

**From:** [ 41(b) ]  
**Sent:** 22 December 2014 11:19  
**To:** [ 41(b) ]  
**Subject:** JBCE-JEITA position on the issue of "conflict minerals"  
**Attachments:** CM\_JBCE\_JEITA Position paper FINAL.pdf

Dear [ 41(b) ]  
 Dear [ 41(b) ]  
 Dear [ 41(b) ]

I am contacting you from the Japan Business Council in Europe (JBCE), a leading European organisation representing the interests of multinational companies of Japanese parentage active in Europe. JBCE appreciates your participations to our past committee meetings to kindly explain the issues around "conflict minerals".

Together with the Japan Electronics and Information Technology Industries Association (JEITA), we have developed a **joint position paper on the issue of "conflict minerals"**, which you will find attached for your consideration.

The JBCE and JEITA strongly support the EU in its efforts to establish a market for responsibly traded minerals that originate in conflict regions. We also welcome the objective of reducing market distortions in minerals sectors from DRC and the Great Lakes Region.

With regard to the proposed regulation, our two organisations would like to provide comments on four main issues, which are further described in the joint position paper:

1. We call for an **exclusion of recycled or scrap materials from the scope** of the regulation,
2. We ask for the development of **clear guidance to define "conflict-affected or a high-risk area" through a transparent process in** collaboration with all relevant stakeholders,
3. While welcoming the Commission's focus on importers in the proposed regulation, we would also like to stress the **need for clear criteria when it comes to the certification of "responsible" importers, smelters and refiners.**
4. Finally, our two organisations advocate for the **introduction of incentives focusing on upstream operations** in order to effectively stimulate responsible sourcing from conflict-affected areas.

We hope that you will find this joint paper a useful contribution to this very important policy.

I remain at your disposal should you need any clarification on the positions expressed in this document and wish you good luck in the upcoming discussions with Parliament and Council.

With kind regards,

[ 41(b) ]  
 Secretary General of the JBCE

=====

[ 41(b) ]  
 Secretary General, JBCE(Japan Business Council in Europe)  
 TEL : +32-(0)2-286-532J FAX : +32-(0)2-230-5485  
 MOBILE : +32-(0)478-62-9647 Email : [ 41(b) ]  
 (HP : [www.jbce.org](http://www.jbce.org) EU Transparency Register: 68368571120-55)

**JBCE & JEITA Joint Position on****THE EU INTEGRATED APPROACH ON RESPONSIBLE SOURCING OF  
MINERALS ORIGINATING IN CONFLICT-AFFECTED AND HIGH-RISK AREAS**

JBCE\* and JEITA\*\* jointly welcome the European Commission's proposal of a regulation and the joint communication on "conflict minerals". JEITA and JBCE strongly support the EU's efforts to establish a market for responsibly traded minerals that originate in conflict regions and to reduce market distortions in the mineral sector from DRC and the Great Lakes Region where firms currently avoid sourcing. As actors in the global market, we would like to actively contribute to the realization of the Commission's objectives by sharing our views and proposals.

**\* ABOUT JBCE** – *Created in 1999, the Japan Business Council in Europe (JBCE) is a leading European organization representing the interests of multinational companies of Japanese parentage active in Europe. JBCE membership covers a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, railway, textiles and glass products. Together, the JBCE membership of around 70 major multinational companies represented global sales of 1.4 trillion euros in 2013. JBCE takes an active role in enhancing the understanding and promoting the business of Japanese companies in Europe, and in putting forward the views of its members on legislative issues currently under debate and on public policy issues which will shape the years to come ([www.jbce.org](http://www.jbce.org)). EU Transparency Register: 68368571120-55*

**\*\* ABOUT JEITA** – *The Japan Electronics and Information Technology Industries Association (JEITA), ranging from materials to electronic components and semiconductors, from consumer electronics to industrial system devices, from IT products to solution services. JEITA represents a large number of companies in these sectors, many of which are active on the European market, both through local manufacturing plants and research centers and through trade with the European Union. Since 2011, the JEITA Responsible Minerals Trade Working Group has been working on. (<http://www.jeita.or.jp/english/>). EU Transparency Register : 519590015267-92*

JBCE and JEITA appreciate the European Commission's recognition of the issues around "conflict minerals" and welcome the proposal of a draft regulation, aiming to deal effectively with the problem. In particular, we strongly value that the Commission's approach:

- (1) Follows the principles and processes set out in the OECD Due Diligence Guidance, while focusing on smelters and refineries;
- (2) Aims to establish a market for responsibly traded minerals that originate in conflict regions; and

(3) Recognizes the cost of responsible sourcing and its potential impact on SMEs.

Here, we, as industrial associations conscious of the realities of businesses, would like to deliver the following comments to increase the effectiveness of the EU approach.

## **On the proposed REGULATION**

### **(1) Recycled or scrap materials should be excluded from the scope**

It is unrealistic to trace the source of recycled minerals produced through the scrapping process. On the other hand, the use of recycled materials should be encouraged for the EU's complementary objective of resource efficiency. Thus, the EU regulation should clarify that 100-percent recycled materials do not need to specify the origin of source. At the same time, smelters and refineries which process only 100-percent recycled materials should be accredited and listed separately to avoid their unfair exclusion from the market.

### **(2) Clear guidance on identification of "conflict-affected and high-risk areas" should be developed with transparent process**

We understand the rationale of avoiding the identification of "conflict-affected and high-risk areas" in the regulation. Meanwhile, business needs clear guidance to identify the "conflict-affected and high-risk" areas to make the system predictable. Thus, we urge the development of clear guidelines to identify "conflict-affected and high-risk areas" through a transparent process in collaboration with relevant stakeholders.

Moreover, without a well-established traceability scheme such as the iTCSI, it would be extremely difficult to implement the conflict-free accreditation for smelters. Hasty expansion of the geographical scope without reliable implementation of the existing traceability scheme should be avoided.

### **(3) Focus on importers and set clear criteria for the certification of Responsible Importers, Smelters and Refiners**

We welcome the Commission's focus on importers - the most appropriate point in the supply chain. The impact beyond importers should be avoided by maintaining the scope of the current proposal and clarifying the definition of "importers". The definition should refer to companies that import using one of the custom codes set out in the Annex to the draft Regulation.

Concentrating on upstream operators and on facilitating transmission of quality information in the supply chain addresses the appropriate point in the supply chain. It is also consistent with the OECD Guidance and various industry initiatives, as well as complementary to Dodd-Frank.

The above notwithstanding, clear criteria for the certification of Responsible Importers, Smelters and Refiners should be set under a reliable, well-governed and functioning certification system. In order to avoid confusion in certifying importers, we call for the EU to set clear criteria for importers to become 'responsible'. Such criteria should make use of the existing criteria such as CFSI's Conflict Free Smelter Program and LBMA. At the same time, the extent of the burden for SME smelters should be carefully considered.

**(4) Enhance incentive mechanisms for responsible sourcing from conflict affected areas**

The proposed incentives are rather on downstream producers and not for companies which source directly from conflict affected areas. In order to effectively stimulate responsible sourcing, incentives focusing on upstream operations need to be further considered.

**On PUBLIC PROCUREMENT (EU Joint Communication)**

**(1) The subject of due diligence should be companies, not products**

The Joint Communication states that "products purchased through public procurement containing tin, tantalum, tungsten and/or gold will need to respect the OECD Due Diligence Guidance or equivalent due diligence schemes in order to satisfy contractual obligations." The OECD provides a framework for a due diligence process for all suppliers and other stakeholders in the mineral supply chain. Therefore, it is not products, but companies that should follow the OECD Guidance.

**(2) EU Guidelines for due diligence should be developed**

It is an extremely difficult task for downstream companies to ascertain the credibility of all information received from upstream companies in the supply chain. An excessive and unreasonable requirement on suppliers risks reversing the shift toward responsible procurement. It would be widely welcomed if the Commission were to lay down some guidelines on appropriate due diligence methods to avoid such a "de facto ban" and to encourage the proper information transfer throughout the supply chain.

The attached Annex outlines examples of harmful results of inappropriate due diligence which we experienced through compliance with the US Dodd Frank Act.



**In Conclusion**

Responsible sourcing from conflict affected and high-risk areas is deeply related to human lives and the economic development in developing countries. The effort of industry alone cannot ensure responsible sourcing from such regions. It is crucial to have the efforts of all national governments, including those of the US and Japan. In light of promoting worldwide collaboration, the role of EU diplomacy is extremely important.

As the legislative procedure progresses, we request that the proposal of the regulation be deliberated with care, so as not to undermine the existing systems, programs and initiatives such as CFSI and to avoid unnecessary burdens to companies.

We, as constructive industrial associations, are ready to support your challenges for improvement.

## Annex: Examples of harmful results of inappropriate due diligence

Example of inappropriate due diligence	Harmful results	CFSI FAQs
Requirement of conflict-free guarantees. Claims of damages when it is found that minerals were not conflict-free.	Currently, without CFSs, downstream companies cannot trace back past smelters and refineries. When there are not enough CFSs, requiring conflict-free guarantees invites a de facto ban.	Q2, second half of Q3
Hard deadlines for companies to switch entirely to CFSs; ending commercial activities if a company is unable.	When there are not enough CFSs, most companies will find this impossible to satisfy and could lead to supplier bullying, as well as hamper surveys.	-
Conflict-free declarations/certifications. Requirements that suppliers do not source from conflict regions.	Invites a de facto ban on minerals from conflict regions.	Q3, Q7
Hard deadlines for identifying all smelters or refineries; ending commercial activities if a company is unable.	This requirement is nearly impossible to satisfy, and could lead to supplier bullying, as well as hamper surveys.	Q8
Audits on downstream suppliers.	The OECD Guidance only calls for third-party audits of smelters and refineries. Audits on downstream suppliers lead to additional burden on companies.	Q4
Surveys using different formats.	These increase the burden on suppliers and reduce survey accuracy.	Q5
Requirements for rapid responses.	In most cases, companies are unable to produce adequate results from surveys in a short period due to the multiple layers of the supply chain	Q6
Enforcement of accountability for downstream companies for all the information gathered in the supply chain.	Downstream companies are accused of disclosing uncertain information.	

