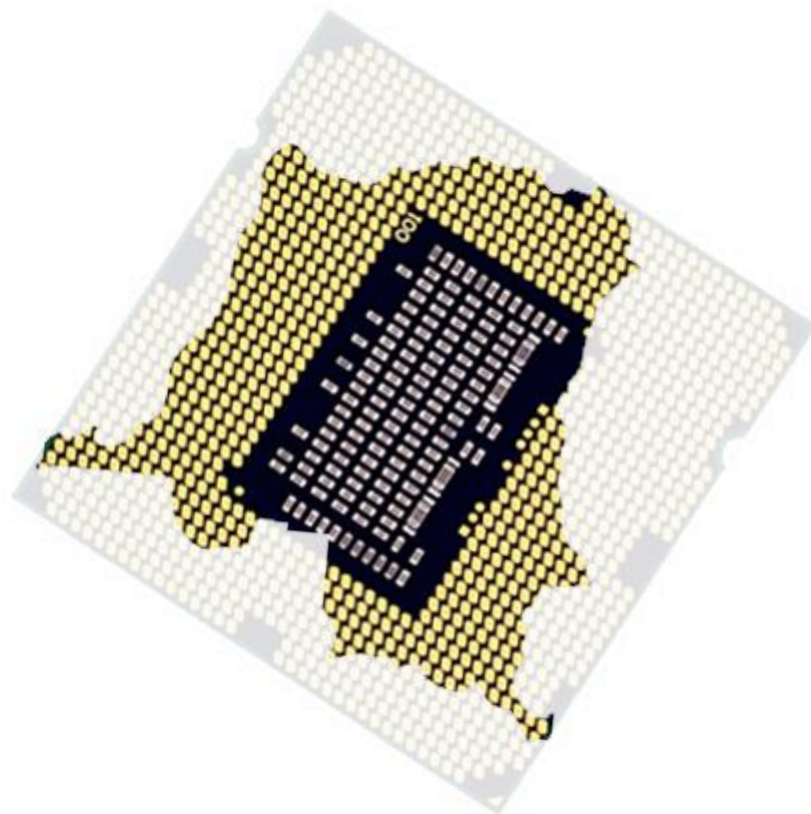


# DODD-FRANK SECTION 1502

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## *Filing Status RY2017*

