

Definitions and Frequently Asked Questions Conflict Mineral Reporting

Important Definitions

Conflict Mineral: A general term used in reference to tin, tantalum, tungsten or gold, regardless of where it is mined. The term stems from those minerals that, through illegal mining and trading, support armed conflict in the DRC or Covered Countries, and violate internationally recognized human rights. Conflict minerals initiatives aim to determine whether “conflict minerals” in a company’s products or manufacturing processes support armed conflict in the DRC or Covered Countries in any capacity. (Example: tin that originates from a mine in the U.S. is considered a conflict mineral).

3TG: This is used in the U.S. Securities and Exchange Commission (SEC) final rule as an abbreviation for tin, tantalum, tungsten and gold.

Covered Countries: Defined as: the Democratic Republic of the Congo (DRC) or an adjoining country. The term “adjoining country” is defined as a country that shares an internationally recognized border with the DRC, which presently includes Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.

CFSI CMRT: The Conflict-Free Sourcing Initiative (CFSI) Conflict Mineral Reporting Template (CMRT). This is an Excel-based form created by CFSI (an initiative of the Electronics Industry Citizenship Coalition and Global e-Sustainability Initiative). It is recognized as the industry-standard platform on which to exchange and report conflict mineral origins within a global supply chain, and the necessary data on mines and smelters. *HVCC will only accept this form.* CMRT version 4.0 (made available in April 2015) or higher will only be accepted in 2015. Additional information and the template are available at www.conflictreesourcing.org.

OECD Due Diligence Steps: The five-step framework referenced in the rules for managing minerals from conflict-affected and high-risk areas. For full detail, visit <http://www.oecd.org/daf/inv/mne/GuidanceEdition2.pdf>.

The five steps are:

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 risks
4. Carry out an independent, third-party audit of supply chain due diligence at identified points in the supply chain
 - a. Hint: this is covered in the “What is the Conflict Free Sourcing Initiative” referenced below
5. Report on supply chain due diligence
 - a. Hint: return the CFSI CMRT template

Frequently Asked Questions

What is Hanon Systems' policy regarding conflict minerals?

Hanon Systems' conflict mineral policy can be found on the company's website at www.hanonsystems.com under corporate responsibility and also on the supplier portal.

My company is not aware of any 3TG in our products. Do I need to complete a CFSI CMRT and send it to Hanon Systems?

Yes. By completing the CFSI CMRT, your company is demonstrating a necessary understanding of conflict minerals and associated reporting requirements to your customer. Companies that are 100 percent certain there are no 3TG in their supply chain (within products or manufacturing processes – i.e. catalysts) need only complete the top part of the form and the first two questions. A brief explanation also is needed as assurance how you arrived at this conclusion.

I do not buy any of my 3TG (tin, tantalum, tungsten and gold) from a smelter or refiner. Can I simply provide the name and location of my direct supplier?

No. This initiative requires confirmation through a reasonable country of origin inquiry (RCOI), performed in good faith, stating the minerals did not originate from the DRC or Covered Countries as defined by the U.S. Secretary of State.

Why do I need to implement the OECD due diligence steps in my company?

Hanon Systems' conflict mineral policy requires this standard be cascaded. The OECD framework is a recognized due diligence framework that facilitates a comprehensive process that will enable your company to create the necessary transparency throughout the supply chain.

What will Hanon Systems do with the data I provide?

Hanon Systems will use your data to satisfy any customer reporting obligations to the U.S. SEC and also to measure year-over-year improvements made by each supplier in terms of data quality and smelter accuracy. This creates transparency in the supply chain.

Why is there a focus on smelter quality in Hanon Systems' 2015 requirements?

A supply chain with conflict-free smelters can facilitate a conflict-free supply chain, which is the ultimate goal of CFSI. Through the eradication of smelters linked to conflict mineral issues, we can collectively map to a more responsible supply chain and help put an end to human rights abuses. A focus on smelters and mines is seen as an effective measure considering the complexity and multi-tier nature of the automotive supply chain.

What is the Conflict-Free Sourcing Program?

The CFSP facilitates audits to determine if a smelter is conflict free. By working through the CFSP, the supply chain is able to assess the activities, processes and systems used by the smelter to conclude whether it is audited as conflict free. AIAG has joined the Conflict Free Sourcing Initiative (CFSI) in support of its membership.

What is the Conflict Free Sourcing Initiative (CFSI)?

Formally known as the EICC-GeSI Extractives Work Group, the Conflict-Free Sourcing Initiative is the global leader for the responsible sourcing of minerals. It offers details on conflict-free smelters and provides frameworks and tools for gathering and reporting conflict mineral data. CFSI's Conflict-Free Smelter Program provides an audit service through which companies can have smelters and refiners validated as "conflict-free."

Is my company required to join the Conflict-Free Sourcing Initiative?

Your company is not required to become a member of the CFSI. However, Hanon Systems does strongly recommend you encourage supplier partners to promote cooperation with the Conflict-Free Smelter Program to help increase the supply of conflict-free minerals.

What if I determine my supplier is sourcing from the Democratic Republic of Congo or Covered Countries?

Sourcing from the DRC and Covered Countries is permitted, but it is imperative this information is shared when reporting. Hanon Systems will work with you on the steps needed to ensure these sources are conflict-free.