Please also see the comments on similar due diligence methods in FAQs issued by CFSI  
[http://www.conflictreesourcing.org/media/docs/CFSI\\_DueDiligenceandCompanyAssurance\\_FAQ.pdf](http://www.conflictreesourcing.org/media/docs/CFSI_DueDiligenceandCompanyAssurance_FAQ.pdf)



**CECILIA MALMSTRÖM**

MEMBER OF THE EUROPEAN COMMISSION

Brussels,  
CBi/is Ares

13. 01. 2015

Dear Mr Harris,

I wish to thank you for your letter of 7 November 2014 expressing ORGALIME's position regarding the EU initiative on responsible sourcing of minerals originating from conflict-affected and high-risk areas. I am replying also on behalf of my colleagues High Representative and Vice President Federica Mogherini and Commissioners Elzbieta Bienkowska and Karmenu Vella.

As you know, the legislative proposal and joint communication by the Commission and the High Representative were adopted by the previous college in March 2014 and are now discussed by the co-legislators, the Council of Ministers and the European Parliament. The Commission and the High Representative are committed to an approach based on addressing the root causes of the problems in countries affected by conflicts and crisis and to fostering responsible sourcing of minerals. Breaking the links between conflict and minerals extraction is a complex challenges that requires an integrated approach as set out in the Communication. The accompanying measures identified in the Communication will be taken up or will continue to be actively pursued by the Commission and the High Representative in 2015. In particular, the EU is providing financial support for the implementation of the OECD Due Diligence Guidance and for the International Conference for the Great Lakes Region's Regional Initiative on Natural Resources.

Mr Adrian Harris  
ORGALIME aisbl  
Diamant Building  
Boulevard A Reyers 80  
B-1030 Brussels

Having read carefully your position paper, I welcome very much your unconditional support for the aim of the integrated EU approach, namely to stop profits from the exploitation and trade in tin, tantalum, tungsten and gold being used to finance armed conflicts as well as to the due diligence process based on the OECD approach as proposed in the draft Regulation.

Let me reassure you that this comprehensive EU approach as laid down in the joint Communication foresees the full deployment of EU foreign policy and development cooperation instruments in order to increase capacity-building for responsible supply chains and to address good governance and security issues in conflict regions. As you rightly point out, it is equally important to reach out to third-countries to promote a global buy-in for responsible minerals sourcing along the entire supply chains. In this context, OECD and EU contacts with China have already resulted in an engagement by the China Chamber of Commerce<sup>1</sup> to implement the OECD Due Diligence Guidance. The Commission and the High Representative will pursue discussion with other governments in mining, processing and consuming countries.

Furthermore, I should underline that a targeted, proportionate and complementary approach was retained in the draft Regulation precisely in order to avoid unnecessary burden on EU industry, especially SMEs, and negative impact on conflict regions but at the same time to increase transparency at key points of the supply chain.

As regards your specific questions on the content of the proposals, let me provide you with some elements below.

- As regards the definition of conflict-affected and high-risk areas, the Commission intends to draft comprehensive and updated guidance to assist companies to identify such areas. There is a vast open-source knowledge base within the OECD and in the many think-tanks and DG TRADE and the EEAS are looking at the best ways and means to make this information available to EU operators. In our view, such guidance - in the form of a handbook - will be of practical use as a tool for companies to identify, assess and respond to risk as part of their supply chain policy.

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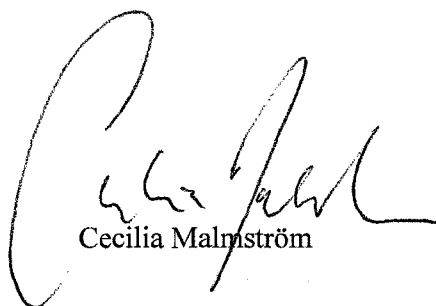
<sup>1</sup> China Chamber of Commerce for Minerals, Metals and Chemicals Importers and Exporters

- Concerning the minerals and metals within the scope of the draft Regulation, please note that Annex I clearly sets out those products distinguishing minerals (i.e. ores and concentrates) on the one hand and metals on the other hand. Note that Annex I is still subject to scrutiny by the co-legislators. In case this is needed, further guidance will be provided by the Commission.
- On third-party auditing, in order to provide clarity to the requirement under the draft Regulation, the Commission will develop a certification scheme in line with the existing EU accreditation procedures established by Regulation (EC) No 765/2008 on accreditation and market surveillance relating to marketing of products. Accredited certification bodies (third-party auditors) will be able to certify that importers conform to the obligations set out in the draft Regulation.
- On complementarity with existing audit schemes, we fully agree with you that existing industry efforts should be recognised. By developing a certification scheme for the implementation of the draft Regulation, the Commission believes that it is of utmost importance that existing industry schemes modelled on the OECD approach should be taken into account and recognised thereby facilitating companies' compliance with the obligations under the draft Regulation. Please note however that not all existing industry schemes currently apply a global geographical scope (i.e. to all countries) which would be required from an EU perspective.
- The certification scheme will also be tailored to the application of performance clauses under the public procurement incentives. Such a certificate will be a proof of conformity to fulfil the due diligence requirements in the European Commission procurement tenders. Although the public procurement measure is not included in the draft Regulation, it would build on its key elements and be developed in parallel with the legislative process.
- To assist SMEs in their due diligence efforts, technical assistance is foreseen through the Enterprise Europe Network and the OECD National Contact Points. Furthermore, funding modalities under the COSME Programme are currently subject to discussions with the DG Internal market, Industry, Entrepreneurship and SMEs. We believe that such technical and financial assistance combined with progressive awareness on the issue will facilitate SMEs' compliance once the Regulation is in place.

- Finally, as specified in the communication of March 2014, labelling requirements are left to the discretion of Member States to apply based on their consumer demand and it is not for the time being the Commission's intention to develop an EU-wide labelling scheme.

I hope these elements provide you with the reassurance of my commitment to address this serious problem and to ensure effective implementation of our proposals. In case you need further clarification on the details of the proposals and implementation aspects, you can contact Mr Petros Sourmelis ([petros.sourmelis@ec.europa.eu](mailto:petros.sourmelis@ec.europa.eu)), Head of Unit at DG TRADE who is in charge of the file.

Yours sincerely,



Cecilia Malmström

Cc: High Representative Vice President Federica Mogherini  
Commissioner Elzbieta Bienkowska  
Commissioner Karmenu Vella.

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**From:** [ 41(b) ]  
**Sent:** 16 January 2015 11:03  
**To:** RATSO Signe (TRADE)  
**Cc:** [ 41(b) ]  
**Subject:** Thank you / Safran Corporate Social Responsibility approach  
**Attachments:** Brochure\_CSR\_Morpho.pdf; ATT00001.txt

Dear Mrs Ratso,

Thank you for taking time away from your busy schedules to meet with us on Wednesday.

We are convinced the voluntary approach focusing on upstream industries which is proposed in the draft regulation is the most appropriate. As a result of our experience with Dodd Frank Act, we believe downstream industries, like Safran, are too far from the smelters to be able to track with absolute accuracy the minerals used in our products.

For your information, please find enclosed a presentation of the Corporate Social Responsibility approach of Morpho, a high-technology company in the Safran group, leader in security solutions (identification, detection systems, and e-documents). The presentation mention the traceability procedure Morpho has set up to comply with Dodd Frank Act (page 16).

Society's expectations of business have never been more demanding and Safran works unceasingly to comply with the most demanding current standards of business ethics. We believe it is in our interest to promote responsible sourcing and we expect our suppliers to have in place policies and due diligence measures.

Thank you again for your valuable input and please do not hesitate to contact us if you have any question on the potential impact of the regulation on our business activities.

Kind regards,

[ 41(b) ]

[ 41(b) ]

Affaires européennes

SAFRAN

Tel: +33 (0)1 40 60 83 54

Mobile : 06 74 24 17 04





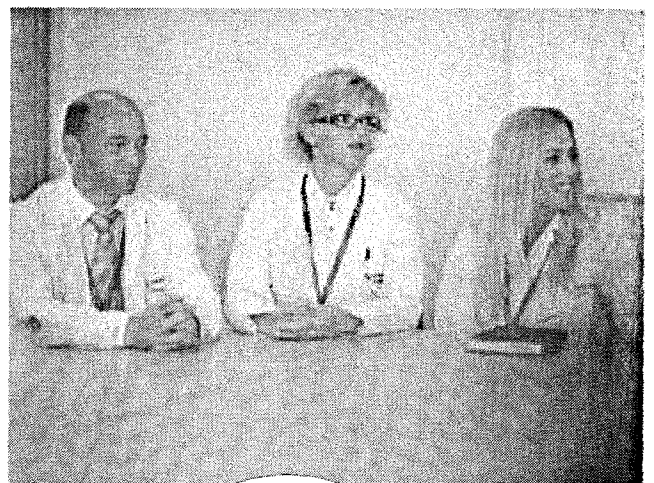
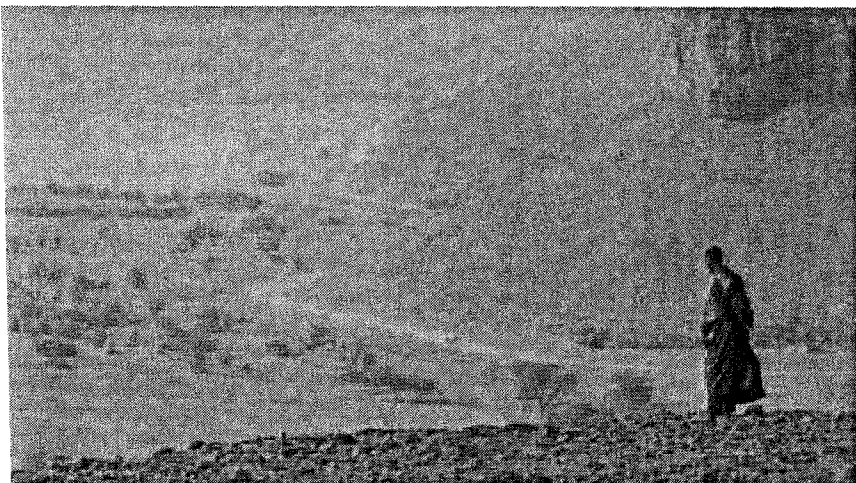
# RESPONSIBLE PERFORMANCE



**BUSINESS  
COMMITMENTS**

**SOCIAL  
COMMITMENTS**

**ENVIRONMENTAL  
COMMITMENTS**





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# MESSAGE FROM THE CHAIRMAN AND CEO

## MORPHO, A RESPONSIBLE CORPORATE CITIZEN



**C**orporate social responsibility (CSR) is all about giving back to the wider community. In today's complex world, business success is deeply linked to society's progress. To thrive, companies need a prosperous social environment with a well-educated workforce, readily available

energy, efficient infrastructure, and a well-established, robust and respected regulatory framework. The reverse is equally true: society prospers as businesses flourish.

