

Guide

Dig Deeper

How to Build a Conflict Minerals Program for Today's Risk Landscape

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Introduction

When the Dodd-Frank Wall Street Reform and Consumer Protection Act came into effect, it was designed to stem the flow of funds to armed groups in the Democratic Republic of the Congo (DRC). Companies sought to fulfill their obligations under the act by emailing their suppliers about conflict minerals and compiling responses into a spreadsheet. This approach was possible because companies faced far less public scrutiny, customer pressure, and investor awareness in 2012. Today their requirements are far more broad and their conflict minerals programs must adapt accordingly.

Public scrutiny has significantly outpaced regulatory efforts, specifically around cobalt, mica, lithium, and other materials we need for sustainable energy. The global geopolitical landscape is rife with conflict, meaning manufacturers must expand their focus beyond typical areas and be ready to pivot to respond to new disruptions. In short, compliance with conflict minerals regulations is no longer enough.

This guide examines conflict minerals rules, how requirements were met in the past, and why changing industry expectations necessitate broader, deeper due diligence. You'll learn how to go deeper into your supply chain to stay ahead of existing regulatory and market requirements, achieve greater supply chain insights, and alleviate the data burden on internal teams without expanding headcount.

What Are My Requirements?

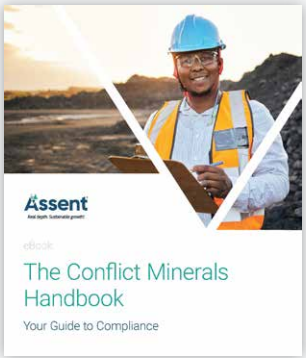
Regulatory requirements are only half of the challenge for manufacturers as most of the pressure for deeper due diligence comes from the market itself.

From Regulations

An in-depth look at conflict minerals requirements is available in Assent's eBook: The Conflict Minerals Handbook: Your Guide to Compliance, but we'll provide a quick recap here.

In the U.S., conflict minerals regulatory requirements are established in Section 1502 of the Dodd-Frank Act. It requires companies publicly traded in the U.S. to file annual reports with the U.S. Securities and Exchange Commission (SEC), called a Form SD. These reports disclose the use of conflict minerals — tin, tungsten, tantalum, and gold (3TGs) — in supply chains to determine if they are sourced from the DRC or adjoining countries.

Due diligence activities must be documented and reasonable efforts undertaken (and described in the report) to determine if such minerals were extracted through the use of forced or child labor and benefited arms groups in the region. These reports must be publicly available on each organization's website.



The Conflict Minerals Handbook: Your Guide to Compliance

Download eBook

In-scope companies face the following regulatory requirements:

- Examine their supply chain to identify if and where 3TGs are present
- Make reasonable efforts to identify the country of origin of 3TGs and/or if the minerals have been recycled or extracted from scrap
- Perform due diligence on the mines and smelters involved in the extraction and refining of 3TGs
- Draft and publish a Conflict Minerals Report before deadline

Companies importing 3TGs into the EU face similar requirements, as outlined in the **EU Conflict Minerals Regulation**.

From Customers

Public pressure from media, non-governmental organizations (NGOs), and consumers led to regulatory conflict minerals requirements. As scrutiny continued, NGOs and customers noticed companies that went beyond their minimum requirements, enhancing their brand reputation. Over time, the inherent business benefits of a demonstrably responsible supply chain led to industry conflict minerals expectations far more stringent than regulatory requirements.



Now companies are frequently expected to provide detailed due diligence information that:

- Goes beyond 3TGs
- Examines areas outside the DRC
- Is delivered on demand rather than annually
- Is auditable and provable

Emails and spreadsheets can't keep up with these expectations. Conflict minerals programs that have evolved to meet these standards are frequently called "responsible minerals" programs. These programs largely rely on solutions, such as Assent's, that use the latest technology and leading expertise to build robust and agile supply chain data programs.

It's important manufacturers choose the solution that's right for their business. Below, we'll discuss how to meet basic conflict minerals requirements, the risks of doing "just enough," and the benefits of expanding to a responsible minerals program with Assent.

How Do I Meet My Requirements?

Some fundamental processes are required to meet regulatory requirements, but first, companies must decide which approach works best for their business. Some organizations just want to focus on the existing requirements, while others want to look beyond current requirements to prepare for the additional sourcing risks they will face in the future.