June 4, 2018



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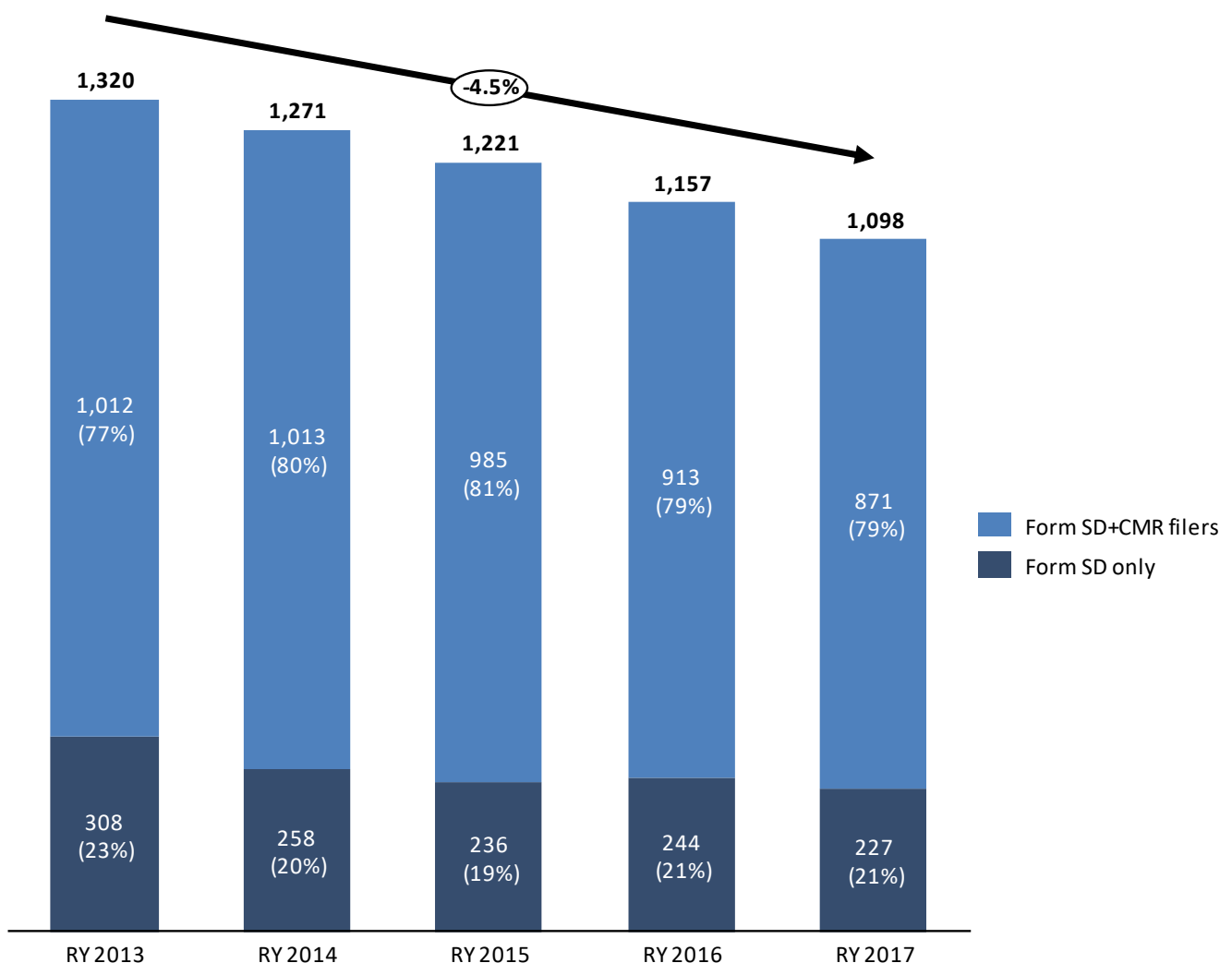
## A. Number and type of filings

