CONFLICT MINERALS: FREQUENTLY ASKED QUESTIONS FOR PUBLIC & PRIVATE COMPANIES OF ALL SIZES

BACKGROUND ON THE SEC CONFLICT MINERALS RULE

On August 22, 2012, the SEC approved a final rule implementing Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Conflict Minerals Rule") to require publicly traded US manufacturing companies (Issuers) to annually disclose a description their Conflict Minerals use and measures they took to exercise due diligence on the source and chain of custody of conflict minerals. In addition, a large number of private companies within Issuers' supply chains are likely to feel the pressures of reporting and due diligence as well.

The four Conflict Minerals are tin, tantalum, tungsten and gold (3TG) originating from the Democratic Republic of the Congo (DRC) and nine (9) adjoining countries. Some estimates suggest that at least half of all SEC Issuers are impacted by this rule. If the Issuer's conflict minerals originated in the covered countries and were not from recycled or scrap sources, regardless of whether the minerals financed or benefitted armed groups, the Issuers must obtain an independent private sector audit (IPSA) in accordance with generally accepted government auditing standards (GAGAS).

To achieve compliance, Issuers must ensure that their suppliers (Issuers and Non-Issuers) also implement and document their due diligence frameworks and processes based on OECD Guidelines. Compliance also requires accurately preparing a Conflict Minerals Report detailing the Issuer's Due Diligence Framework, and Reasonable Country of Origin Inquiry (RCOI) efforts, and Due Diligence outcomes.

SEC REQUIREMENTS FOR CONFLICT MINERALS REPORTING

SEC Requires Conflict Minerals Reporting on a new Form SD beginning May 31, 2014 for calendar year 2013, and every year thereafter. All publicly traded US manufacturing companies (Issuers) must report their use of Conflict Minerals to the SEC and post this report as well as IPSA results on their website.

If the Issuer is using Conflict Minerals from the Congo region, it must also obtain an independent third-party audit of its Conflict Minerals Report. The Conflict Minerals Report must be included in Form SD and made available for public scrutiny. If the supplier is non-compliant or is not found to be "DRC Conflict Free", it is recommended to work with the supplier to become DRC Conflict Free, or if still non-compliant, to suspend trade with the supplier. Issuers and non-Issuers alike must satisfy the SEC, the public and their customers that they are properly complying or risk losing business or facing penalties.

To Meet These Requirements Issuers Must:

- Put in place and document their adherence to reasonable OECD-recommended frameworks;
- Demand appropriate 3TG sourcing information from their suppliers;
- Ensure their supplier's data is correct.
- Obtain an Independent Private Sector Audit

THE CONFLICT MINERALS REPORTING CHALLENGES SUPPLIERS FACE

For suppliers that are no DRC Conflict Free, the OECD Guidance recommends that Issuers either:

1. Work with suppliers to measurably mitigate DRC Conflict Minerals risks,
2. Temporarily Suspend trade with suppliers while measurably mitigating DRC Conflict Minerals risks, or
3. Replace all suppliers who are not in DRC Conflict Free with suppliers that are.

The estimated 300,000 Non-Issuers, including private and non-US manufacturers who have Issuers downstream in their supply chain, must meet the challenge of supporting their customers who are Issuers. This challenge is multiplied the more layers exist between suppliers, smelters, and Issuers.

The Major Challenges To Achieving Compliance Are:

1. ***Lack Of Time:*** Issuers are demanding reports documenting compliance now;
2. ***Lack of Knowledge:*** The OECD Guidance describes objectives but lacks the specifics managers need. Since this is the first reporting year, there is limited industry knowledge.
3. ***Lack of Resources:*** Non-Issuers did not budget for the consulting expertise, IT support and additional management time required to achieve compliance.

CONFLICT MINERALS: FREQUENTLY ASKED QUESTIONS FOR PUBLIC & PRIVATE COMPANIES OF ALL SIZES

FREQUENTLY ASKED QUESTIONS REGARDING CONFLICT MINERALS

ProSidian monitors both the SEC and Industry for specifics and clarifications on the Conflict Minerals Rule. Although certain topics discussed in this publication have not yet been fully addressed by the SEC or the SEC staff, the following are Frequently Asked Questions Regarding Conflict Minerals. This list of frequently asked questions is a supplement to provide Thought Leadership on the SEC Conflict Minerals Rule for public and nonpublic companies in affected industries.