As a global leader in the security market, we have identified three core areas of corporate social responsibility: provide a safe and healthful workplace for our employees, ensure that Morpho products and services present no hazards for our business partners and customers, and continuously strive to minimize our environmental footprint.

For an industrial organization such as ours, corporate social responsibility starts with managing the risks involved in our business. We do this through a series of pioneering Health, Safety and Environment initiatives developed by Morpho and our parent group Safran that have set standards of excellence in this area. Some of our plants were among the first in Europe to obtain ISO 14001 certification. In fact, Safran currently devotes 70% of R&D spending to environmental projects.

Good corporate citizenship also means being a socially responsible citizen and Morpho strives to achieve this by applying the highest ethical standards and promoting equal opportunity and diversity.

Society's expectations of business have never been more demanding – matched only by the exacting requirements of our customers (banks, telecom operators, state-owned companies and private enterprise). We must rise to this challenge because, more than ever, corporate social responsibility enhances our value.

**Philippe Petitcolin,**  
Chairman and CEO

# OUR VISION

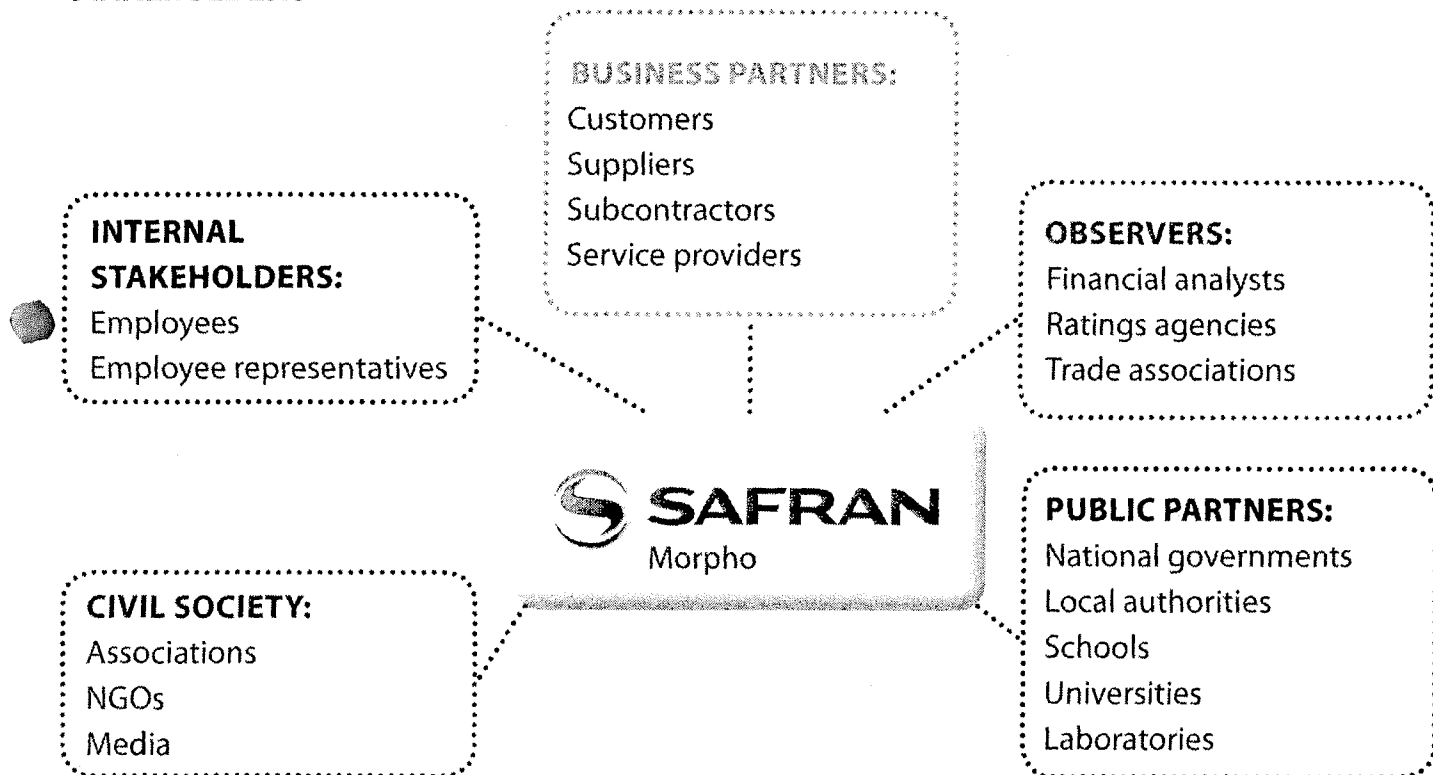
Building on the commitments of our parent group Safran, corporate social responsibility underpins everything we do as a business. As a leader in the security market, Morpho is committed to meeting the expectations not only of customers but of all stakeholders, including employees, business partners, shareholders and suppliers.

We rise to this challenge by providing high value-added, technically advanced yet remarkably easy-to-use products and services that contribute to the security of people, businesses and countries, while also taking into account key social and environmental issues.

## 6 STRATEGIC PRIORITIES

Develop innovative products and processes with minimal environmental impact	Foster the involvement of suppliers and partners in our initiatives
Aim for excellence in the safety and protection of people and property	Sustain a culture of integrity throughout the Group
Develop people's potential	Ensure optimum communications with all stakeholders

## STAKEHOLDERS



Our commitment to the principles of social responsibility is based on various international reference systems, including the United Nations Global Compact, which we recently signed, and the ISO 26000 standard. To make our CSR commitments fully understandable to all stakeholders, we present them in terms of **business, social and environmental challenges**.



## CORPORATE MESSAGE

**A**t Morpho, we value and adhere to the highest levels of honesty, integrity and ethics at all times. All activities are conducted in accordance with these values, which are shared by all employees across Safran. These sound principles are essential to earning and retaining the trust of our customers, employees, shareholders, suppliers, partners and society at large.

# BUSINESS COMMITMENTS

## CODE OF CONDUCT

The Safran Code of Conduct was introduced in 2005. It sets out the Group's principles and values so that all employees can refer to them under any circumstances. These guidelines are not intended to replace or revise national laws and regulations, but

to provide a reference baseline for the conduct of professional activities.

**YOU CAN FIND THE SAFRAN CODE OF CONDUCT ON THE "GROUP" SECTION OF THE CORPORATE WEBSITE**



# BUSINESS COMMITMENTS

## HUMAN RIGHTS

Safran signed the United Nations Global Compact in 2013, reflecting its commitment to key principles in human rights, labor, the environment and the fight against anti-corruption. Respect for human rights has

become a widely accepted business principle, not just as a consequence of stricter international requirements but also due to growing pressure from stakeholders who hold companies to account in this area.

### UN GLOBAL COMPACT

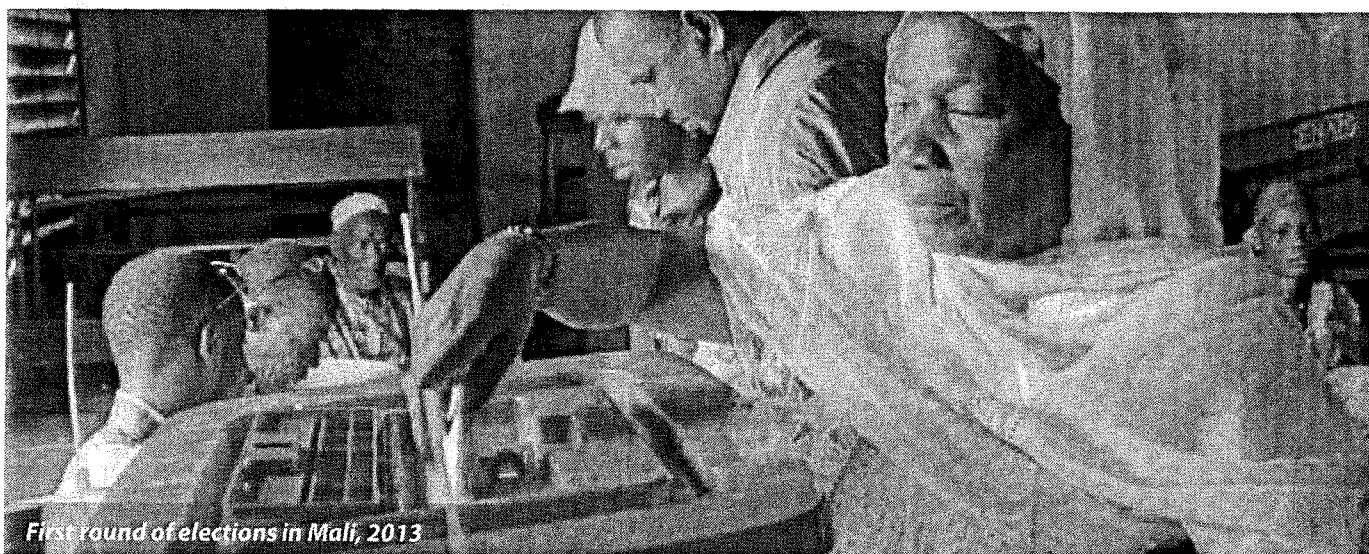
*Consistent with its social responsibility commitments, in 2013 Safran signed the United Nations Global Compact, which brings together leading companies from around the world that pledge to uphold fundamental principles of human rights, labor standards, environmental protection and the fight against corruption.*

*Adhering to the UN Global Compact is fully in line with the Group's Code of Conduct and its unerring commitment to sustainable business progress. It also reflects Safran's pledge to promote these principles by making them an integral part of its strategy, actions and behavior.*

*As a Safran company, Morpho is equally committed to upholding the values set forth by the United Nations and firmly believes that they must be shared with all stakeholders, especially employees, customers and partners.*

*We are committed to enhancing our engagement and support for all of the fundamental values defined in our six strategic CSR priorities throughout our sphere of influence.*

**Alain Lorgeoux,**  
CSR Coordinator, Safran



*First round of elections in Mali, 2013*





# BUSINESS COMMITMENTS

## ETHICAL BUSINESS CONDUCT

Bribery, which is a form of corruption, is defined as: the offer, promise or giving, or the soliciting, demanding, receipt, agreement to the receipt or acceptance, of anything of value as an incentive for action (or lack of action) which is improper, illegal, dishonest or a breach of trust, in order to obtain or retain a commercial agreement or any other advantage as part of commercial dealings.

