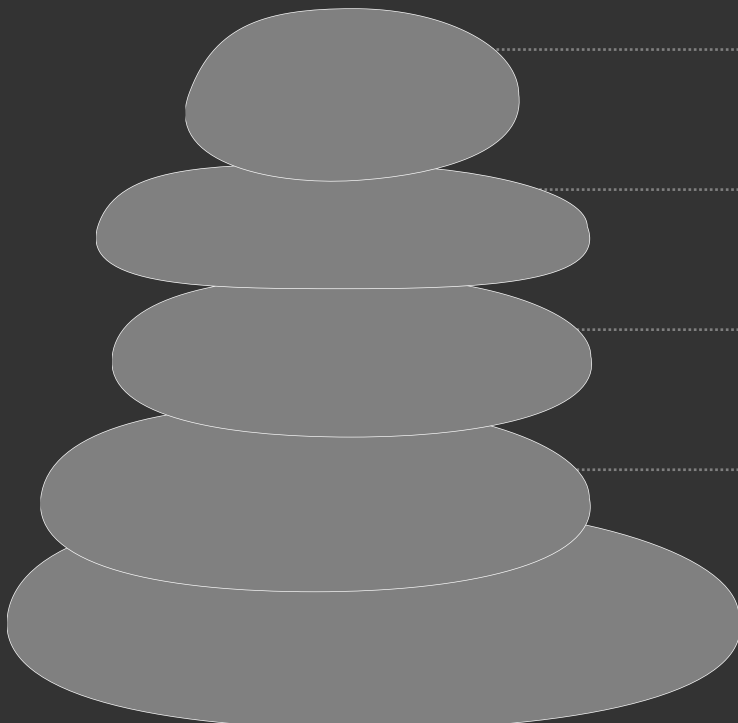
Use of publicly available lists to determine Conflict-Free certification

Engage smelters or refiners (membership in initiatives)



How to improve your CM program

Risk-Management



Describe your grievance system

Condcut your risk management process according to a well defined methodology

Involve upper management in the conflict mineral due diligence process and state it in the report

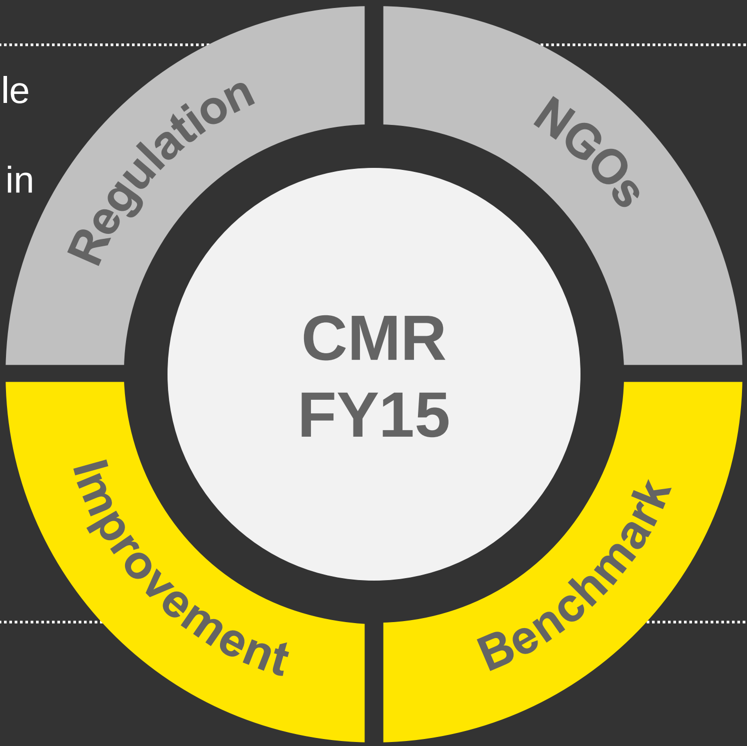
Be engageed in your 3rd party verification process

Make sure there is disclosed, company-wide conflict mineral policy, either describe the policy or include a link to it, within the CMR

Looking forward - What to expect and how to approach?

Stay updated with the CM rule litigation as well as development of similar rules in other markets

Be familiar with NGOs expectation



Follow up on your plans for improvement and establish plans for continuos improvement

Benchmark your report and improvement plans against your peer group

Thank you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