The information provided herein is preliminary and is subject to change. ProSidian Consulting will continue to monitor and interpret guidance provided by the SEC and the SEC staff as well as Industry Best Practices, and we will update the questions/responses as more information becomes available.

This list of common questions and answers (FAQ's) regarding is segmented into sections for:

- **STEP 1:** Scoping For Conflict Minerals Compliance
- **STEP 2:** Reasonable country of origin inquiry
- **STEP 3:** Due diligence, filings, and audit requirements
- **STEP 3:** Other Considerations For Conflict Minerals Compliance

KEY QUESTIONS ASKED REGARDING CONFLICT MINERALS

STEP 1: SCOPING FOR CONFLICT MINERALS COMPLIANCE

- 1Q1: Should we expect the scope of conflict minerals to be expanded in the future?
- 1Q2: I am a retailer; am I subject to Section 1502?
- 1Q3: Is the packaging of a product covered under the rule?
- 1Q4: Beyond tools and equipment as described in the rule, how does Section 1502 apply to products a company purchases for internal purposes, i.e., office supplies or network and computer equipment?
- 1Q5: What is the impact on investment funds holding physical gold?
- 1Q6: What is the timeline for reporting if I acquire a company or become an Issuer via an initial public offering?
- 1Q7: What is a smaller reporting company?
- 1Q8: Are there special rules for government contractors?
- 1Q9: How do the “outside the supply chain” rules work? Can we stockpile parts before January 31, 2013 without worrying about where the minerals are from?

STEP 2: REASONABLE COUNTRY OF ORIGIN INQUIRY

- 2Q1: If my supplier says all minerals originated from recycled or scrap materials, what should I do next?
- 2Q2: Who should sign the Form SD?
- 2Q3: Do you have to conduct your assessment on a product by product basis? Or can you conduct your assessment at a higher level (e.g., product line)?
- 2Q4: If we don't need representation from all suppliers for RCOI per the rules, how many representations do I need?
- 2Q5: Is there any provision in the rules if our suppliers will not provide the requested information?

STEP 3: DUE DILIGENCE, FILINGS, AND AUDIT REQUIREMENTS

- 3Q1: Can I just file as "undeterminable" and be compliant?
- 3Q2: Can I use another framework other than OECD for my due diligence procedures?
- 3Q3: Has any guidance been given to determine whether amounts paid to acquire 3TG from the DRC did or did not fund armed groups?
- 3Q4: Can we rely on a conflict-free smelter (CFS) certification or the EICC/GeSI CFS program?
- 3Q5: What is considered acceptable due diligence from an audit perspective?
- 3Q6: What is the difference between a performance audit and an attestation?
- 3Q7: What must the audit cover?
- 3Q8: Can the "performance audit" be conducted by the Internal Audit function?

STEP 4: OTHER CONSIDERATIONS FOR CONFLICT MINERALS COMPLIANCE

- 4Q1: What will be required of companies that are not in scope in order to evidence that the rule does not apply to them. What evidence are companies developing and retaining?
- 4Q2: What is the penalty for non-compliance?
- 4Q3: How long will it take my company to comply with Section 1502?
- 4Q4: Do similar rules exist in other countries?
- 4Q5: Our Company would like to become "conflict free". How long will it take us?

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Conflict Minerals: Frequently Asked Questions For Public & Private Companies of All Sizes

Answers To Key Questions Asked Regarding Conflict Minerals

STEP 1: Scoping For Conflict Minerals Compliance

STEP 1- Q1: Should we expect the scope of conflict minerals to be expanded in the future?
STEP 1- A1: The conflict minerals and covered countries in the rule align with those identified by the US State Department (available on the State Department website). If the State Department modifies its list of conflict minerals or covered countries, the Securities & Exchange Commission (SEC) rule automatically follows suit.

STEP 1- Q2: I am a retailer; am I subject to Section 1502?
STEP 1- A2: Retailers are not required to report on products they simply buy and resell. Should the retailer manufacture or contract to manufacture products, it must follow the process in the rule to determine whether it is subject to the requirements, and if so, the appropriate course of action.