Safran President and CEO Jean-Paul Herteman has clearly and repeatedly reaffirmed the group's commitment to fight all forms of corruption, stating:

*"Safran believes that its continued success depends on the full commitment by all employees to the guidelines set out in the group's Code of Conduct and business integrity programs. We also believe that ethical excellence is not just a matter of moral obligations or the*

*need to comply with legislation; it calls for exemplary professional behavior by all individuals under all circumstances when dealing with all stakeholders."*

Morpho conducts its business in compliance with all applicable anti-corruption and export control laws. To ensure application of the principles set out in its Code of Conduct, Safran has defined business compliance procedures for implementation at all Group companies. Morpho has adopted these procedures in the form of operational processes in order to take into account the specific regulatory requirements applicable to its organization, products and markets.

In addition, Morpho was awarded anti-corruption certification valid until April 27, 2017 from independent auditors Mazars/ADIT.

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## Trade Compliance Officers and Trade Compliance Correspondants (Morpho)

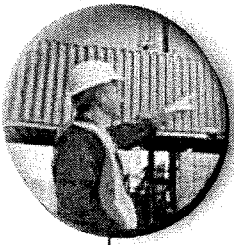


*An enrollment session for the Aadhaar project, India*



*Work group at the Sao Paulo development center, Brazil*





# BUSINESS COMMITMENTS

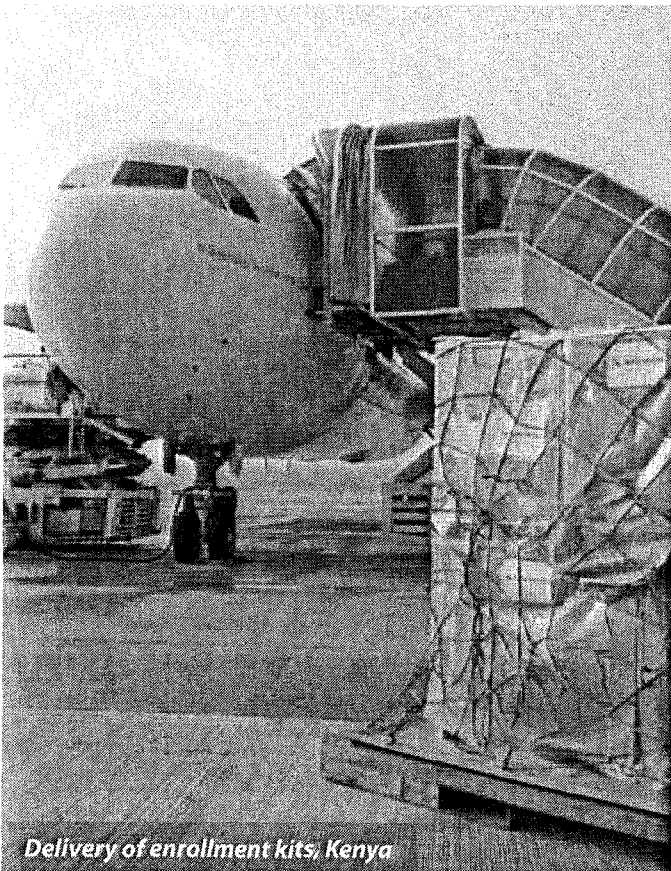
## RESPONSIBLE PURCHASING

The involvement of suppliers and partners is one of the main thrusts of our CSR policy. To meet our corporate social responsibility commitments to stakeholders, it is essential that our partners and especially our suppliers adhere to the same principles and values. When it comes to selecting a supplier or service provider, compliance with these commitments is just as important as other considerations, such as cost, quality, on-time delivery, innovation, and risk management.

Our Responsible Purchasing Code of Conduct is based on the same values as our Code of Conduct: minimal environmental impact, the safety and protection of people and property, HR management and openness with stakeholders.

## LEARN MORE

Safran's commitments are formally defined in its Responsible Purchasing Charter, which applies to all Group companies. It can be found in the Purchasing section on the Safran website.



*Delivery of enrollment kits, Kenya*



*Smart card personalization facility in Nàucalpan, Mexico*

## CORPORATE MESSAGE

**M**orpho provides security solutions worldwide and employs 8,500 people in 40 countries. This workforce, featuring a wide range of backgrounds and skills sets, is one of our key success drivers.

We strive to provide a safe and healthy environment for all employees while promoting workplace diversity and providing opportunities for people to develop skills throughout their careers.

# SOCIAL COMMITMENTS.

### DID YOU KNOW?

**8,500 MORPHO  
EMPLOYEES  
in 40 COUNTRIES**

**82% of the workforce is based  
OUTSIDE FRANCE**

We treat our employees as  
**INDIVIDUALS**





# SOCIAL COMMITMENTS

## HUMAN RESOURCES POLICY

### FOCUS ON HUMAN RESOURCES

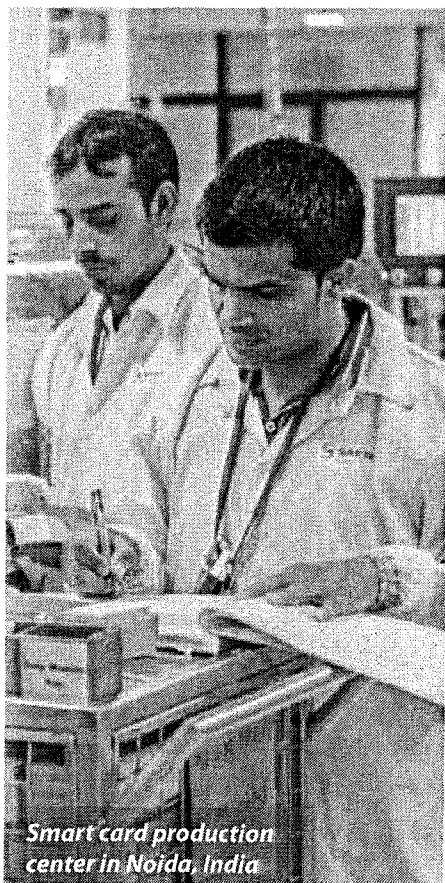
**W**orking at Morpho means being part of a constantly changing and growing high-technology company that operates in the global market.

The primary aims of our human resources policy are to develop the skills of our global workforce, anticipate needs and meet the changing requirements of our business activities. We do this by offering a wide range of training and career development opportunities in line with corporate strategy. We also use reliable and comprehensive HR reporting tools to provide business

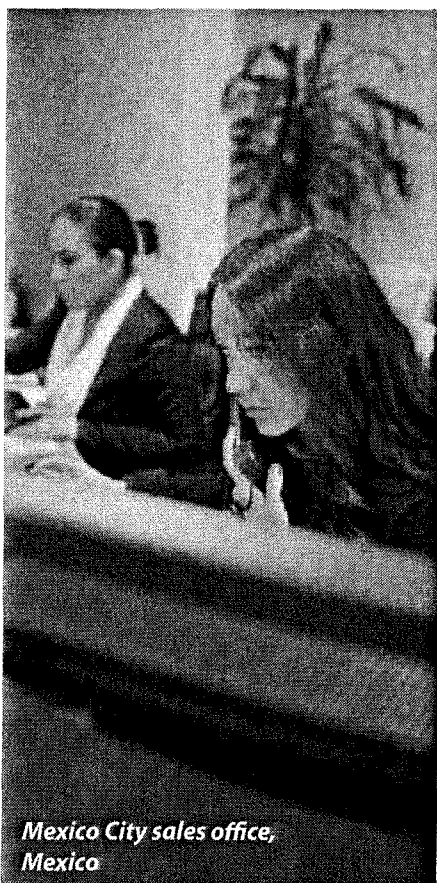
intelligence for senior management to support strategic decision-making.

Our main priorities in the near future include improving the onboarding process for new hires, promoting the training programs on offer from Safran University, and developing a unified approach to career development across the Group.

**Marie Gay de Tailly,**  
Vice President Human  
Resources, Morpho



Smart card production  
center in Noida, India



Mexico City sales office,  
Mexico



Sao Paulo development center,  
Brazil



# SOCIAL COMMITMENTS

## SKILLS DEVELOPMENT

Skills development is a key engagement, performance and innovation driver, and is at the heart of Morpho's human resource policy.

We are committed to helping employees develop at every stage in their career and we do this by ensuring effective onboarding of new hires, managing competencies and developing management skills.

