Conflict-Free Smelter Program (CFSP)
Supply Chain Transparency Smelter Audit Procedure for Tungsten
Conflict-Free Smelter Program (CFSP) ............................................................................................................. 1

Supply Chain Transparency Smelter Audit Procedure for Tungsten .................................................................. 1

I. FOREWORD ......................................................................................................................................................... 2

II. INTRODUCTION .................................................................................................................................................. 2

III. TERMS AND DEFINITIONS .......................................................................................................................... 3

IV. SCOPE ............................................................................................................................................................... 6

V. AUDITOR BACKGROUND AND RELATED INFORMATION ........................................................................... 7

VI. AUDIT PARTICIPANT RESPONSIBILITIES AND PREPARATION ............................................................... 8

   a. Auditee ................................................................................................................................................................. 8

   b. Auditee and Auditor .......................................................................................................................................... 9

   c. Auditor ............................................................................................................................................................ 11

VII. AUDIT PROCEDURE ....................................................................................................................................... 12

   a. Pre-audit ............................................................................................................................................................ 12

   b. Audit ............................................................................................................................................................... 12

   c. Cost Audit ....................................................................................................................................................... 14

VIII. AUDIT OUTCOMES ....................................................................................................................................... 15

IX. CORRECTIVE ACTION PLAN RESOLUTION ............................................................................................ 16

X. DISCLOSURE AND NON-DISCLOSURE AGREEMENTS ........................................................................ 17

XI. ANNEX 1 – VALIDATION PROCESS DETAILS ......................................................................................... 19

XII. REVISION HISTORY ...................................................................................................................................... 20

XIII. About the Conflict-Free Sourcing Initiative (CFSI) .................................................................................. 20
I. FOREWORD

This audit procedure and the related Conflict-Free Smelter Program (CFSP) Supply Chain Transparency Smelter Audit Protocol for Tungsten\(^1\), further here-in referred to as “tungsten audit protocol”, were developed to meet an emerging need for downstream companies to demonstrate reasonable country of origin and validate smelter procurement processes. This audit procedure and related tungsten audit protocol is a key component of the Conflict Free Smelter Program (CFSP). The CFSP, developed by the EICC and GeSI in 2010, is a voluntary initiative in which an independent third party audits smelter procurement and processing activities and determines if the smelter showed sufficient documentation to demonstrate with reasonable confidence the minerals they processed originated from conflict-free sources.

The first protocol for tantalum was published in 2010, and tin and tungsten protocols followed in 2011. In February 2013 a single, harmonized protocol representing tantalum, tin and tungsten was put in place (published December 2012). Most recently, the protocols were again separated with a version limited to tungsten. Tantalum, tin and gold are covered in separate audit procedures and protocols. As a result, this audit procedure will solely support the related tungsten audit protocol. In addition to EICC and GeSI members, other key stakeholders including the TI-CMC, smelters, metal industry associations, and non-governmental organizations took part in the development of this audit procedure.

This procedure will be reviewed annually by the CFSI in cooperation with the TI-CMC to ensure that the content continues to reasonably support the related tungsten audit protocol and conflict-free sourcing requirements set forth by law (i.e. Section 1502 of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act) and international expectations, such as the OECD Due Diligence Guidance for Responsible Supply Chains on Minerals from Conflict-Affected High-Risk Areas (OECD Guidance). Interim adjustments will be made, if driven by new findings or legislations, in conjunction with the TI-CMC and other key stakeholders.

II. INTRODUCTION

International guidance and US Law are setting expectations on supply chain due diligence and disclosure regarding "conflict minerals". This is to address the minerals that are one of the resources within the Democratic Republic of the Congo (DRC) that may be directly or indirectly financing or benefiting armed groups. This protocol was developed as a specific, practical means of validating the supply chains of wolframite and its derivatives at the smelter level, the point at which wolframite is converted into a ubiquitous metal containing product. If the materials in scope during the audit period, as well as accompanying procurement processes, can be validated at this level in the supply chain, then products made from materials coming from those validated smelters can also be considered to have validated DRC conflict free sourcing.