To determine whether a retailer could be scoped in under the "contract to manufacture" concept, it must consider the degree of influence it exerts over the manufacture of the products it sells. The most sensitive area for retailers would likely be any private label brands. The Securities & Exchange Commission (SEC) views the level of influence an Issuer may have over its contract manufacturer on a sliding scale between "none" and "significant". However, there is no clear indicator as to what point on that scale an Issuer is within the scope of the rule.

The SEC was clear that a company that simply affixes its brand, marks, logo, or label to a generic product manufactured by a third party would generally not be considered to have contracted the manufacture of a product. The SEC subsequently clarified that etching or otherwise marking a generic product that is manufactured by a third party, with a logo, serial number, or other identifier is not considered to be "contracting to manufacture". However, beyond those rather straightforward examples, which clearly register at the "none" level on the influence scale, companies will need to assess the degree of influence they exert over the manufacture of the products they sell. It is important to note that an Issuer does not need to have substantial influence or control over the manufacturing of a product before the Issuer is considered to have contracted the manufacture of that product.

STEP 1- Q3: Is the packaging of a product covered under the rule?
STEP 1- A3: The Securities & Exchange Commission (SEC) staff clarified that packaging is not considered to be part of a product, even if it serves a purpose of keeping a product useable following purchase. The SEC noted that once the consumer starts to use a product, the packaging is generally discarded. Accordingly, packaging is out of scope, unless the packaging or containers are sold independent of the product itself (i.e., the packaging is also the company's product).

STEP 1- Q4: Beyond tools and equipment as described in the rule, how does Section 1502 apply to products a company purchases for internal purposes, i.e., office supplies or network and computer equipment?
STEP 1- A4: Supplies and equipment acquired for use for internal purposes are not within scope. The rule also excludes from scope physical tools or machines used to manufacture products. This concept extends to things like power lines used to provide electricity to the manufacturing floor, or computers used to design the product, which are indirectly used in manufacturing. In addition, the Securities & Exchange Commission (SEC) clarified that it does not consider an Issuer that only services, maintains, or repairs a product containing conflict minerals to be a "manufacturer" for purposes of this rule.

STEP 1- Q5: What is the impact on investment funds holding physical gold?
STEP 1- A5: Investment companies filing under the 1940 Act are specifically excluded from the scope of the rule.

STEP 1- Q6: What is the timeline for reporting if I acquire a company or become an Issuer via an initial public offering?
STEP 1- A6: A registrant may need additional time to gather the required conflict minerals information from companies recently acquired by the registrant. The rule allows an Issuer to delay the initial reporting period on the products manufactured by the acquired company until the end of the first calendar year that begins no sooner than eight months after the effective date of the acquisition, provided the acquired company did not have a conflict minerals reporting obligation prior to being acquired. So, for example, if a registrant acquired a company in September of 2013, the acquired company's products would not have to be covered by the registrant's Form SD until calendar year 2015. The Securities & Exchange Commission (SEC) clarified that Issuers should similarly start reporting for the first reporting calendar year that begins no sooner than eight months after the effective date of its initial public offering registration statement.

STEP 1- Q7: What is a smaller reporting company?
STEP 1- A7: A smaller reporting company is defined by the Securities & Exchange Commission (SEC) as a company with less than $75 million of public equity float or revenues less than $50 million, if float cannot be calculated. Smaller reporting companies are not exempt from this rule.

STEP 1- Q8: Are there special rules for government contractors?
STEP 1- A8: There are no special rules for any industry delineated in the final rule.

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STEP 1- Q9: How do the "outside the supply chain" rules work? Can we stockpile parts before January 31, 2013 without worrying about where the minerals are from?

STEP 1- A9: The rule indicates that any conflict minerals "outside the supply chain" prior to January 31, 2013 can be excluded from any assessment or reporting requirements. Conflict minerals are considered to be "outside the supply chain" if they have already been smelted or refined, or are located outside of the covered countries. So, conceivably, any materials purchased or inventoried before January 31, 2013, would be outside the scope of the rule.

STEP 2: REASONABLE COUNTRY OF ORIGIN INQUIRY

STEP 2- Q1: If my supplier says all minerals originated from recycled or scrap materials, what should I do next?