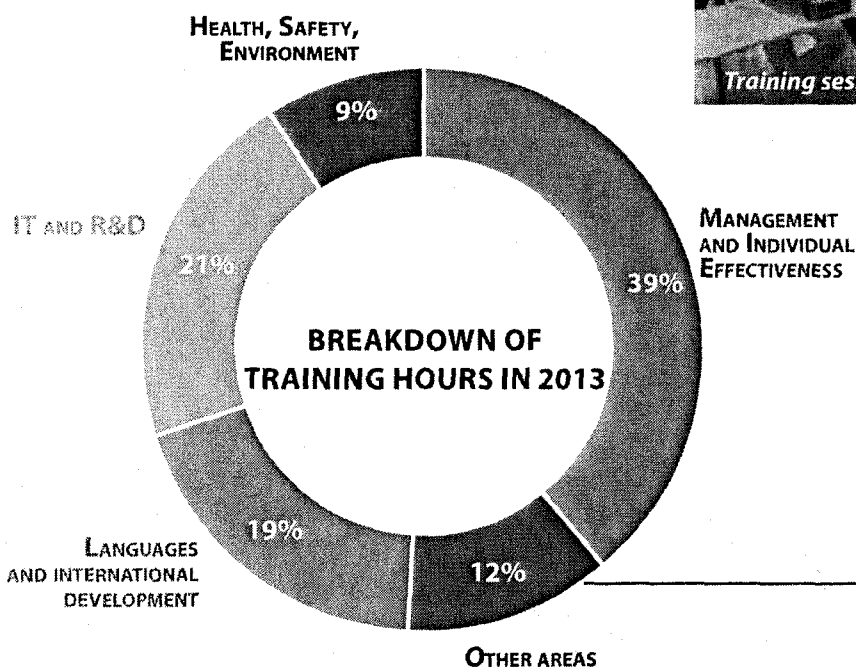
With 82% of our workforce outside of France in 40 different countries, developing cross-cultural and language skills is another top priority. Safran University plays a key role in this process, supporting the Group's transformation and equipping staff with the skills they need to integrate fully into the workplace.

*Discussions between employees and their managers play an essential part in skills development. Individual interviews are the formal component in the process, providing the opportunity to pinpoint training requirements according to career goals and corporate objectives. This may involve developing specific skills or preparing employees to move on to the next stage in their career.*

**Anne Paris,**  
Talent Manager, Human  
Resources Development, Morpho



Training session, Kenya



### OTHER AREAS:

Marketing: 3%  
Human Resources: 3%  
Economics / Finance & Purchasing: 4%  
Quality: 2%



# SOCIAL COMMITMENTS

## DIVERSITY

As an employer committed to social inclusion, in 2010 Safran signed France's Diversity Charter, which promotes cultural diversity and gender equality in the workplace. We believe that employing people from diverse backgrounds strengthens our business. As well as helping us to recruit and retain the best talent, it is an accurate reflection of the social make-up of today's globalized world, enabling us to better connect with our diverse customer bases.

## EQUAL OPPORTUNITY

### DISABILITY

In line with legislation, and under the impetus of Safran corporate policy, Morpho deploys an inclusion policy to encourage the hiring of people with disabilities. Our proactive approach includes efforts aimed at facilitating access to jobs, maintaining employment for disabled employees, providing training, working actively with the 'adapted employment' sector, and implementing communication and awareness campaigns.

### GENDER EQUALITY

In line with our non-discrimination principles, Morpho embraces gender equality in the workplace. This



Group photo, Casablanca, Morocco

# 1,580

new employees joined Morpho in 2013

commitment is reflected in measures that actively promote equal access to employment, training and professional development and equal pay.

### AGE EQUALITY

As part of our employee engagement efforts, a specific recruitment policy and tailored induction program are implemented to attract and retain recent graduates. At the other end of the scale, Morpho also gives senior employees the option of adjusting their work schedule if their job allows, especially as part of end-of career planning or to ease the transition from employment to retirement, enabling them to transmit their knowledge. In addition, managers receive specific training in avoiding all forms of discrimination during the recruitment process.

### REACHING OUT TO UNDERSERVED NEIGHBORHOODS

Morpho welcomes job applications from people in underserved neighborhoods and actively supports initiatives to encourage youngsters from such areas to go into higher education.



Team meeting, Casablanca, Morocco

# 30%

of Morpho employees are women



## CORPORATE MESSAGE

**O**ur company operates as part of a wider ecosystem. From raw materials sourcing to packaging and shipment, we strive to keep our environmental footprint as small as possible at every stage in the process in order to preserve the world's natural resources.

**Philippe Roy**, Health, Safety & Environment Coordinator, Morpho



# ENVIRONMENTAL COMMITMENTS

## KEY FACTS & FIGURES

### **SITES CERTIFIED TO ISO 14001:**

Saint-Etienne-Rouvray (France)  
Taubaté (Brazil)  
Flintbek (Germany)  
Noida (India)  
Haarlem (Netherlands)  
Cali (Colombia)

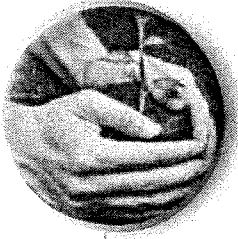
Scheduled for 2015: Ostrava (Czech Republic)

### **SITES CERTIFIED TO OSHSAS 18001:**

Flintbek (Germany)  
Taubaté (Brazil)  
Cali (Colombia)

**90%** of Morpho smart cards are produced at ISO 14001 certified sites

Lost-time accident rate: **< 1.5**



# ENVIRONMENTAL COMMITMENTS

## HEALTH, SAFETY, ENVIRONMENT

**For an industrial company such as ours – and especially as a leading provider of security solutions – protecting the environment means first and foremost managing the risks involved in our business. We do this through a series of Health, Safety and Environment (HSE) initiatives aimed at reducing our carbon footprint and preserving natural resources.**

**A two-year plan called ExcellenSSE (SSE is the French for HSE) has been launched for the period 2014-2016, addressing the three core areas: occupational health, occupational safety and the environment.**

### OCCUPATIONAL HEALTH

Efforts in this area focus on minimizing the risks of work-related stress, managing toxicology and chemical risks, and improving workplace ergonomics.

### OCCUPATIONAL SAFETY

Employee safety is a top priority for Morpho. That's why we closely monitor our lost-time accident rate,

which is the number of accidents resulting in time off work vs. the number of hours worked. An acceptable level is below 1.5.

Morpho also keeps a close watch on the rate of injuries that occur on trips to or from work, which is higher than the lost-time accident rate. Employee awareness campaigns are conducted on a regular basis.

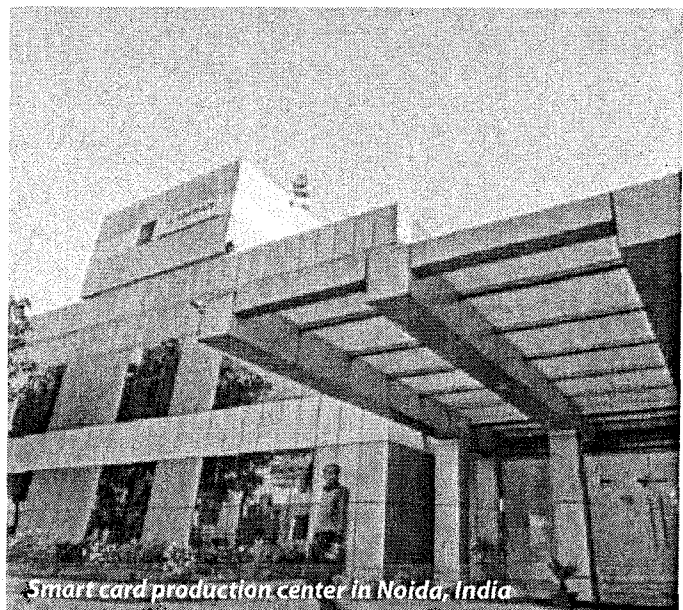
### ENVIRONMENTAL PROTECTION

Safran deploys a number of plans to continuously improve environmental performance. Each Morpho site is required to implement at least one of these plans, choosing from: managing risks of hazardous chemicals, fighting global warming, preserving natural resources, reducing waste and associated risks, reducing legacy or potential pollution. Our Flintbek site, for example, near Kiel in Germany, committed to reduce waste volumes by 2% in 2014 compared with 2013 and at the same time significantly improve its waste recycling rate. In Taubate, Brazil, efforts are geared to reducing water consumption.

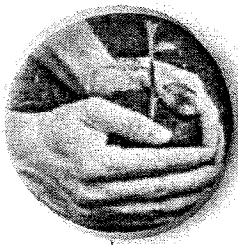
### FOCUS ON HSE

To harmonize health, safety, and environment (HSE) standards across all sites, Safran deploys its own audit system, which has been approved by an independent certification body. The program ensures that HSE standards are equivalent to those in ISO 14001 and OHSAS 1800, and provides for three levels of compliance: bronze, silver and gold.

Over the next two years, the majority of Safran's commercial sites are expected to attain bronze and all production sites silver, which will enable them to qualify for ISO 14001 certification, once additional requirements have been met.



Smart card production center in Noida, India

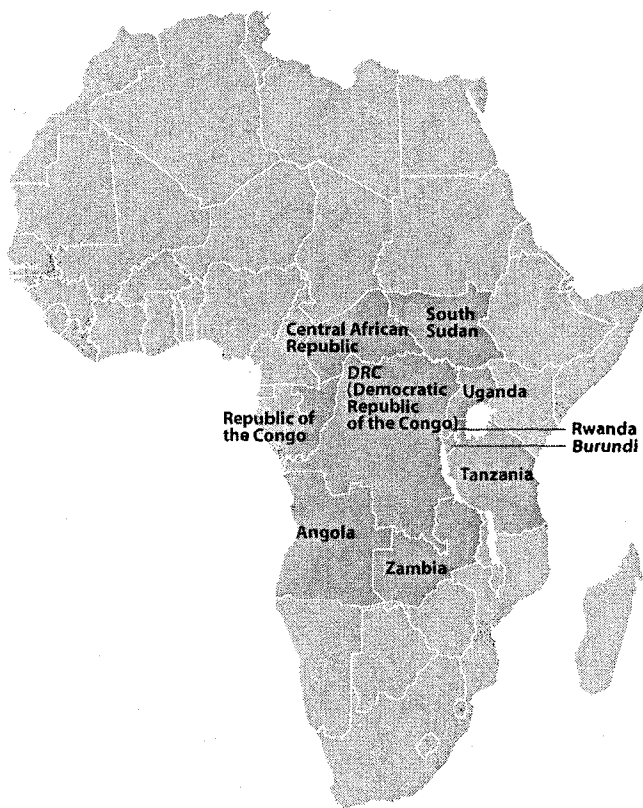


## ENVIRONMENTAL COMMITMENTS

### TRACEABILITY — CONFLICT MINERALS

In August 2012 the United States Securities and Exchange Commission (SEC) issued a rule on the U.S. government's Dodd-Frank Wall Street Reform Act requiring American companies to report their use of conflict minerals that originate in the Democratic

Republic of the Congo (DRC) or an adjoining country. Conflict materials include tantalum, tin, gold, or tungsten. This has since prompted the European authorities to propose a framework along similar lines to regulate conflict materials sourcing. Morpho implements an ad hoc traceability procedure based on RoHS and REACH substance restrictions.