\(^1\) Conflict-Free Smelter Program (CFSP) Supply Chain Transparency Smelter Audit Protocol for Tungsten, Rev 15 November 2013 found at the CFSI program website http://www.conflictfreesmelter.org/cfsihome.htm
This audit procedure is to be used in conjunction with the tungsten audit protocol when conducting a CFSP audit at a participating tungsten refiner. This audit procedure summarizes how an auditor and auditee shall conduct the Conflict-Free Smelter Program (CFSP) compliance audit following the requirements outlined in the tungsten audit protocol to validate the participating company (auditee) has implemented the necessary company-level management program through the following methods:

- Demonstration of management commitment via a strong conflict minerals policy.
- Examination of the processes and systems used for sourcing to demonstrate the ability to support conflict free sourcing
- Line Item Summary and Mass Balance analysis to demonstrate the smelter’s ability to account for all inputs and outputs during the audit period
- Evaluation of materials within the audit scope to demonstrate the appropriate level of sourcing traceability and origin determination.

The third party auditing firms must conduct the audits in accordance with the requirements in ISO 19011. A reasonable approach to making determinations should be employed as identified in the OECD Guidance and the US SEC final rule.

III. TERMS AND DEFINITIONS

Artisanal and Small-Scale Mining (ASM): “formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labor intensive technology. “ASM” can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners.”

ARC: Audit Review Committee

Audit: an evaluation of a person, organization, system, process, enterprise, project or product

Audit period: The period of time covered by the Line Item Summary, typically one or three years.

---

Closing Inventory (declared): Closing inventory at the Line Item Summary end date based on normal inventory calculation and reporting processes of the smelter and declared by them. Inventory may be physical or calculated as appropriate for the business circumstances of the auditee.

Closing Inventory (calculated): Closing inventory at the Line Item Summary end date calculated by the auditor based on transactions reported over the audit period by the smelter.

CFSI: Conflict-Free Sourcing Initiative

CFSP: Conflict-Free Smelter Program

CoA: Certificate of Analysis

"Conflict Minerals": cassiterite, columbite-tantalite, gold, wolframite, or their derivatives, or any other minerals or their derivatives determined by the United States Secretary of State to be financing conflict in the Democratic Republic of the Congo or an adjoining country whether or not they actually financed or benefitted armed groups.

DRC conflict free: the products that do not contain minerals that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country

Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd Frank Act): A federal statute in the United States that was signed into law on July 21, 2010. Section 1502 added Section 13(p) to the Securities Exchange Act of 1934, which requires the Securities and Exchange Commission to promulgate rules requiring issuers with conflict minerals that are necessary to the functionality or production of a product manufactured by such person to disclose annually whether any of those materials originated in the Democratic Republic of the Congo or an adjoining country.

http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf

EICC: Electronic Industry Citizenship Coalition

GeSI: Global e-Sustainability Initiative

iTSCI: ITRI Tin Supply Chain Initiative

Level 1 Country (L1): Countries with known active ore production for tungsten that are not identified as conflict regions or plausible countries of smuggling or export of tungsten ore containing materials.

Level 2 Country (L2): Known or plausible countries for smuggling, export out of Level 3 countries, or transit of materials containing tungsten. This currently includes Kenya, Mozambique, and South Africa.

3 See Dodd Frank Act, Exchange Act Section 13(p)(1)(A)(ii) and Exchange Act Section 13(p)(1)(D)
Level 3 Country (L3): The Democratic Republic of the Congo (DRC) and its nine adjoining countries as outlined in Section 1502 of the Dodd Frank Act. These include Angola, Burundi, Central African Republic, DRC, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia. These are also commonly referred to as "covered countries"

Line Item Summary (LIS): A listing of all receipts, inventory and related documents in the audit period.

Mass balance (M/B): Method by which auditors will ensure the quantity of material received and in inventory during the audit period matches that expected from the transaction records, taking into account the possible error margin of inventory, stock, and loss estimation.

Opening Inventory (declared): Opening inventory at the start date of the LIS based on normal inventory calculation and reporting processes of the smelter and declared by them. Inventory may be physical or calculated as appropriate for the business circumstances of the auditee.


Origin: The location where the ore was mined, to the best detail possible. At a minimum the description must include the country, but province/state, city, mine site and mine name are further details that are helpful to locate the origin.