Reporting year (RY) 2017 represents the fifth year issuers submitted a conflict minerals disclosure (CMD) to the U.S. Securities and Exchange Commission (SEC) pursuant to Section 1502 of the Dodd-Frank *Wall Street Reform and Consumer Protection Act*.

Based on an analysis of conflict minerals filings submitted by issuers to the SEC, as recorded by the SEC’s Electronic Data Gathering, Analysis, and Retrieval System (EDGAR), as of July 2, 2018, 1,098 issuers filed a CMD describing their due diligence on the so-called “conflict minerals” – tin, tungsten, tantalum and gold (3TG) – in their supply chains.

We note an average drop of 4.5% in company filings per year since reporting year 2013 (see *Figure 1*), while the overall drop is 222 issuer CMD filings – 16.8% in total (see *Figure 2*).

*Figure 1: Conflict minerals disclosures, filing number and type (year over year)*



The filing decrease of 5.1% between RY2016 and RY2017, as shown in *Table 1*, is slightly higher than in prior years as we see in *Figure 1* – an average filing decrease of 4.5% per year. We conclude that this decrease follows a pattern that cannot be explained by the natural variation due to mergers, acquisitions, consolidations, and privatizations occurring in dynamic markets.



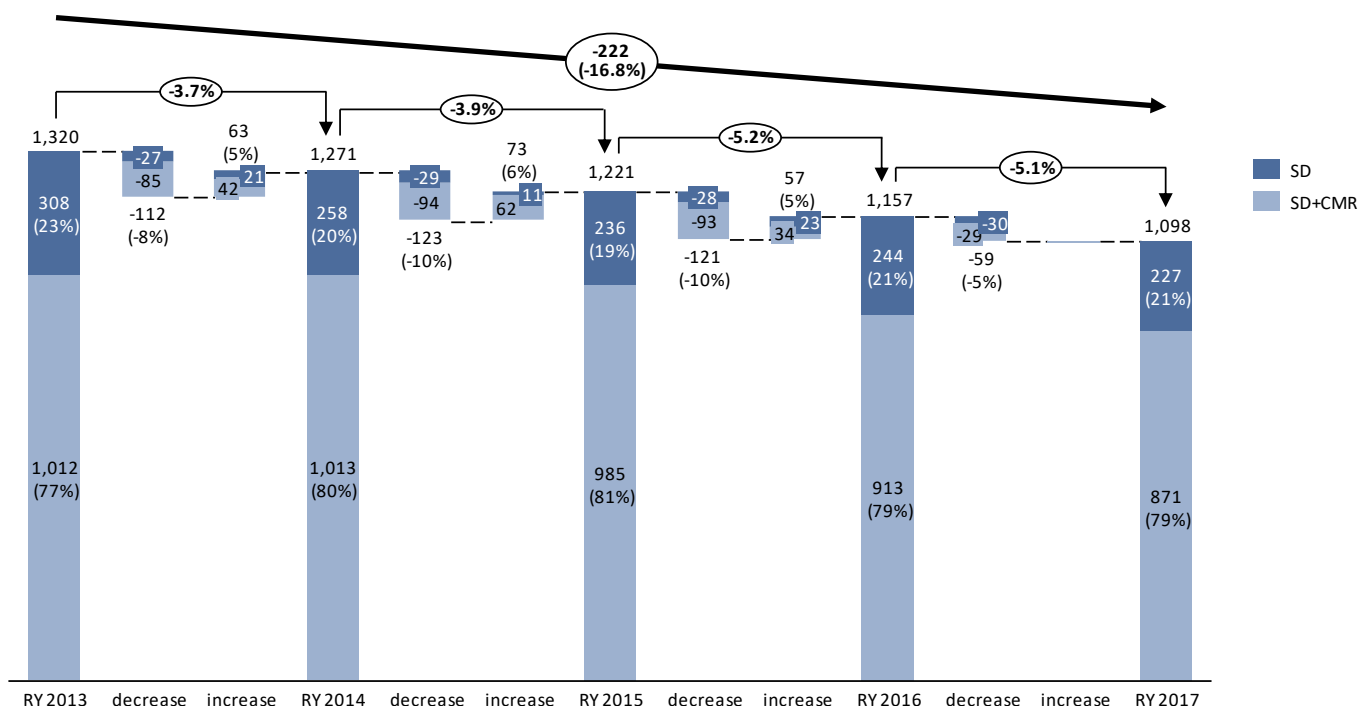
**Table 1: Conflict minerals disclosures, type of filings over time**

	RY2015	RY2016	RY2017	change (absolute) between RY2016 and RY2017	percent change between RY2016 and RY2017
Form SD-only filings	236	244	227	-17	-7.0%
CMR filings	985	913	871	-42	-4.6%
total filings	1,221	1,157	1,098	-59	-5.1%
IPSA filers	19	16	14	-2	-12.5%

Fifty-nine (59) issuers did not file a CMD in RY2016 that had previously filed either a Form SD or a Form SD + CMR. No new issuers filed a CMD for the first time for RY2017.

Twenty-nine (29) filers, which had filed an Exhibit 1.01 (CMR) for RY2016, did not file a CMR for RY2017.<sup>1</sup>

**Figure 2: Conflict minerals disclosures, overall filing trend**



Overall, the proportion of Form SD-only vs. CMR filers has remained roughly the same, hovering around 80% (see Figure 2). When companies file a CMR, they either know that the necessary 3TG in their products originated from the Covered Countries (CCs), or they did not have enough certainty to rule out the possibility. Therefore, in RY2017, we may conclude that 79% of companies' necessary 3TG originated from the CCs, whereas 21% reportedly did not. This illustrates the fact that with globalizing markets, minerals from the CCs are widely consumed by U.S. public companies.