STEP 2- A1: In the event the Issuers reasonably believes that its conflict minerals came from recycled or scrap sources and, that Issuers would be required to file Form SD describing this conclusion and results of the reasonable country of origin inquiry performed, but would not be required to proceed to STEP 3 (due diligence). However, if the Issuers has any reason to believe that the conflict minerals may not have come from such sources (despite the supplier's assertions), the Issuers must proceed to STEP 3, perform due diligence and file a Conflict Minerals Report.

As part of their "good faith" inquiry process, companies should apply reasonable skepticism and judgment when assessing statements from suppliers and be aware of any red flags that could be counter indicative to the suppliers' statements, such as the pricing of materials, location of the supplier, purity/quality of materials used for products, etc.

STEP 2- Q2: Who should sign the Form SD?

STEP 2- A2: General Instruction F to Form SD provides that the report must be signed on behalf of the registrant by an executive officer. The form is not specific as to which executive officer should sign. In some cases, the person closest to the processes involving conflict minerals may not be an executive officer (such as the primary purchasing individual). In these instances, companies will need to identify another executive officer to sign the Form SD, and may consider getting a sub-certification from the person closest to the process. It is also important to note that the CEO and CFO certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act do not apply to Form SD.

STEP 2- Q3: Do you have to conduct your assessment on a product by product basis? Or can you conduct your assessment at a higher level (e.g., product line)?

STEP 2- A3: The scope of the rule extends to products where conflict minerals are necessary to the functionality or production of the product manufactured or contracted to be manufactured. Given the commonality of suppliers across most companies' supply base, companies may choose to do the assessment in the manner they deem most efficient. However, the scope of the rule extends to products, and companies should be prepared to report the results on a product-by-product basis.

STEP 2- Q4: If we don't need representation from all suppliers for RCOI per the rules, how many representations do I need?

STEP 2- A4: There is no simple answer to this question – it's a matter of judgment for each Issuer. The standards are focused on reasonable design and good faith effort. The rule provides high-level guidance indicating that the RCOI should include an understanding of the Issuer's supplier/sub-supplier population, a framework or process for evaluating responses from suppliers, and sufficient knowledge of the Issuer's supply chain to be able to identify potential red flags in suppliers' responses.

STEP 2- Q5: Is there any provision in the rules if our suppliers will not provide the requested information?

STEP 2- A5: The Securities & Exchange Commission (SEC) recognizes that this rule will require cooperation by a company's suppliers, and that no one can force cooperation onto supply chain participants. We believe the SEC recognized the challenge of gathering complete and accurate data from a large number of suppliers, and that's at least part of the reason that they emphasize the threshold for the Reasonable Country of Origin inquiry as being reasonable, not absolute.

Its likely companies may need to get creative, work with industry/trade organizations or use different tactics to encourage suppliers to provide the necessary data, which could include negotiating cooperation into contracts, or using their buying power leverage to force the issue. Smaller companies with less leverage may face greater difficulties. However, given the broad applicability of the rule, we expect that more suppliers will increase their awareness of the requirements and move toward compliance in this area.

STEP 3: DUE DILIGENCE, FILINGS, AND AUDIT REQUIREMENTS

STEP 3- Q1: Can I just file as "undeterminable" and be compliant?

STEP 3- A1: Some Issuers may not be able to readily determine the origin of their conflict minerals in the rule's initial years. Accordingly, for a temporary period of two years (four years for smaller reporting companies), the rule permits Issuers to describe products containing conflict minerals as "DRC conflict undeterminable". However, this determination can only be made after the Issuer exercises due diligence on the source and chain of custody of its conflict materials.

An Issuer that concludes that its conflict minerals are "DRC conflict undeterminable" during the temporary period must still include a Conflict Minerals Report as an exhibit to Form SD. In that report, the Issuer must describe the due diligence efforts it has undertaken; steps it has taken or will take, if any, since the prior calendar year to mitigate the risk that its conflict minerals benefit armed groups, including any steps to improve its due diligence; facilities used to process the conflict minerals, if known; and efforts to determine the mine or location of origin with the greatest possible specificity, if applicable. These disclosure requirements seem to preclude an Issuer from simply deciding to file as "undeterminable" without expending some level of due diligence effort.

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STEP 3- Q2: Can I use another framework other than OECD for my due diligence procedures?