Outside the supply chain: Per the Dodd-Frank Act, this refers to conflict minerals that have been smelted or fully refined, or if they have not been smelted or fully refined, are outside the covered countries prior to January 31, 2013

Receipts: all material received during the audit period

Refining: process of purification of a (1) substance or a (2) form; The term is broad, and may include more drastic transformations, such as the reduction of ore to metal

RCOI: Reasonable Country of Origin Inquiry

Scheelite: a calcium tungstate mineral with the chemical formula CaWO4


References:
4 http://en.wikipedia.org/wiki/Refining
5 http://en.wikipedia.org/wiki/Scheelite
Secondary Materials: Commonly referred to as recycle/scrap. Recycled metals as defined by the OECD Guidance, and referenced by the U.S. Securities and Exchange Commission are 'reclaimed end-user or post-consumer products, or scrap processed metals created during product manufacturing including: excess, obsolete, defective, and scrap metal materials which contain refined or processed metals that are appropriate to recycle in the production of tungsten. As defined by the OECD Guidance, minerals partially processed, unprocessed, or a by-product from another ore (i.e. slags) are not recycled materials.

Supplying smelter: When an auditee receives tungsten containing material from another entity, the supplying smelter is the last point in the supply chain in which the material was processed. This could be other smelters or companies who generated secondary materials (i.e. an alloy manufacturer selling waste product to the auditee). Trading companies and other pass-through segments of the supply chain would not be considered supplying smelters.

TI-CMC: Tungsten Industry – Conflict Mineral Council; see http://www.ti-cmc.org/

Tolling: A transaction where materials are processed by a smelter on behalf of a client who retains ownership of the agreed to elements and/or volume of those materials. This includes a conversion of the overall makeup of the materials and not just the treatment or removal of specific undesirable elements (i.e. radioactivity, arsenic, etc.)

Total metal processed: Total metal content of the material processed by the smelter during the audit period

Wolframite: an iron manganese tungstate mineral with chemical formula (Fe,Mn)WO₄

IV. SCOPE

The audit period is defined as per the Line Item Summary (LIS). The end of the audit period is agreed between auditee and CFSP program manager. See the tungsten audit protocol for additional information relevant to defining the audit period.

Generally, materials delivered between the end of the audit period through the time of the audit will be validated during the subsequent audit period. The auditors may inquire on the status of such material while on-site as it pertains to differences noted between the LIS and actual circumstances.

Material purchases or receipts prior to the release of the tungsten audit protocol which cannot be validated as from conflict-free sources will be managed by exception and will require declaration that states further procurement from non-conforming sources will no longer occur.

---

http://en.wikipedia.org/wiki/Wolframite
V. AUDITOR BACKGROUND AND RELATED INFORMATION

Presently, three firms are qualified to complete smelter/refiner audits using the CFSP protocol. It is expected this number will increase as the program matures.

The CFSP’s current audit firms are:

1) Liz Mueller, Inc.: www.lizmuller.com
2) SGS: www.sgs.com
3) UL-STR: www.strquality.com/en-us/responsible-sourcing/Pages/default.aspx

The CFSP chooses auditors who meet the following qualifications:

1) The audit company meets and follows ISO 19011 audit program standards
2) The audit company have similar existing auditing supply-chain due diligence experience
3) The audit company is able to meet the audit expectations of the OECD Guidance audit process
4) The audit company is a global company, with personnel in key countries where tantalum, tin, or tungsten smelters or gold refineries are located, and has experience in evaluating procurement transaction records and traceability schemes

CFSP may use the following methods and/or individuals to train the CFSP auditors to the specific expectations of the CFSP and tungsten audit protocol:

• CFSP Supply Chain Transparency Smelter Audit Protocol authors
• The ARC or any ARC member(s)
• Industry association experts based on their knowledge of smelting/refining
• The audit firms are invited to participate in mock audits for each metal where a smelter/refiner has offered to host a mock audit
• Whistleblower information is provided to audit firms for use during audits while evaluating smelter/refiner documentation

The CFSP program manager selects the audit company to complete the CFSP compliance audit for the auditee based on auditor’s experience and availability and information from the auditee’s Pre-Audit Checklist. The CFSP program manager
will notify the smelter/refiner when an auditor has been selected and will provide the necessary auditor contact information. Once selected, that same auditor team will be used to audit all facilities for a particular smelter/refiner within a specific compliance year.

CFSP auditors will be funded by CFSI member company membership dues.