The Checkbox Compliance Approach

To satisfy requirements with the fewest resources, companies can use the free Conflict Minerals Reporting Template (CMRT), developed by the Responsible Minerals Initiative (RMI). This template is a streamlined survey designed to gather pertinent country of origin information up to, but not including, the smelter.[1] Companies can email the CMRT to suppliers and collect completed templates in a ".xlsx" file or another spreadsheet format.

1 Responsible Minerals Initiative. (n.d.). *What Is the CMRT?* https://www.responsiblemineralsinitiative.org/about/faq/downstream/what-is-the-cmrt/#:~:text=The%20CMRT%20was%20designed%20for,and%20supports%20compliance%20to%20legislation.

Supplier submissions are then analyzed to determine if their products are:[2]

- DRC Conflict-Free
- Not DRC Conflict-Free
- DRC Conflict Undeterminable

Depending on the findings, companies must take steps to audit and report further. These basic steps can be done by an internal team using email and standard spreadsheet offerings or by certain third-party solutions that distribute and collect CMRTs on a client's behalf. While this approach can satisfy manufacturers' short-term needs, there are pitfalls.

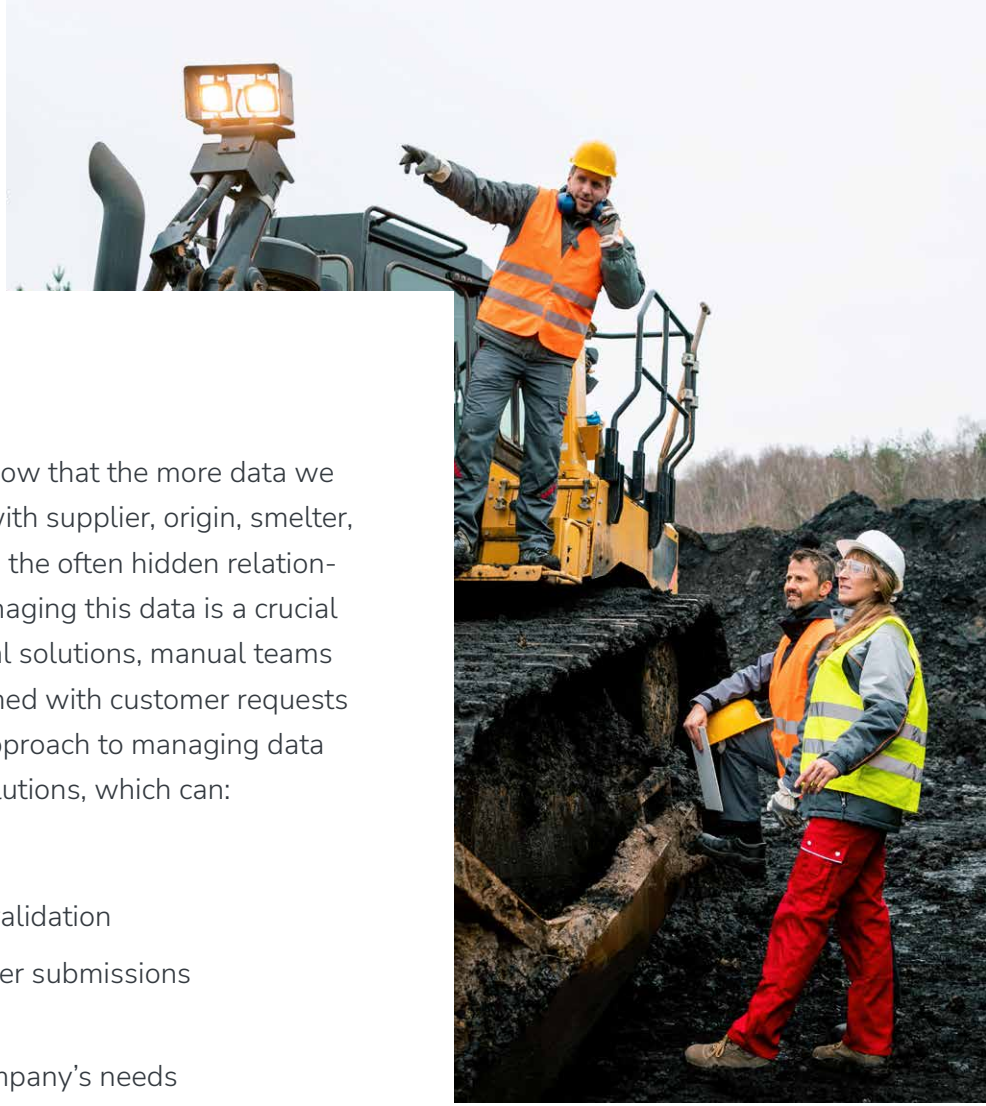


Why "Checkbox Compliance" Doesn't Work

The conflict minerals programs of the past decade aren't enough to meet current customer and industry expectations. Broadly, common pain points in responsible sourcing include:

- Large data management requirements
- Lack of transparency for smelters
- Surprise market disruptions (like the war in Ukraine or state-sponsored human rights violations)
- Customer and investor attention on environmental, social, and governance (ESG) metrics

2 U.S. Securities and Exchange Commission. (2017, March 14). *Fact Sheet Disclosing the Use of Conflict Minerals*. https://www.sec.gov/opa/Article/2012-2012-163htm---related-materials.html



Data Overload

When it comes to the supply chain, we know that the more data we have, the better decisions we make. But with supplier, origin, smelter, and mineral information — not to mention the often hidden relationships behind smelters and refiners — managing this data is a crucial puzzle to be solved. Without technological solutions, manual teams will have to grow or risk being overwhelmed with customer requests and supplier data. A typical "checkbox" approach to managing data won't leverage available technological solutions, which can:

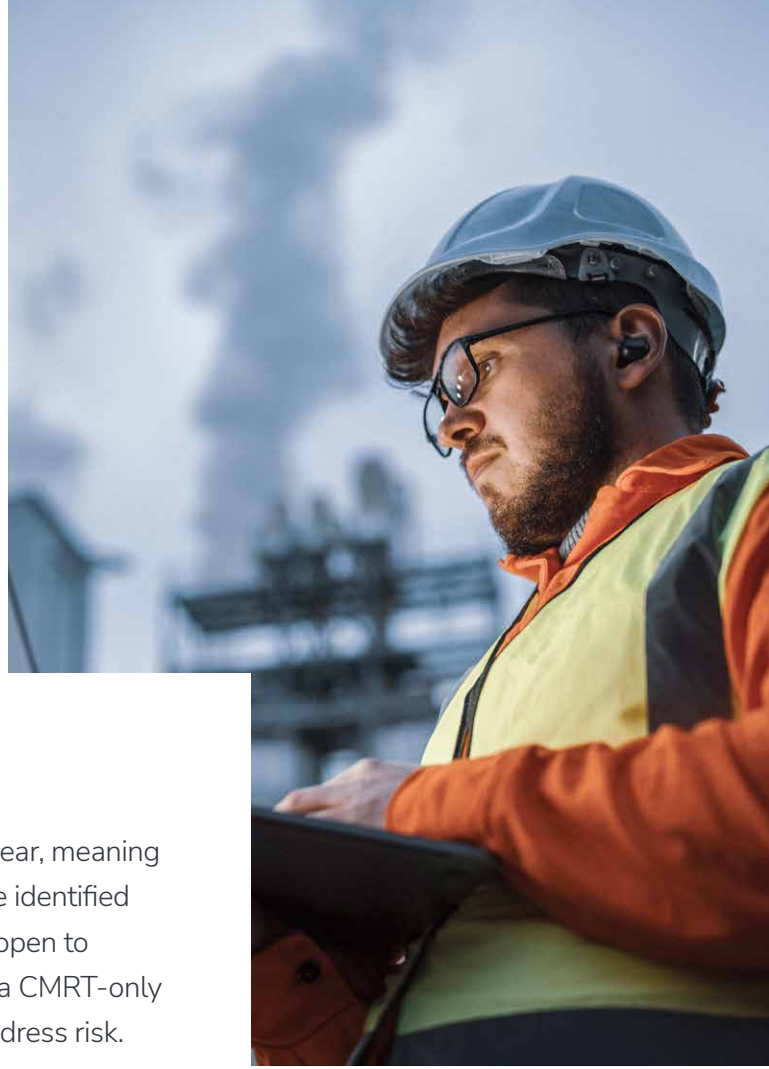
- Automate supplier engagement
- Provide machine-learning assisted validation
- Compile, store, and centralize supplier submissions across the enterprise
- Display risk statuses based on a company's needs

Done manually, these steps take longer, ultimately cost more, and are less reliable.