### ECO-DESIGN

Our commitment to sustainable development through eco-design was integrated into our Code of Conduct in 2005. Eco-design is an approach that systematically integrates environmental considerations throughout the product life cycle (raw materials sourcing, product design, production, transportation, operation and end-of-life).

In our smart card business, Morpho's R&D team developed an eco-friendly alternative to plastic, using paper for SIM cards and a corn derivative for bank cards. These materials significantly reduce our carbon footprint in the production process and also improve end-of-life recycling.





## ENVIRONMENTAL COMMITMENTS

### SIMPLY GREEN: ECO-FRIENDLY SIM CARD

"SIMply Green" is a paper SIM card made entirely of wood fibers (compliant with EN 13432 and FSC regulations). The card is biodegradable and recyclable, making it very environmentally friendly.

Another way of reducing the environmental footprint of SIM cards is to make them smaller. Morpho has

developed cards that are half, and in some cases three-quarters the size of standard SIM cards. In 2013, Morpho shipped more than 150 million smaller cards to customers in India, Bangladesh and Europe.

### CORN-BASED BANK CARD

**D**emand from leading banks for "greener" card solutions is growing. Morpho is rising to this challenge with the market's first-ever contactless smart card made of polylactic acid (PLA), a plastic substitute made from corn starch.

**Charline Allard,**  
Card body product manager,  
Morpho, Business Solutions  
division



**720 million**

Morpho smart cards are produced at  
sites certified to ISO 14001

**70%**

of Safran's R&D spending goes to  
environmental initiatives

### MORPHODENT

MorphoDent, a handheld mobile fingerprint identification device, is another example of eco-design. Awarded the EcoDesign label from the French Design Institute, MorphoDent provides a host of environmental benefits, including reduced power consumption, re-use of certain parts, 100%-recyclable components, and reduced packaging using fully recyclable materials.



### RECYCLING

In 2013 Morpho partnered with U.S. recycling company 2nd Solutions (AERC) to bring eco-friendly recycling solutions to mobile network operators and help tackle the problem of waste associated with the use of SIM cards in mobile phones.

As a member of the International Card Manufacturers Association (ICMA), the world's leading trade group representing plastic card manufacturers, personalizers, issuers and suppliers, Morpho signed the Code of Conduct requiring manufacturers to provide used smart card recycling solutions.

# GLOSSARY

## **SUSTAINABLE DEVELOPMENT**

A term that rose to significance with the publication of the Brundtland Report in 1987 on the relationship between public policy and the environment. Entitled "Our Common Future", the report defined sustainable development as "[development that] meets the needs of current generations without compromising the ability of future generations to meet their own needs."

## **LIFE CYCLE ANALYSIS**

Environmental life cycle analysis is a tool used to assess the environmental impact associated with a specific product, service, company or process.

## **CORPORATE SOCIAL RESPONSIBILITY**

Based on the notion of creating shared value, CSR means treating key stakeholders ethically or responsibly and addresses how companies manage their economic, social, and environmental impacts.

## **ECO-DESIGN**

The aim of eco-design is to integrate sustainable development considerations at the earliest stage by choosing renewable resources rather than relying on non-renewable materials.

## **WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT DIRECTIVE (WEEE DIRECTIVE)**

A European directive on the treatment of potentially hazardous or recyclable waste, which must be sent for specialized treatment. It covers equipment which relies on electricity or electromagnetism to work, together with equipment for the generation, transfer and measurement of such currents and fields.

## **CONFLICT MINERALS**

Conflict minerals are minerals whose trade can directly or indirectly fund armed groups in the Democratic Republic of the Congo or in adjoining countries. The U.S. Conflict Minerals Trade Act was introduced in 2012 to restrict this trade.

## **REGISTRATION, EVALUATION, AUTHORIZATION AND RESTRICTION OF CHEMICALS (REACH)**

A European Union regulation governing a unified, integrated system for controlling the supply, manufacture and use of chemical substances across the EU, aimed at developing more sustainable manufacturing with lower human health and environmental impact.

## **RESTRICTION OF THE USE OF CERTAIN HAZARDOUS SUBSTANCES IN ELECTRICAL AND ELECTRONIC EQUIPMENT (ROHS)**

A European directive that restricts the use of six hazardous substances in electrical and electronic equipment across the EU: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ether. It is complementary to the DEEE directive.

## **OCCUPATIONAL HEALTH AND SAFETY ASSESSMENT SERIES – OHSAS 18001**

An International standard for occupational health and safety assessment systems. It is compatible with the ISO 9001 (Quality) and ISO 14001 (Environmental) management systems.

## **ISO 26000**

A standard published in 2011 which provides guidance on how businesses and organizations can operate in a socially responsible way. ISO 26000 is intended as a set of guidelines rather than requirements, so there is no certification process.



### **Morpho CSR contact:**

**Laurence Ayache,**  
Legal Affairs, Head  
of Corporate Social  
Responsibility

[laurence.ayache@morpho.com](mailto:laurence.ayache@morpho.com)



[illegible]

11, Boulevard Gallieni - 92150 Issy les Moulineaux - France  
tél. : 433 031 55 11 25 00 - [www.morpho.com](http://www.morpho.com)  
Société anonyme au capital de 150.876.075 euros 440 305 282 R.C.S. NANTOISE



78<sup>a</sup>

---

**From:** [ 47(b) ]  
**Sent:** vendredi 9 janvier 2015 17:46  
**To:** RATSO Signe (TRADE); [ 47(b) ]  
**Cc:** [ 47(b) ]  
**Subject:** RE: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Dear All,

I wanted to share a few brief updates regarding conflict minerals activities.

First, a 3-judge panel of the U.S. Court of Appeals (DC Circuit) will be re-evaluating its first amendment decision on conflict minerals. This review is being undertaken in light of a potentially inconsistent decision the same court reached in a case regarding country-of-origin labeling for meat. The Bloomberg BNA article available [HERE](#) provides a concise review of the issues at stake.

Also, I am passing along an update from a US law firm on the initial conflict minerals filings - available [HERE](#).

Finally, last month the Washington Post published an article on the in-region impacts of section 1502 - available [HERE](#).

Please let me know if there are any updates you are able to share regarding conflict minerals developments in Brussels. Many thanks.

Best,

[ 47(b) ]

---

**From:** [ 47(b) ]  
**Sent:** Wednesday, November 19, 2014 10:02 AM  
**To:** Signe Ratso (signe.ratso@ec.europa.eu); [ 47(b) ]  
**Cc:** [ 47(b) ]  
**Subject:** FW: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Dear Signe - it was very nice to see you at the UK conference last week, and thank you for your informative presentation on the status of the EU conflict minerals proposal.

Dear All - I wanted to share the latest update on the status of the legal challenge to Dodd-Frank section 1502. Please note that the tech sector does not have any part in this lawsuit.

Best,

[ 47(b) ]

---

**From:** [ 47(b) ]  
**Sent:** Tuesday, November 18, 2014 5:43 PM



**To:** Energy & Environment Committee; ELC Product Stewardship  
**Subject:** Broadcast -- U.S. Court of Appeals to Rehear Conflict Minerals Case

All - I wanted to pass along a clarification regarding the action of the D.C. Court of Appeals earlier today. (Thanks go to our colleagues at Beveridge & Diamond for alerting us.)

The conflict minerals provision will be reheard by the same 3-judge panel that issued the conflict minerals ruling back in April. In other words, this will not be an *en banc* hearing (one involving the full membership of the D.C. Court of Appeals).

Specifically, the 3-judge panel has agreed to rehear arguments on the First Amendment claims raised regarding section 1502 in light of a potentially conflicting ruling in the case of *American Meat Institute v. U.S. Department of Agriculture*. A synopsis of that case – which also involved First Amendment and consumer issues – is available HERE.

Today, the Court ordered that the parties in the conflict minerals case file supplemental briefs addressing the following questions:

- (1) What effect, if any, does this court's ruling in *American Meat Institute v. U.S. Department of Agriculture*, 760 F.3d 18 (D.C. Cir. 2014) (en banc), have on the First Amendment issue in this case regarding the conflict mineral disclosure requirement?
- (2) What is the meaning of "purely factual and uncontroversial information" as used in *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626 (1985), and *American Meat Institute v. U.S. Department of Agriculture*, 760 F.3d 18 (D.C. Cir. 2014) (en banc)?
- (3) Is determination of what is "uncontroversial information" a question of fact?

As always, please feel free to contact us with any questions.

Best,

[ 41(b) ]

[ 41(b) ]

**Sent:** Tuesday, November 18, 2014 3:22 PM

**To:** Energy & Environment Committee ([eec@lists.itic.org](mailto:eec@lists.itic.org)); ELC Product Stewardship

**Subject:** Broadcast -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Dear ITI and ELC Colleagues,

Per an alert from Squire Patton Boggs, the U.S. Court of Appeals for the District of Columbia "has granted the SEC's petition for rehearing of the court's April 2014 decision that found that certain disclosure requirements of the conflict minerals rule violated the First Amendment."