VI. AUDITOR BACKGROUND AND RELATED INFORMATION

The following section describes the responsibilities and preparation tasks for participants of a CFSP compliance audit primarily focusing on the auditee and auditor. Auditee shall not offer or accept bribes or other means of obtaining undue or improper advantage. Within 24 hours of such an event, the auditors shall notify the CFSP program manager who will determine appropriate actions on a case-by-case basis.

A. Auditee

Provide the following items to the CFSP program manager according to the designated timelines. TI-CMC member companies must have active participation within 22 months else CFSP compliance cannot meet the completion requirements within allowed 2 year timeline.

- completed AECI (non-disclosure agreement) and Auditee Agreement within 60 days of start of the start of the on-site audit
- completed Pre-audit checklist to the CFSP program manager within 30 days of final execution of the AECI (non-disclosure agreement) and Auditee Agreement (as defined by final signatory).
- completed and provide the LIS to the CFSP program manager and auditor 14 days prior to the start of the on-site audit (see Section VI. B for further LIS preparation details)
- gather any documents, as per designated, to substantiate origin and chain of custody of W-bearing receipts in scope for the audit period

The auditee must disclose the following information on the LIS:

- A list of all tungsten materials delivered to the facility from beginning of audit period to end of audit. This should be an exhaustive list of all tungsten materials delivered to the facility including materials which has been delivered and are in storage but has not yet been received into the auditee’s management system. The auditee will provide a list of total estimated tungsten inventory at the beginning of audit period (one year prior to the time of the audit) and at the end of the audit period, including inline. Alternatively, the auditee may use the ending balance from their prior compliance audit as the beginning inventory for the current audit period.
The auditee will provide a detailed total tungsten sales and toll quantity covering the entire audit period. Commercially sensitive information with exception of the tonnages (and grades, if relevant) may be blanked out. The auditor will select one random monthly sales lots. The auditee will provide the specific sales receipts for that month. The auditor will sum up all sales receipts for that month and match them to the total sales quantity provided. It is noted that shipment dates are more relevant than sales dates; and the balance calculation should be undertaken with shipment documents whenever possible. The auditor will expand the scope to two additional random monthly sales lots if discrepancies are encountered while completing the original one month inquiry.

B. Auditee and Auditor

The auditee and auditor will use the following procedure to complete the LIS in preparation for the on-site compliance audit.

1) The auditee documents the “Category”, “Smelters Lot Numbers”, “Date Lot Received” and “Calculated WO3 Content” for non-secondary and secondary tungsten containing receipts for the audit period on the “Non-Secondary Receipts” and “Secondary Receipts” worksheets contained within the LIS, respectively. Receipts which remain in inventory will also be recorded on the “Non-Secondary Inventory” and “Secondary Inventory” worksheets contained within the LIS. The auditee then sends this “initial LIS” to the auditor for completion of the next step.

2) The auditor reviews the initial LIS provided by the auditee and identifies which receipts (aka line items) they wish to validate as part of the on-site compliance audit specified by the Procurement Documentation Validation Sampling Plan in the tungsten audit protocol by entering a “X” on the appropriate line item(s) in the column entitled “tick for spot check or if included in the complete check” on both the “Non-Secondary Receipts” and “Secondary Receipts” worksheets contained within the LIS. The auditor then returns the “semi-complete LIS” to the auditee for completion of the next step.

3) The auditee now prepares the “final LIS” by further documenting the “Description of Material Received”, “Net Weight on Smelter’s receiving documents”, “Moisture Content”, “Calculated dry net weight” and “Smelter’s Final Assay WO3 Content” for the line items contained on the “Non-Secondary Receipts” and “Secondary Receipts” within the LIS and identified by the auditor in Step 2 as line items which will be validated during the on-site audit. The auditee then returns this completed LIS to the auditor at least 14 days prior to the beginning of the on-site compliance audit.

4) During the on-site compliance audit, the auditee will provide all relevant documents for the line items the auditor has identified they wish to validate identified in Step #2.