STEP 3- A2: The rule requires that an Issuer's due diligence follow a nationally or internationally recognized due diligence framework. Presently, it appears that the only nationally or internationally recognized due diligence framework available is the due diligence guidance approved by the Organization for Economic Co-operation and Development ("OECD"). Some other countries or government bodies such as the European Union, Canada, and Australia, as well as certain states and municipalities in the U.S., have steps to address concerns about conflict minerals. Some of these are only in the proposal stage, while others have passed legislation.

However, no other country has passed a rule quite like the SEC's conflict minerals rule. The OECD's "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict- Affected and High-Risk Areas" satisfies this criteria, and is currently the only such recognized framework available for use. The OECD is an international organization with 34 member countries including the United States and is endorsed by the US State Department and the United Nations.

STEP 3- Q3: Has any guidance been given to determine whether amounts paid to acquire 3TG from the DRC did or did not fund armed groups?

STEP 3- A3: The SEC has not provided any guidance in this area. However, the OECD has issued due diligence guidance to outline procedures to properly identify and assess risks related to the "extraction, trading, handling and export of minerals from conflict-Affected and high-risk areas" in STEP 2 of the supplement on tin, tantalum, and tungsten, and similarly, the recommended procedures to assess gold in the gold supplement.

STEP 3- Q4: Can we rely on a conflict-free smelter certification or the CFS program?

STEP 3- A4: Conflict-free smelter certification programs are in their infancy. As they evolve, and they are subjected to additional scrutiny, the answer to this question will become clearer. However, at this point in time, both Issuers and their auditors should exercise professional skepticism and evaluation procedures when relying on such third party audits (such as the reputation of the firm performing the audit, the time period covered by the audit, etc.).

It should be noted that the Global e-Sustainability Initiative (GeSI) and the Electronic Industry Citizenship Coalition (EICC) announced an update to their Conflict-Free Smelter program. The voluntary initiative was expanded to incorporate new guidelines from the OECD framework for creating conflict-free supply chains. This update means that participating companies must not only implement the OECD guidelines, but conduct a third-party review of their supply chains to verify compliance with the guidelines. They also need to obtain documentation from smelters about the mines of origin for all materials supplied.

STEP 3- Q5: What is considered acceptable due diligence from an audit perspective?

STEP 3- A5: What is considered 'acceptable' will likely evolve over time as supply chain custody and reporting mechanisms mature. Given the recent release of the rule, there is not a lot of clarity yet about the SEC's expectations in this regard. However, at a minimum, Issuers will need to develop and document due diligence procedures customized to their particular facts and circumstances in order to make an assertion that is capable of being audited. It is also advised that Issuers obtain an independent private sector audit (IPSA) in accordance with generally accepted government auditing standards (GAGAS). The OECD guidance recommends eight (8) key steps to establish a due diligence program to prevent and detect sourcing of conflict minerals:

1. Establish strong company management systems
2. Identify and assess risk in the supply chain
3. Design and implement a strategy to respond to identified risk
4. Carry out independent 3rd party audit of the supply chain (e.g., audit high risk suppliers or smelters)
5. Put in place and document adherence to reasonable OECD-recommended procedures
6. Demand appropriate 3TG sourcing information from their suppliers
7. Ensure their supplier's data is correct.
8. Report on supply chain due diligence internally to management

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STEP 3- Q6: What is the difference between a performance audit and an attestation?

STEP 3- A6: The purpose of the IPSA is to express an opinion or conclusion as to (1) whether the design of the Issuers 's due diligence framework as set forth in the Conflict Minerals Report, with respect to the period covered by the report, is in conformity with, in all material respects, the criteria set forth in the nationally or internationally recognized due diligence framework used by the Issuers , and (2) whether the Issuers 's description of the due diligence measures it performed as set forth in the Conflict Minerals Report, with respect to the period covered by the report, is consistent with the due diligence process that the Issuers undertook.

In the eyes of the SEC, a performance audit and an attestation are equally suitable for purposes of complying with the rule's private sector audit requirement. And if properly designed, the procedures performed under an attestation and a performance audit would be similar. However, there are some differences, so each Issuer will need to decide for itself which option it prefers. As noted below, the objectives of the audits are the same, as defined by the SEC.