Additional coverage is available in the Wall Street Journal, Bloomberg and Reuters. Please note that the statement in the WSJ article - namely, that the "federal appeals court may be having second thoughts about its decision" - is a bit misleading. The SEC itself moved for a rehearing before the entire D.C. Court of Appeals, i.e., before the entire bench. The April 2014 ruling was issued by a 3-judge panel of the D.C. Court of Appeals.

Best,

[ 41(b) ]

[ 41(b) ]

Senior Vice President of Environment and Sustainability

Information Technology Industry Council  
1101 K Street NW, Suite 610  
Washington, DC 20005  
202-626-5724  
Email: [rgoss@itic.org](mailto:rgoss@itic.org)  
Website: [www.itic.org](http://www.itic.org)



Information Technology  
Industry Council

Please consider the environment before printing this e-mail.





78<sup>6</sup>

**From:** [ 41(b) ]  
**Sent:** lundi 26 janvier 2015 22:11  
**To:** [ 41(b) ] (CAB-MALMSTROM)  
**Subject:** RE: -- U.S. Court of Appeals to Rehear Conflict Minerals Case  
**Attachments:** 2015 CFSPAuditSlides.pdf

Bonjour [ 41(b) ] I've attached a more focused document describing the Conflict Free Smelter Program and its auditing protocols.

Best,  
[ 41(b) ]

---

**From:** [ 41(b) ]  
**Sent:** Thursday, January 22, 2015 6:47 PM  
**To:** [ 41(b) ]  
**Subject:** Re: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Many thanks!

On Jan 22, 2015, at 6:46 PM, [ 41(b) ]

Thanks [ 41(b) ] Yes, I have well received it and will be back to you.

Best,  
[ 41(b) ]

Sent from my iPad

On Jan 22, 2015, at 9:03 PM, [ 41(b) ] wrote:

Hi [ 41(b) ]

I just wanted to make sure that my prior email and attachments made it through to you last week.

Best,  
[ 41(b) ]

---

**From:** [ 41(b) ]  
**Sent:** Thursday, January 15, 2015 3:00 PM  
**To:** [ 41(b) ]  
**Subject:** RE: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Dear [ 41(b) ]

Thank you again for sharing your time and insights with me earlier today. I am headed to Europe for meetings next week (Basel Convention) and wanted to make sure to forward some of the materials we discussed on our call.

- A 3-judge panel of the U.S. Court of Appeals (DC Circuit) will be re-evaluating its first amendment decision on conflict minerals. This review is being undertaken in light of a potentially inconsistent decision the same court reached in a case regarding country-of-origin labeling for meat. The Bloomberg BNA article available [HERE](#) provides a concise review of the issues at stake (or at steak, as the case may be - ☺).
- I am passing along an update from a US law firm on the initial conflict minerals filings - available [HERE](#).
- Last November, the Washington Post published an article on the in-region impacts of section 1502 - available [HERE](#).
- An introductory document on the Conflict Free Sourcing Program is available [HERE](#). It's rather long, so I am reaching out to some of our member company representatives to see if I can obtain a more concise summary of the initiative.
- Ernst & Young released a report on the initial conflict minerals reports, available [HERE](#).
- I've attached my May 2013 testimony to the U.S. House Subcommittee on Monetary Policy and Trade. Testimony from the other witnesses and a full transcript of the hearing are available [HERE](#).

I will be back in touch with additional resources. Please do not hesitate to contact me if ITI can help arrange technical discussions between the EU and our sector.

Best,

[ 41(b) ]

---

**From:** [ 41(b) ]  
**Sent:** Thursday, January 15, 2015 8:48 AM  
**To:** [ 41(b) ]  
**Cc:** [ 41(b) ]  
**Subject:** Re: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Perfect - thank you.

On Jan 15, 2015, at 5:25 AM, [ 41(b) ] wrote:  
 [ 41(b) ]

[ 41(b) ] you can call me on my direct line: +32 2 295 73 06  
 Looking forward to our call later today  
 Best,

[ 41(b) ]

---

**From:** [ 47(b) ]  
**Sent:** Friday, January 09, 2015 9:58 PM  
**To:** [ 47(b) ]  
**Cc:** [ 47(b) ] (CAB-MALMSTROM)  
**Subject:** RE: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Yes, thank you. Can you please provide me with the appropriate phone number?

Best,

[ 47(b) ]

---

**From:** [ 47(b) ]  
[ 47(b) ]  
**Sent:** Friday, January 09, 2015 12:46 PM  
**To:** [ 47(b) ]  
**Cc:** [ 47(b) ]  
**Subject:** Re: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Thanks [ 47(b) ] Thursday at 10 am your time (4pm my time) works. Would you call me on my number?

Best

[ 47(b) ]

[ 47(b) ] can you add in my agenda please

Sent from my iPhone

On 9 janv. 2015, at 17:47, [ 47(b) ] wrote:

Thanks, [ 47(b) ] I am available from 10-11 am (ET) next Thursday, or from 10-12 am (ET) on Friday. Would either of those work for you? I believe we are 6 hours behind you - it's 11:47 am here in Washington, DC, right now.

Best,

[ 47(b) ]

---

**From:** [ 47(b) ]  
[ 47(b) ]  
**Sent:** Friday, January 09, 2015 11:42 AM  
**To:** Goss, Rick  
**Subject:** RE: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

Dear [ 47(b) ]

Thanks for following up. Yes, that would be great. What about end of next week? Either

Thursday or Friday afternoon for me  
(meaning morning for you).

[ 4.1(b) ]

---

**From:** [ 4.1(b) ]  
[ 4.1(b) ]  
**Sent:** Friday, January 09, 2015  
5:39 PM  
**To:** [ 4.1(b) ]  
[ 4.1(b) ]  
**Cc:** [ 4.1(b) ]  
**Subject:** RE: -- U.S. Court of  
Appeals to Rehear Conflict Minerals  
Case

Dear [ 4.1(b) ]

I wanted to check back in and  
see if it makes sense for us to  
schedule a call to discuss  
conflict minerals. Thank you  
in advance.

Best,

[ 4.1(b) ]

---

**From:** [ 4.1(b) ]  
**Sent:** Wednesday, November 19,  
2014 10:21 AM  
**To:** [ 4.1(b) ]  
**Cc:** [ 4.1(b) ]  
**Subject:** RE: -- U.S. Court of  
Appeals to Rehear Conflict Minerals  
Case

Dear [ 4.1(b) ] Thank you for the  
introduction and for the kind  
words.

Dear Ms. [ 4.1(b) ] It is a  
pleasure to meet you. The  
Information Technology  
Industry Council (ITI)  
represents the global high  
tech sector - please see our  
member list HERE. We have  
been centrally involved in the  
conflict minerals issues for the  
last several years, first here in  
the U.S. and now in terms of  
offering information and  
support into the E.U. process.

Please feel free to call on me if we may be of any assistance as the conflict minerals proposal is considered in Brussels. My full contact information is below.

Best,

[ 4.1(b) ]

[ 4.1(b) ]  
Senior Vice President of Environment  
and Sustainability  
Information Technology Industry  
Council  
1101 K Street NW, Suite 610  
Washington, DC 20005  
202-626-5724  
Email: [rgoss@itic.org](mailto:rgoss@itic.org)  
Website: [www.itic.org](http://www.itic.org)

<image001.png>

Please consider the environment before printing this e-mail.

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**From:** [ 4.1(b) ]

**Sent:** Wednesday, November 19, 2014 10:07 AM

**To:** [ 4.1(b) ]

**Cc:** [ 4.1(b) ]

**Subject:** RE: -- U.S. Court of Appeals to Rehear Conflict Minerals Case

[ 4.1(b) ]

I want to introduce you (virtually) to [ 4.1(b) ] who will cover Conflict Minerals in the Malmstrom Cabinet.

[ 4.1(b) ]

[ 4.1(b) ] the point person on the issue for the tech industry in Washington. We've had a

productive relationship over several years now.

[ 4.1(b) ]

[ 4.1(b) ]

Senior Trade Advisor  
Delegation of the European Union to the  
United States  
202.862.9594 Phone

[ 4.1(b) ]

---

**From:** [ 4.1(b) ]

**Sent:** Wednesday,  
November 19, 2014 10:02  
AM

**To:** RATSO Signe (TRADE);  
[ ]

4.1(b)

**Cc:** [ 4.1(b) ]

**Subject:** FW: -- U.S. Court  
of Appeals to Rehear  
Conflict Minerals Case

Dear Signe - it was  
very nice to see you at  
the UK conference last  
week, and thank you  
for your informative  
presentation on the  
status of the EU  
conflict minerals  
proposal.

Dear All - I wanted to  
share the latest update  
on the status of the  
legal challenge to  
Dodd-Frank section  
1502. Please note that  
the tech sector does  
not have any part in  
this lawsuit.

Best,

[ 4.1(b) ]

---

**From:** [ 4.1(b) ]  
**Sent:** Tuesday, November

18, 2014 5:43 PM  
**To:** Energy & Environment  
Committee; ELC Product  
Stewardship  
**Subject:** Broadcast -- U.S.  
Court of Appeals to Rehear  
Conflict Minerals Case

All - I wanted to pass  
along a clarification  
regarding the action of  
the D.C. Court of  
Appeals earlier  
today. (Thanks go to  
our colleagues at  
Beveridge & Diamond  
for alerting us.)

The conflict minerals  
provision will be  
reheard by the same 3-  
judge panel that issued  
the conflict minerals  
ruling back in April. In  
other words, this will  
not be an *en banc*  
hearing (one involving  
the full membership of  
the D.C. Court of  
Appeals).

Specifically, the 3-  
judge panel has agreed  
to rehear arguments on  
the First Amendment  
claims raised regarding  
section 1502 in light of  
a potentially conflicting  
ruling in the case of  
*American Meat  
Institute v. U.S.  
Department of  
Agriculture*. A synopsis  
of that case – which  
also involved First  
Amendment and  
consumer issues – is  
available HERE.