5) In the event the auditor must validate additional line items as per the requirements specified in the Procurement Documentation Validation Sampling Plan of the audit protocol, the auditee will gather and provide any additional relevant documents to the auditor during the on-site audit.
The auditee may elect to complete the elements of both Steps 1 and 3 and therefore create a completed LIS in one rather than two separate steps. In such an event, the auditor will return to the auditee the completed LIS indicating the line items which they wish to validate as part of the on-site compliance audit at least 14 days prior to the start of the on-site compliance audit to allow the auditee sufficient time to prepare for the on-site compliance audit.

The auditee may disclose additional information in the LIS above the minimum requirements outlined in this section (such as sharing “Description of Material Received” for line items not already included in the on-site validation activities). It is at the discretion of the auditee and auditor to determine if auditor may have copies of the auditee’s evidence provided during the compliance audit.

C. Auditor

Auditor will prepare for the on-site audit by completing the following familiarizing themselves with the auditee prior to the visit, including but not limited by, by accessing the auditee’s website.

Auditor will use the following to complete the assessment

a) Audit Checklist (provided by the CFSP)
   • Checklist for implementing the audit
   • Audit Summary Results Template

b) Line Item Summary (provided by the auditee)
   • Line item for summarizing documentation for tungsten receipts according to the Procurement Documentation Validation Sampling Plan identified within the audit protocol.
   • Procurement documents presented by the auditee during the compliance audit
   • Auditee testimony provided during the compliance audit including explanation of procurement documents presented by the auditee during the compliance audit
   • OECD Guidance ‘On the Ground Assessment’ Summary Report and other supporting reports and documents (in case of supplies from the Covered Countries)

c) Procurement documents (provided by the auditee for on-site inspection by the auditor; copying and further dissemination on discretion of the auditee) as per the tungsten audit protocol

The relevant audit documents may be found on the CFSI website at www.conflictfreesmelter.org/smelterintroduction.htm

• Conflict-Free Smelter Program (CFSP) Supply Chain Transparency Smelter Audit Protocol for Tungsten
VII. AUDIT PROCEDURE

The following outlines the three-step process to complete a CFSP compliance audit.

A. Pre Audit

Before arriving to conduct the on-site CFSP audit, the auditee and auditor will prepare for that on-site audit following the guidelines designated below.

1) The auditee will provide a copy of its policy related to procurement of tungsten containing materials including but not limited to Supplier Code of Conduct Policy and Conflict Minerals Policy.

2) The auditee will prepare for the audit by completing the Line Item Summary (total amount on a tungsten oxide basis) for the audit period as specified in Section VI. The Line Item Summary is to have been completed and returned to the auditor 14 calendar days prior to the audit start date.

3) The auditor will, as per the tungsten audit protocol, identify the items in the LIS which will be validated during the on-site visit and communicate such to the auditee 14 days prior to the first day of the on-site audit or alternatively as specified by Section VI.

4) The auditee will prepare necessary documentation as per the audit protocol to
   a. validate the existence and implementation of a conflict free sourcing policy
   b. completion of a mass balance exercise
   c. substantiate origin and chain of custody of items which the auditor has designated.

B. Audit

While on-site, the audit should be conducted following the guidelines designated below.
1) Opening meeting and Management Review:
The on-site audit will begin with an opening meeting with auditor and designated auditee personnel which serves to familiarize the participants with the necessary background information to successfully complete a CFSP compliance audit. The following items should be reviewed during the opening meeting.

   a. auditee company overview designed to teach the auditor about the company and facilities they will be auditing
   b. review the purpose, scope, and audit methodology with the facility management team
   c. identify key smelter personnel who will assist throughout the audit process
   d. Confirmation of the information provided by the auditee on the pre-audit checklist including
      i. Name of the auditee;
      ii. Location(s) of all smelter facilities;
      iii. Description of tungsten containing feed materials received during the audit period (e.g. wolframite, scheelite, hubnerite, ferberite, APT, AMT, tungsten oxide, legacy and other out-of-scope material such as that received from the DLA)
      iv. Tungsten products transferred to other locations
      v. Tungsten materials transferred between other company locations
      vi. Unit operations on site where tungsten materials are processed (in general terms).

2) Facility Tour:

   a. conduct an entire walkthrough, analyze the processes, storage, receiving and shipping including a physical inventory check of on-site and off-site storage warehouses
   b. The auditor will inspect all relevant areas of the smelter (including on-site and off-site warehouses) to determine if all lots of tungsten received/purchased inventory is accounted for/represented and if inventory exists which is not identified on the submitted documents. The auditor will note if any inventory that was not identified on the submitted documents should it be discovered during the warehouse inspection. The auditor will undertake a maximum 5 spot checks only, unless unaccounted or unidentifiable inventory is observed during these spot checks.