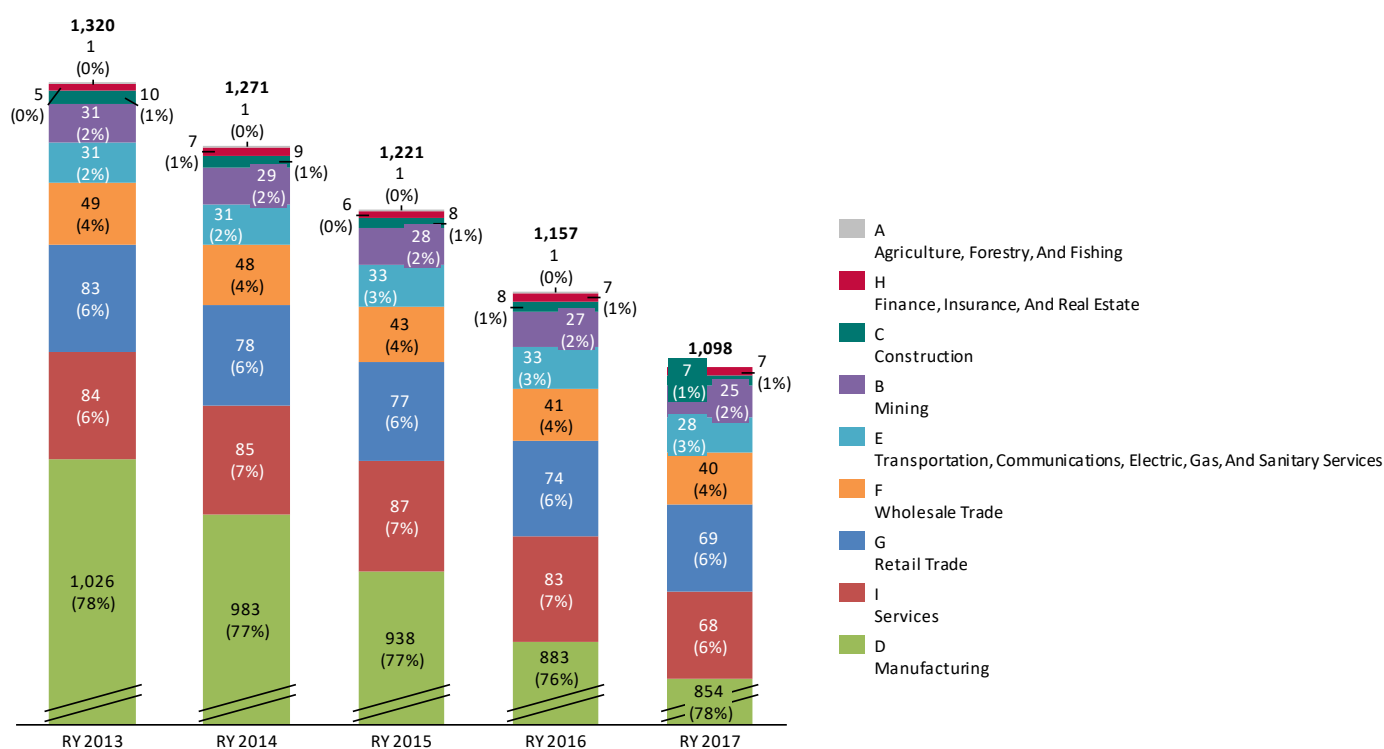
<sup>1</sup> This number (29) differs from that in the CMR filings column "change (absolute) between RY2016 and RY2017" of Table 1 depicting the absolute year-over-year numbers, while "increase" / "decrease" numbers as shown in Figure 2 depend on the filer status of the previous year. DI will make this filing status list available to stakeholders upon request.

Also for RY2017, there were Form SD-only filers that should have filed a CMR based on their description of their own case. For example, one such mistake committed by some Form SD-only filers is that they conflated CFSP-compliance [at the Smelter or Refiner (SOR) level under the Conflict-Free Smelter Program]: 1) with either “DRC conflict free” or 2) with not sourcing from the Covered Countries altogether, in both cases a violation of the SEC rule.<sup>2</sup>

## B. Profile of issuers

Similar to previous years, three-quarters (78%) of the 1,098 filers are manufacturers based on SIC codes reported (see *Figure 3*). Non-manufacturing SIC codes are among the group – e.g. Services or Finance, Insurance & Real Estate industries – due to the fact that the SIC code, self-reported by the company, usually represents a company’s main economic activity, which might not be manufacturing.

*Figure 3: SIC division*



The *Semiconductors & Related Devices* cohort is the largest among the manufacturers, which, however, only made up 8% of the total, as presented in *Figure 4*. *Figure 5* combines both graphs, visually revealing the proportions of each sector and industry.

<sup>2</sup> See, e.g. the [Form SD](#) submitted by Unilever N.V. as well as the [Form SD](#) submitted by Unilever PLC: “There is no indication from the responses received that the tin, tungsten or gold may have originated in the Covered Countries, unless from a smelter independently certified as conflict free.”