Beyond the volume of the data, the more complex a supply chain — whether it's the result of a large supplier base, extensive product catalog, or both — the harder it is to get meaningful data from the CMRT alone. Teams typically struggle to obtain significant supplier engagement. It's common to see response rates at 50 percent or below, and programs with more data gaps create more hidden risks.

On the other hand, if suppliers are responsive, collecting and analyzing the resulting large amounts of data can be hard for internal teams to manage, leading to lost time for other priorities and increased risk of human error. Like data gaps, mistakes also hide risks to companies.

Even then, a responsible minerals program that exclusively relies on CMRTs won't be enough to satisfy customer requests that go beyond 3TGs or other regulatory requirements, such as emerging sanctions, or new human rights laws like the Uyghur Forced Labor Prevention Act (UFLPA).



Reactive Responses

Conflict minerals programs report on the previous calendar year, meaning risk analysis is inherently reactive. When conflict minerals are identified in this way, they're already in your supply chain, leaving you open to reputational harm and subsequent business loss. Therefore, a CMRT-only response will never be able to look ahead and proactively address risk.

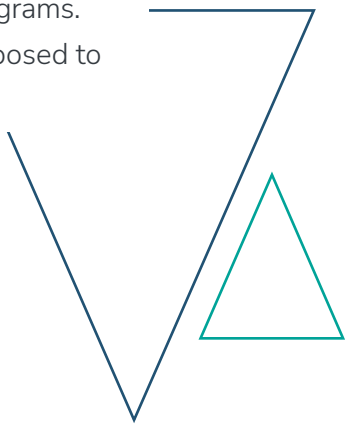
A reactive approach also loses a key competitive advantage of deeper proactive sourcing: the ability to respond to sudden changes in the market. For example, in 2022, Russia's invasion of Ukraine instigated a flurry of sanctions and legal actions against Russia, including Russian gold smelters.[3] From June 2022 onwards, new gold refined in Russia was prohibited from entering the supply chains of companies in the U.S., UK, Japan, and Canada.

3 U.S. Department of the Treasury. (2022, June 28). *U.S. Treasury Sanctions Nearly 100 Targets in Putin's War Machine*, Prohibits Russian Gold Imports. https://home.treasury.gov/news/press-releases/jy0838

The sudden ban had thousands of companies scrambling to identify where their gold — a crucial component for electronics, microchips, and more — was coming from to maintain business continuity. That type of due diligence requires reliable country of origin information, which is difficult to obtain from surface-level, supplier-provided CMRT submissions.

Similarly, also in June of 2022, the UFLPA came into force establishing the presumption that goods made, wholly or in part, with parts sourced from the Xinjiang region of China, are made with forced labor and as such prohibited from entering the U.S. Again, companies needed to quickly access country of origin information and provide convincing evidence their parts weren't originating from the region.

Neither Russia nor China would be traditional areas of focus for conflict minerals programs. As a result, a "checkbox" approach would struggle to identify which parts were exposed to risk from these regions and could have lasting implications for manufacturers.



Smelter Confusion

Several tools exist to assist companies in meeting conflict minerals requirements, but smelters — a crucial pinch point in responsible minerals programs — can be misidentified as high-risk if these tools aren't fully understood.

This is because smelter analysis typically relies heavily on the Responsible Minerals Audit Protocol (RMAP) status in which smelters are either "conformant" (and considered low risk) or "non-conformant" (and considered high risk).

This binary approach to risk evaluation ignores the reality of the RMAP process, which is involved and time-consuming. With only two statuses, a smelter that's almost done the process will have the same score as a smelter who failed it — at least until the smelter completes the process. Two clearly different risk profiles with the same risk status label.



Why does this matter? Original equipment manufacturers (OEMs) have the market power to demand their suppliers source from only RMAP conformant smelters, and many exercise this power in a misguided belief that it's the only way to ensure responsible supply chains. Changing smelters is logistically and legally onerous and is typically paid for by the supplier in question, not the OEM.