3) Documentation Review as per the audit protocol which will include
a. Auditor will review the smelter’s conflict minerals policy and its usage within management and procurement procedures and assess it against the relevant section of the tungsten audit protocol.

b. Conduct a mass balance review (including total material receipts, current inventory, and sales volumes). The auditor will use the information provided by the auditee in the LIS to conduct a total tungsten material balance for the audit period to determine if the reported receipts, inventories, losses and sales figures are in agreement against criteria from the relevant section of the tungsten audit protocol.


4) Closing meeting and Management Review:
The auditor and auditee will conduct a closing meeting to present the audit recommendations, findings and conclusions. Auditee will formally accept audit findings. Audit conclusion disputes should attempt to be resolved prior to auditor creating the audit summary.

B. Post Audit
Auditee and Auditor must provide the following after the audit period:

- As applicable, during a re-audit the material balance is recalculated including receipts and inventory change since the initial audit. The auditor will also verify that all non-compliant procurement was discontinued from suppliers deemed CFSP non-compliant on the prior audit.

- Within 14 days of the end of the on-site audit, the auditor will prepare an audit summary report for the auditee and provide a copy to both the auditee and the CFSP program manager. The auditor will also provide to the CFSP program manager any supporting documentation necessary to enable ARC’s review of the compliance conclusion including the audit report, line item summary and audit checklist. Auditee will formally accept audit findings.

- The CFSP program manager will provide the auditor’s summary report and any supporting documentations to the Audit Review Committee (ARC) for their review and analysis to the compliance expectations. Upon written request by the auditee to the CFSP program manager, the CFSP program manager will disclose the identity of all ARC members. The auditee may contest any ARC members’ participation in the ARC meeting where the compliance audit of the given auditee is discussed, if reasonable concerns of commercial confidentiality or conflict of interest exist, by making a written request to a CFSP program manager.
• The ARC will determine compliance based on testimony, information and conclusions provided by the auditor, as well as any exception decisions made by the ARC. All compliance determinations made by the ARC must be done by quorum determined by majority representation of all ARC members.

• With 28 calendar days of end of the on-site audit, compliance or non-compliance conclusions will be communicated by the CFSP program manager to the smelter.

VIII. AUDIT OUTCOMES

The audit will have five different potential outcomes at the conclusion of the audit review by the Audit Review Committee (ARC) and recommendations from the auditor:

1) Auditee has met all the compliance requirements identified within the audit protocol and adequate documentation is available and reasonably demonstrates the source of all tungsten-containing purchases/receipts within the audit period as being DRC conflict-free minerals.

The audit result will be compliant.

2) The auditee refuses to participate in the audit process or does not provide adequate information or access to facilities to complete the audit. Auditor should take reasonable means to resolve inadequate access while on-site by informing the auditee the repercussions of continued lack of auditor support. The auditor shall notify the Audit Review Committee in the event an audit cannot be completed due to the auditee’s refusal to participate or provide adequate facility access.

The audit result will be non-compliant.

3) There is insufficient documentation such that the ARC cannot reasonably substantiate the source of the tungsten-containing materials sampled during the audit period. The auditee does not agree to provide further information and is uncooperative and/or unwilling.

The audit result is non-compliant.

4) Finding of not DRC conflict free minerals or materials which cannot be validated as from a conflict-free source which are linked to Level 3 countries will lead to an overall non-compliance (subject to the final review by the CFSP Audit Review Committee). Material from a level 3 source, exported without an OECD guidance compliant scheme being utilized, was found in the auditee records. A risk exists they may constitute not-conflict free minerals (tungsten containing source from level 3 area which was reasonably believed to have been received or exported [as noted on export document] within the audit period).
The audit result will be non-compliant.

5) There is insufficient documentation to reasonably substantiate the source of tungsten-containing materials sampled during the audit period. The auditee agrees to provide additional information to address documentation deficiencies identified by the audit (see Corrective Action Plans). The additional information will be supplied to the auditors within 2 months. A follow-up assessment (as required by the auditor) will be completed within one additional month. The auditor will then determine if adequate information has been provided to reasonably substantiate the source of the tungsten containing materials.