Attest opinions can generally only be performed by CPAs. Attestations have direct guidance as to what steps are required to be performed and what objectives need to be met. Additionally, attestations use a standard opinion format and language. An attest opinion would generally indicate whether or not the Issuer met the objectives – there is generally no "gray area".

A performance audit can be performed by anyone who meets the GAO certification and independence criteria. The audit is very "free-form" – i.e., the person performing it has to define the objectives, scope, methodology, etc. The performance audit report will vary from one service provider to another (and maybe even from company to company, regardless of service provider). The report is typically in narrative form and has to cover findings and conclusions, recommendations, summary views of responsible officials at the company under audit, and the nature of any confidential or sensitive information omitted from the report.

STEP 3- Q7: What must the audit cover?

STEP 3- A7: The rule states that the audit has two objectives: 1) to express an opinion or conclusion as to whether the design of the Issuer 's due diligence framework as set forth in the Conflict Minerals Report, with respect to the period covered by the report, is in conformity with, in all material respects, the criteria set forth in the nationally or internationally recognized due diligence framework used by the Issuer , and 2) whether the Issuer 's description of the due diligence measures it performed as set forth in the Conflict Minerals Report, with respect to the period covered by the report, is consistent with the due diligence process that the Issuer undertook. It is not required to cover the Issuer's ultimate conclusion about their products' DRC conflict status.

STEP 3- Q8: Can the "performance audit" be conducted by the Internal Audit function?

STEP 3- A8: The SEC rule says that the Conflict Minerals Report must be subject to an "independent, private sector audit". We believe that the SEC's inclusion of the words "independent" and "private sector" indicate that they would not expect an Internal Audit function to be the source of the audit report.

STEP 4: OTHER CONSIDERATIONS FOR CONFLICT MINERALS COMPLIANCE

STEP 4- Q1: What will be required of companies that are not in scope in order to evidence that the rule does not apply to them. What evidence are companies developing and retaining?

STEP 4- A1: The rule does not expressly require Issuers to retain reviewable business records related to their efforts, but it does say that "...maintenance of appropriate records may be useful in demonstrating compliance with the final rule, and may be required by any nationally or internationally recognized due diligence framework applied by an Issuer." Issuers may wish to document their thought process, and in some cases the legal basis, supporting their conclusion about application of the rule as part of their regular public-company compliance processes.

STEP 4- Q2: What is the penalty for non-compliance?

STEP 4- A2: Issuers contemplating non-compliance should speak with appropriate council and seek direct guidance from the SEC. However, at a high level, 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. Outside of the legal implications of not complying, Issuers may also face pressure from human rights activists, non-governmental organizations, consumer or other market forces to prove they are conflict free. Additionally, please note that failure to timely file a Conflict Minerals Report as an exhibit to Form SD may impact requirements for annual reports by publicly traded US manufacturing companies and other Issuers.

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STEP 4- Q3: How long will it take my company to comply with Section 1502?

STEP 4- A3: This will depend on the size and complexity of your organization's supply chain, as well as the current procurement processes in place. However, we anticipate that for most companies, initial compliance will take a significant amount of time.

Issuers should first focus on identifying which, if any, of their products may be subject to the rule. Once an Issuer determines it is in scope, it must begin to design a plan to perform its RCOI and due diligence procedures. We anticipate these initial compliance procedures to be substantial. In many cases, it could take several months to examine product lines, depending on complexity. Companies should be prepared to examine sub-tier suppliers as part of these procedures as well.

Compliance will likely require a cross-functional team which could include representatives from sales, purchasing/procurement, legal, senior management, customer service, engineering, investor relations, quality and environmental, health and safety functions.

Issuers will want to determine how to integrate and customize the OECD framework into their existing policies and procedures in these areas to facilitate information gathering. This integration is not just necessary for purposes of the reasonable country of origin inquiry and due diligence. The OECD framework itself requires the implementation of a formal management system. Sufficient time should also be allowed for a pre- Assurance assessment and audit procedures.

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STEP 4- Q4: Do similar rules exist in other countries?

STEP 4- A4: Improving transparency and reducing the risk of contributing to human rights abuses and conflicts are issues that have gained traction globally over the past few years. Some other countries or government bodies such as the European Union, Canada, and Australia, as well as certain states and municipalities in the U.S., have taken steps to address concerns about conflict minerals. Some of these are only in the proposal stage, while others have passed legislation. However, no other country has passed a rule quite like the SEC's conflict minerals rule.