Automatic acceptance of requests like these isn't necessary. When equipped with data that goes beyond CMRT and RMAP status, a supplier can demonstrate to their customer the true risk profile of smelters in use. A number of factors can prove a lower real risk than is suggested by RMAP status alone, such as:

- Geographic location
- Audit status
- Sourcing risks
- Verifiable evidence from enhanced supplier screening

When viewed holistically, the true risk profile of a smelter can be determined and, if lower than previously anticipated, suppliers can advocate for keeping the smelter in the supply chain while providing their customers with evidence to support their conflict minerals reports. This avoids resource-intensive smelter switches and demonstrates a deep, proactive approach to responsible sourcing.



Extended Minerals & Expanded Scope

The shift to "greener" technology demands critical minerals, specifically cobalt, over 60 percent of which is sourced from the DRC. Many leading manufacturers have incorporated cobalt and other minerals traditionally sourced from conflict-affected regions, such as mica and lithium. Sourcing programs built only for 3TGs will be unable to meet the extended requirements and could lose lucrative contracts.

The expanded scope of conflict minerals requirements goes beyond minerals themselves. The EU maintains a list of conflict-affected and high-risk areas (CAHRAs) as part of the EU Conflict Minerals Regulation. This includes many other regions beyond the DRC and adjoining countries and is being adopted across industry as a benchmark for programs. In effect, this requires companies to roll out scoping capabilities to suppliers around the world, rather than only those located in the DRC.



Apple Ditches Mineral Suppliers

Apple Inc. has stated that cobalt and lithium are part of its responsible sourcing program and suppliers "unwilling or unable to meet Apple's requirements" will be terminated. In 2022, the company removed a dozen suppliers from its supply chain for failing to meet requirements.[4] The company says 163 smelters have been removed since 2009 for failing to meet Apple's sourcing standards.

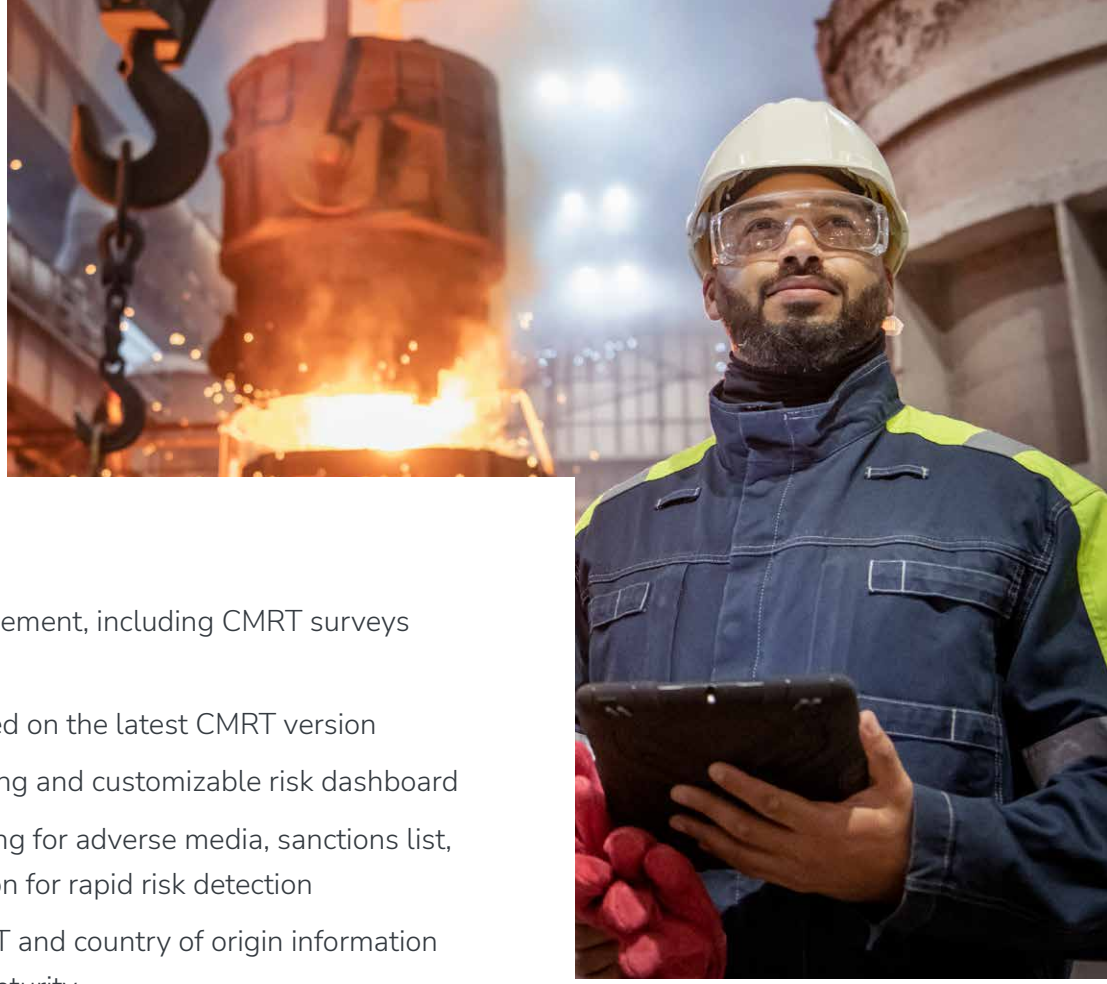
4 Apple. (2022, February 9). Form SD: *Apple 2021 Conflict Minerals Report.* https://www.apple.com/supplier-responsibility/pdf/Apple-Conflict-Minerals-Report.pdf