The result is compliant if adequate documentation is provided (see ‘1’ above).

The result will be non-compliant if insufficient documentation remains after completing the Corrective Action Plan.

IX. CORRECTIVE ACTION PLAN RESOLUTION

Should an auditee be found to be non-compliant by outcome #5 above, then a Corrective Action Plan needs to be implemented and verified prior to being found compliant. Utilization of non-compliant material by the auditee without the approval of ARC may result in immediate non-compliance for the entire audit. The details of the improvement plan will be agreed to between the auditee, the CFSP and the Audit Review Committee (ARC).

The auditee’s Corrective Action Plan must contain the following elements:

1) Providing sufficient documentation to the auditor to reasonably substantiate the source of tungsten-containing materials sampled during the audit period if such information is available. The auditee may work with the supplier of the non-compliant material to obtain follow-up documentation as a means to further document/justify it to be conflict free.

2) Documented changes in the auditee’s purchasing policies to further ensure procurement of only conflict-free tungsten bearing materials. These changes must be implemented within a three-month period following the audit.

3) Disposition of any non-compliant tungsten material (inadequate documentation and reasonably identified to be not DRC conflict free mineral as per the tungsten audit protocol,) must be reviewed and approved by the ARC prior to taking any action. This material must remain in the as-received tungsten-containing material state as it was originally purchased by or provided in a tolling agreement to the auditee (or in semi- or final processed state, if applicable), as it is described in the LIS until the ARC and the auditee agree to a disposition plan. This will only apply to tungsten-containing material still residing at the auditee during the audit which is reasonably believed to be not-conflict free.
4) Upon the creation and approval of a disposition plan by the auditee and ARC, the auditee must provide any additional documentation (if available) to the auditor and ARC for validation and approval prior to consuming the non-compliant material as specified in the Corrective Action Plan and disposition plan. The non-compliant material must then be processed by the smelter and a re-audit performed during the Correction Action Plan.

5) A verification audit (re-audit) conducted by the initial auditor may be required to ensure the auditee has implemented the corrective actions identified in the Corrective Action Plan including the disposition of the non-compliant tungsten material and changes to purchasing policies. The re-audit (if applicable) will primarily focus on validation of all non-compliant items identified in the Corrective Action Plan, as well as new materials delivered since the initial audit to verify that any further procurement from suppliers deemed non-compliant on the prior audit now meets audit protocol documentation requirements. During the re-audit (if applicable) the material balance is recalculated including receipts and inventory change since the initial audit.

6) After reviewing information from the re-audit, the ARC will determine whether the auditee can be identified as compliant or whether additional actions are required. For example a more frequent audit schedule may be required for the future.

7) Any auditee that has a repeat non-compliance issue identified, or was unable to complete closure on open items within the three-month post audit Corrective Action Plan period will be deemed as non-compliant (subject to the final review by the CFSP Audit Review Committee mentioned in step 4) and will be exempted from participating in the CFSP for a period of six months.

X. DISCLOSURE AND NON-DISCLOSURE AGREEMENTS

Auditee’s found compliant to all requirements outlined in the Conflict-Free Smelter Program (CFSP) Supply Chain Transparency Smelter Audit Protocol for Tungsten will be identified as a Conflict-Free Smelter on the Compliant Tungsten Smelter list which is publicly available on the on the CFSI website. The following auditee information will be shared on the Compliant Tungsten Smelter list:

- compliant smelter company name and any related unique smelter identification (such as the smelter ID from the Conflict Minerals Reporting Template)
- facility address(es) audited as part of the CFSP compliant audit
- date when the auditee must complete their re-audit (“Valid until”)
- compliant smelter’s Conflict Minerals Sourcing Policy
CFSP will notify TI-CMC when a company has been removed from Compliant Tungsten Smelter list on the CFSI website.

The CFSI will share the following information with CFSI members:

- categorized country of origin information for each compliant smelter summarized as processing minerals from L1, L2, L3 countries (“L1”, “L2” “L3”), from the DRC (“DRC”), or processing solely recycle/scrap (“R/S”).
- aggregated country of origin information for all CFSP compliant smelters sourcing minerals from L3 countries

This country of origin information may be provided directly or posted for CFSI members to securely and confidentially access via the CFSI website. The detailed data collected during the audit will be made available only to the CFSP program managers and the Audit Review Committee (ARC) to compile anonymous aggregate information as needed.