Figure 4: Manufacturing industry

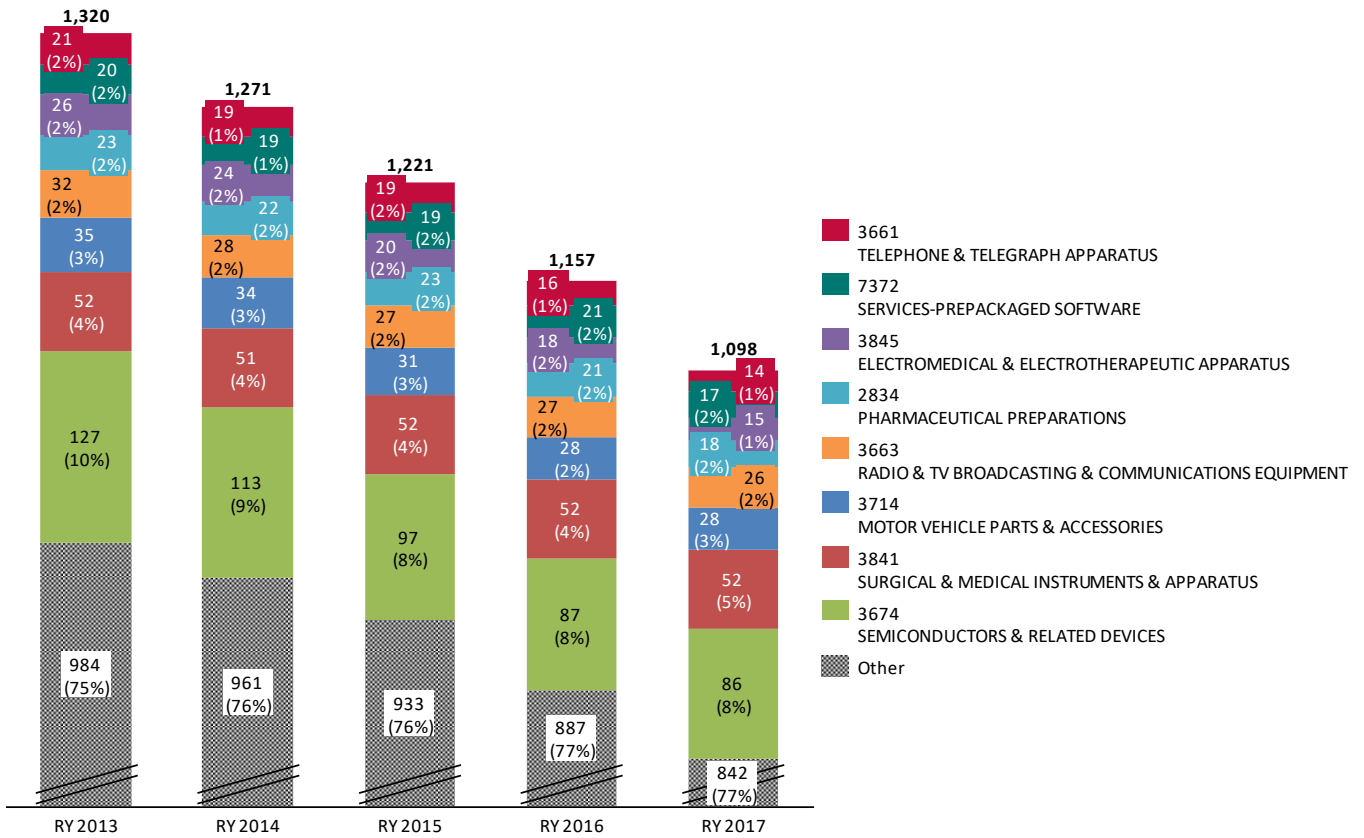
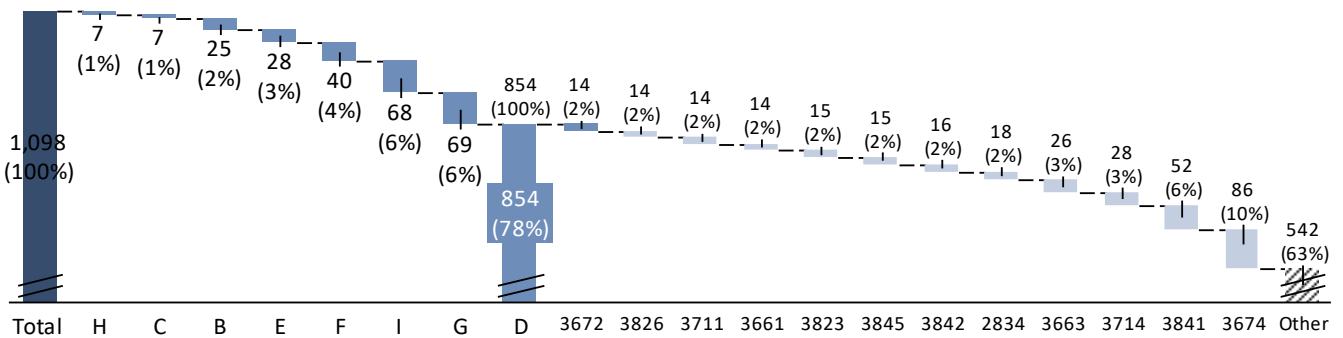


Figure 5: SIC division and manufacturing industry



### C. Independent Private Sector Audits (IPSA)

As per the SEC Statement of April 29, 2014, companies were not required to obtain an Independent Private Sector Audit (IPSA) on their *necessary products* unless they opted to use the explicit "DRC Conflict Free" determination after exercising due diligence.<sup>3</sup>

<sup>3</sup> SEC, Statement on the Effect of the Recent Court of Appeals Decision on the Conflict Minerals Rule, Keith F. Higgins, SEC Division of Corporation Finance, April 29, 2014, <https://www.sec.gov/News/PublicStmnt/Detail/PublicStmnt/1370541681994>

Fourteen (14) companies opted to undertake an IPSA for RY2017, representing two (2) fewer companies than in RY2016.