The OECD's "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict- Affected and High-Risk Areas" satisfies this criteria, and is currently the only such recognized framework available for use. The OECD is an international organization with 34 member countries including the United States and is endorsed by the US State Department and the United Nations.

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STEP 4- Q5: Our company would like to become "conflict free". How long will it take us?

STEP 4- A5: The amount of time it would take a company to become "conflict free" varies by company. Factors impacting the amount of time would include the size of the supply chain, volume of conflict minerals being used, the cost, accessibility, availability and quality of alternate supply sources or materials, the stockpile of minerals already in the supply chain, and the company's commitment to the effort.

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ABOUT PROSIDIAN CONSULTING

ProSidian is a management and operations consulting firm with a reputation for its strong national practice spanning six solution areas including Risk Management, Energy & Sustainability, Compliance, Business Process, IT Effectiveness, and Talent Management. We help clients improve their operations. Launched by former Big 4 Management Consultants; our multidisciplinary teams bring together the talents of nearly 190 professionals nationally to complete a wide variety of engagements for private companies and government agencies of all sizes.

We employ an on-demand business model that combines the subject matter expertise of our engagement teams with the project management and quality oversight of our principals and practice leaders. ProSidian clients represent a broad spectrum of industries including Manufacturing, Banking & Financial Services, Consumer Products & Retail, Energy & Utilities, and Federal, State & Local Government Agencies.

Linking strategy to execution, we provide value to clients through tailored solutions based on industry leading practices. Our Services are deployed across the enterprise, target drivers of economic profit (growth, margin and efficiency), and are aligned at the intersections of assets, processes, policies and people delivering value.

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HOW PROSIDIAN CAN HELP YOU

In an ever-changing regulatory environment, we help ensure that you identify, manage, and control any existing and future regulatory risks. A proactive rather than a monitoring approach to regulation is now a full time strategic necessity. Our teams consist of experienced regulatory risk specialists, including ex-regulators, who not only know the rules, but have also implemented and assessed compliance against them.

For all organizations engaged in activities that come under the control of the SEC Conflict Minerals Rule and Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; ProSidian can help companies at every stage of their conflict minerals compliance efforts, including:

- ***CONFLICT MINERALS ASSESSMENT:*** Assess your current and future regulatory risk profile and impact of new regulations. Evaluate the design, implementation or operation of your organization's conflict minerals program against the requirements of Dodd-Frank Section 1502, OECD frameworks and leading practices.

- ***PROGRAM PLANNING:*** Jump-start conflict minerals compliance by scoping program requirements and defining a roadmap with details such as key steps, resource requirements, and timing.

- ***PROGRAM DESIGN & BUILD:*** Perform detailed design and development of a company's conflict minerals program. A pilot program may be used as part of this stage to refine approach. Conflict Minerals Compliance Policy Enhancements & GRC Reporting.

- ***IMPLEMENT & OPERATE:*** Implement and operate the conflict minerals program, including management and administration of the supplier reasonable country of origin inquiry (RCOI) and due diligence processes (with appropriate management oversight).

- ***CONFLICT MINERALS AUDIT:*** Provide an independent Performance Audit in accordance with generally accepted government auditing standards (GAGAS). Under GAGAS over the design and execution of the conflict minerals due diligence, either for an SEC registrant or for other organizations to provide to their customers.

- ***INDEPENDENT PRIVATE SECTOR AUDIT* (IPSA):** Effectiveness reviews of current compliance programs to strengthen governance and regulatory compliance to evaluate reasonable design and good faith effort on your business model.

- ***Due Diligence Reporting Software:*** ProSidian provides a leading OECD Guidance Due Diligence Reporting software service for manufacturers who must comply with the SEC's Conflict Minerals Rule.

For more information about our Conflict Minerals Compliance Services and other areas, visit www.ProSidian.com or contact us at: solutions @ ProSidian.com or +1-800-597-6904.

OUR SOLUTIONS INCLUDE: RISK MANAGEMENT | ENERGY & SUSTAINABILITY | COMPLIANCE | BUSINESS PROCESS | IT EFFECTIVENESS | TALENT MANAGEMENT

GSA Schedule Contract Holder Contract Number: GS-10F-0309Y

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