The ARC will be primarily comprised of final OEMs (e.g. Apple, HP, Intel, etc.) as well as an academic representative. Any ARC member may not have a direct commercial relation with the auditee and if so, will abstain from the review and compliance determination of the given auditee. The auditee, and upon his request, a representative of TI-CMC are allowed to participate at the ARC review meeting of the auditee.

ARC members who have access to the detailed information are bound by NDAs with EICC, GeSI and/or the CFSI, to not share the audit details outside the ARC. The audit details will not be distributed outside of the CFSP program managers and ARC. Only in the case of an appeal by the auditee to the CFSP program manager might any relevant portions of the audit details be provided beyond the CFSP program manager(s) and ARC, however these being parties agreed by the auditee.

NDAs will be implemented separately between the auditor, the ARC and the individual auditee if that need arises during the appeal.

**ANNEX 1 - VALIDATION PROCESS DETAILS**

The following is further explanation pertaining to how the auditor will validate material receipts.

1) The auditor will review documentation for a subset of existing inventory of tungsten ore, concentrate, intermediates, and partially processed and by-product materials purchased/received as per the tungsten audit protocol for compliance to that audit protocol. The auditor must be able to reasonably conclude that material is DRC conflict free and must be able to identify the country of origin of the raw material for each material reviewed.

2) For intermediates, partially processed and by-product materials, a specific country of origin determination is normally not possible. Intermediate, out of scope and legacy material will be excluded from country of origin and chain of custody validation requirements if confirmed to be that material category as per the tungsten audit protocol.
3) The auditor will then verify secondary tungsten-containing input materials based on the sampling methodology in the tungsten audit protocol to ensure it meets the definition of secondary materials. Materials found not meeting the secondary materials definition will be incorporated into items 1 and 2 above.

4) The auditor will assess the OECD Guidance compliance audit of the due diligence process relied on by the auditee for material originating from a Level 3 country in accordance with the tungsten audit protocol. The auditee must have available the tracking and record keeping information validated by the OECD Guidance compliance audit that provides reasonable assurance that the origin of the material is valid and conflict-free. The overall result of the OECD Guidance compliance audit of the in-region sourcing program is to be noted by the auditor in their final audit report to the ARC. This chain of custody documentation audit report which is compliant to a credible OECD conformant process is crucial to establishing confidence in the conflict free origin of material. The auditor should thus review the report from the OECD compliance audit closely to ensure it is credible and provides assurance the material is conflict free and report their conclusions as to their assessment of such credibility. The auditor will also review the information conveyed to downstream customers as well as publications of the smelter’s due diligence relative to Step 5 expectations of the OECD Guidance.

5) As necessary for purposes of plausibility, the auditor will collect and summarize data and based on their expert opinion, if necessary augmented by data from mining companies, export statistics, geological literature or the like, the auditor should establish plausibility of the quantities listed by the auditee.

6) In case the auditor has reasonable doubts whether the quantity is plausible for the listed supply source, he should work together with the auditee to assess additional information, or assess information directly provided by the auditee. With respect to ASM sources, plausibility data might also be obtained from a OECD conformant program.

7) If any lot of incoming tungsten ore or tungsten-containing material is identified to be non-compliant (insufficient documentation and reasonably identified to be not-conflict free) then the auditee should quarantine this material immediately until reviewed by the ARC to discuss disposition.
**ABOUT THE CONFLICT-FREE SOURCING INITIATIVE (CFSI)**

Founded in 2008 by members of the Electronic Industry Citizenship Coalition and the Global e-Sustainability Initiative, the Conflict-Free Sourcing Initiative has grown into one of the most utilized and respected resources for companies addressing conflict minerals issues in their supply chains. Over 120 companies participate in the CFSI today, contributing to a range of tools and resources including the Conflict-Free Smelter Program, the Conflict Minerals Reporting Template, Reasonable Country of Origin Inquiry data and a range of white papers and guidance documents on conflict minerals sourcing. The CFSI also runs regular workshops on conflict minerals issues and contributes to policy development and debates with leading civil society organizations and governments.