Altogether, eight (8) Attestations (ATs) and six (6) Performance Audits (PAs) were performed for RY2017 (see *Table 2*).<sup>4</sup> Three (3) of the fourteen (Canon, The Eastern Company, and Philips) had an IPSA performed, although they did not explicitly classify any product(s) as “DRC Conflict Free.”

*Table 2: IPSAs RY2015, RY2016, RY2017*

Company	IPSA filed for RY2015?	IPSA filed for RY2016?	IPSA filed for RY2017?	AT vs. PA	RY2017 Auditor
Advanced Semiconductor Engineering, Inc.	Yes	Yes	Yes	AT	KPMG
Arrow Electronics, Inc.	Yes	No	No		
AVX Corporation	Yes	Yes	Yes	PA	Elm
Canon Inc.	Yes	Yes	Yes	AT	KPMG
China Mobile Ltd.	Yes	Yes	No		
Eastern Company (The)	Yes	Yes	Yes	AT	Fiondella
Halliburton Co.	Yes	No	No		
Himax Technologies	Yes	Yes	Yes	AT	KPMG
Intel	Yes	Yes	Yes	AT	E&Y
Kemet Corporation	Yes	Yes	Yes	PA	RCS
Koninklijke Philips N.V (Philips)	Yes	Yes	Yes	PA	E&Y
M/A-COM Technology Solutions Holdings, Inc.	Yes	No	No		
Qorvo Inc.	No	Yes	Yes	PA	Doug Hileman*
Seagate Technology	No	Yes	No		
Signet Jewelers Ltd.	Yes	Yes	Yes	PA	SGS*
Siliconware Precision Industries Co., Inc.	Yes	Yes	Yes	AT	KPMG
Skyworks Solutions, Inc.	Yes	Yes	Yes	AT	KPMG
SMART Technologies, Inc.	Yes	NA**	NA**		
Smith & Nephew	Yes	Yes	Yes	PA	RCS
Strattec Security	Yes	No	No		
Texas Instruments Incorporated	Yes	Yes	Yes	AT	Crowe
<i>Total</i>	<i>19</i>	<i>16</i>	<i>14</i>	<i>8 ATs, 6 PAs</i>	

\* Documentation of GAGAS-required peer review apparently not available on firm website (GAGAS Sections 3.105 and A3.12).

\*\* Not applicable: Company was acquired in 2016 and is no longer subject to SEC filings.

<sup>4</sup> While Tata Motors again engaged PwC to conduct a “review” of their CY2017 RCOI, as this is not an IPSA, it is not included in this count.

## Acronyms

3TG	Tin, Tungsten, Tantalum, and Gold
AT	Attestation
CC	Covered Countries: Democratic Republic of the Congo (DRC), Central Africa Republic, South Sudan, Zambia, Angola, The Republic of the Congo, Tanzania, Burundi, Rwanda, Uganda
CFSP	Conflict-Free Smelter Program
CMD	Conflict Minerals Disclosure
CMR	Conflict Minerals Report
DI	Development International
DRC	Democratic Republic of the Congo
EDGAR	Electronic Data Gathering, Analysis, and Retrieval System
IPSA	Independent Private Sector Audit
PA	Performance Audits
RCOI	Reasonable Country of Origin Inquiry
RY	Reporting Year
SD	Specialized Disclosure
SEC	Securities and Exchange Commission (U.S.)
SIC	Standard Industrial Classification
SOR	Smelter or Refiner

### Individual conflict minerals filing assessments for RY2017

For RY2017, Development International will assess issuer compliance with the SEC rule and conformance with the OECD on an individual company basis, applying the same indicators as we did for the RY2016 evaluation.

RY2017 scorecards are available for purchase on [this page](#).

A data review for individual filers who disagree with or have questions about their scorecard is possible in the form of a consultation. In the event that DI makes a change to a score based on the consultation, the consultation fee is reimbursed.