Building Resilient Programs

To summarize the challenges and risks detailed above, companies require more information now than ever before and require that information more quickly. To acquire and manage the large volume of information, typically hidden in the deepest reaches of a supply chain, companies must invest in responsible sourcing — but not all programs will be built for the new landscape.

Assent goes deeper than CMRT-only data and even compiles a risk profile beyond what on-the-ground audits are capable of. With the largest repository of CMRT data and its own country of origin library and smelter librarian, Assent helps manufacturers make better strategic decisions and respond to emerging risks quickly.





Key Features

- Automated supplier engagement, including CMRT surveys and outreach
- Automated validation based on the latest CMRT version
- Detailed supplier risk scoring and customizable risk dashboard
- Enhanced supplier screening for adverse media, sanctions list, and other public information for rapid risk detection
- Largest repository of CMRT and country of origin information for accelerated program maturity
- In-house smelter librarian to support emerging risks (such as those related to UFLPA, Russian sanctions, and others)
- Expert support in Conflict Minerals Report writing
- Supplier training in conflict minerals requirements

These features use existing, relevant minerals sourcing data and supplementary analysis of information suppliers don't provide to rapidly score suppliers for potential risks and can be used to determine exposure to unforeseen risks, such as those caused by geopolitical conflicts, sudden regulatory shifts, or supply chain disruption.

Assent Vs. Checkbox Compliance

Comparing Assent and the CMRT-centric approach typical of “checkbox” internal programs and many other third-party solutions shows the extended value of comprehensive supply chain sustainability management.

Building a responsible minerals program that goes beyond compliance and achieves the deep transparency necessary to respond to emerging risk requires expert support and leading-edge technology.

Built by Assent’s experts, including the author of the CMRT, Jared Connors, and used by hundreds of industry-leading manufacturers, Assent’s approach enables companies to:

- Respond to conflict minerals requests that go beyond the DRC and adjoining countries
- Provide deeper rationale for smelter risk scoring
- Rapidly screen suppliers to uncover unreported risks
- Identify emerging risks such as newly sanctioned entities and regions
- Integrate broader sourcing goals such as cobalt, mica, and lithium
- Educate suppliers to improve response rates and data quality

Capabilities	Assent	CMRT-Centric
Collects conflict minerals data	✕	✕
Smelter identification	✕	✕
Comprehensive smelter risk analysis	✕	
Media monitoring, sanctions list screening, and other risk screening	✕	
CMRT and country of origin database	✕	
Integration with extended minerals (cobalt, mica, lithium, etc.)	✕	
Supplier education and training	✕	

Learn More About Assent

With the conflict minerals landscape undergoing a dramatic shift toward deeper due diligence and broader scrutiny, manufacturers must be prepared to go beyond regulatory requirements to satisfy the customer and investor expectations.



Start building your resilient responsible minerals program today

Book a Demo

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