Today, the Court  
ordered that the parties  
in the conflict minerals  
case file supplemental  
briefs addressing the  
following questions:

- (1) What effect, if any, does this court's ruling in *American Meat Institute v. U.S. Department of Agriculture*, 760 F.3d 18 (D.C. Cir. 2014) (en banc), have on the First Amendment issue in this case regarding the conflict mineral disclosure requirement?
- (2) What is the meaning of "purely factual and uncontroversial information" as used in *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626 (1985), and *American Meat Institute v. U.S. Department of Agriculture*, 760 F.3d 18 (D.C. Cir. 2014) (en banc)?
- (3) Is determination of what is "uncontroversial information" a question of fact?

As always, please feel free to contact us with any questions.

Best,

[ 41(b) ]

---

**From:** [ 41(b) ]  
**Sent:** Tuesday, November



18, 2014 3:22 PM  
**To:** Energy & Environment  
Committee  
([eec@lists.itic.org](mailto:eec@lists.itic.org)); ELC  
Product Stewardship  
**Subject:** Broadcast -- U.S.  
Court of Appeals to Rehear  
Conflict Minerals Case

Dear ITI and ELC  
Colleagues,

Per an alert from  
Squire Patton Boggs,  
the U.S. Court of  
Appeals for the District  
of Columbia "has  
granted the SEC's  
petition for rehearing of  
the court's April 2014  
decision that found that  
certain disclosure  
requirements of the  
conflict minerals rule  
violated the First  
Amendment."

Additional coverage is  
available in the Wall  
Street Journal,  
Bloomberg and  
Reuters. Please note  
that the statement in  
the WSJ article -  
namely, that the  
"federal appeals court  
may be having second  
thoughts about its  
decision" - is a bit  
misleading. The SEC  
itself moved for a  
rehearing before the  
entire D.C. Court of  
Appeals, i.e., before  
the entire bench. The  
April 2014 ruling was  
issued by a 3-judge  
panel of the D.C. Court  
of Appeals.

Best,

[ 41(b) ]

[ 41(b) ]

Senior Vice President of

Environment and  
Sustainability  
Information Technology  
Industry Council  
1101 K Street NW, Suite 610  
Washington, DC 20005  
202-626-5724  
Email: [rgoss@itic.org](mailto:rgoss@itic.org)  
Website: [www.itic.org](http://www.itic.org)

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environment before  
printing this e-mail.

78<sup>6</sup>

cfsi

## CFSP Overview

The Conflict-Free Sourcing Initiative  
[www.conflictfree-sourcinginitiative.org](http://www.conflictfree-sourcinginitiative.org) | @EICCcoalition | @GeSIConnect

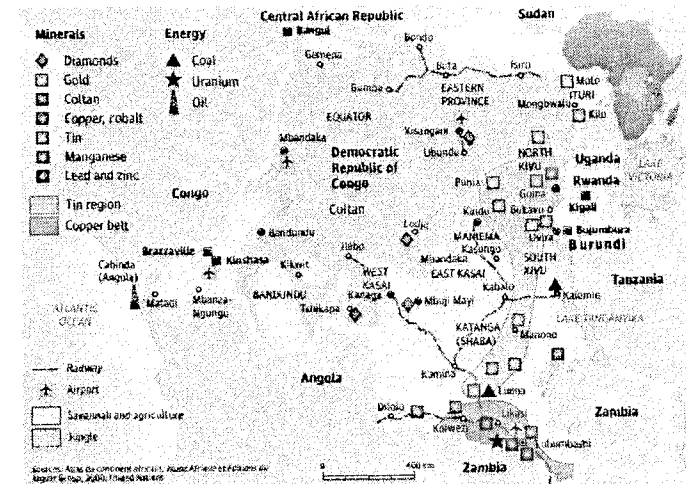


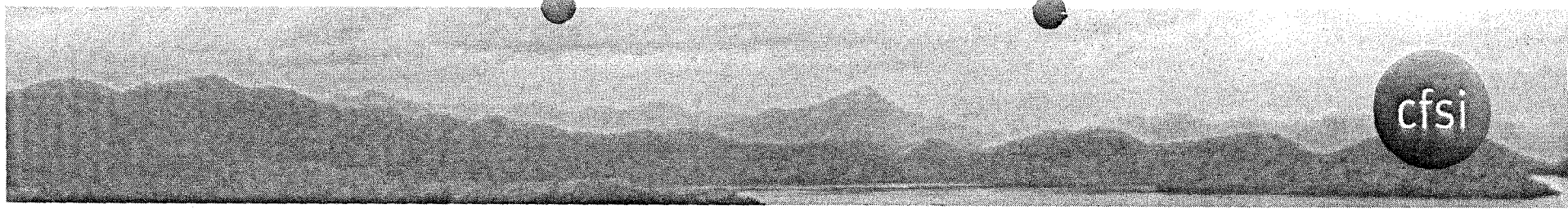
## An Overview of Conflict Minerals

The Democratic Republic of the Congo (DRC) is complex with many factors combining to allow for continuing violence. One of those factors is the exploitation and trade of minerals originating from the DRC.

Mining activity is crucial to the DRC economy. There are some operations in DRC where responsibly sourced minerals are being mined. However, some mines are controlled by militant groups:

- Serious human rights abuses, theft, extortion
- Violence over control and taxation of mineral resources
- Forced and child labor
- Limited development options → artisanal and small-scale mining
- Conservation impact, deforestation, etc.



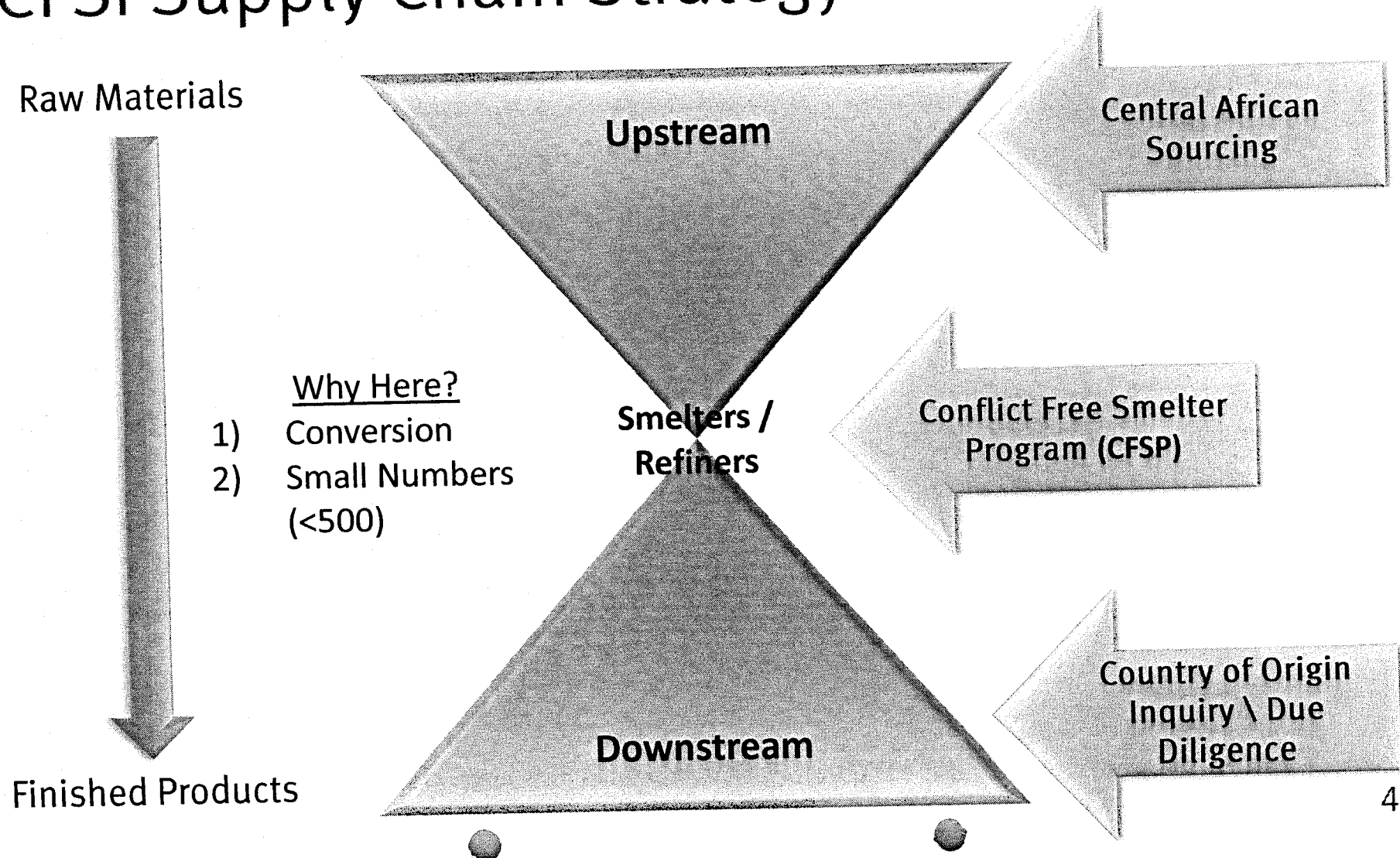


## International Expectations: DRC minerals

- The United Nations (UN) and the Organization for Economic Cooperation and Development (OECD) have both created Guidelines for sourcing Tin, Tantalum, Tungsten and Gold from the DRC and surrounding countries
  - Risk Management program expectations
- The United States (US) has implemented a law (Dodd-Frank) targeted at companies selling product with Tin, Tantalum, Tungsten and Gold
  - Public reporting obligation that requires them to determine the country of origin of the minerals in products
- The European Commission (EU) and Canada are working on laws as well



# CFSI Supply Chain Strategy





## Conflict-Free Smelter Program (CFSP)

The Conflict Free Sourcing Initiative (CFSI) has spearheaded the development of a 3<sup>rd</sup> party audit process to determine if smelters/refiners are capable of sourcing conflict-free minerals.

- **Why:** Provide a mechanism that enables and encourages responsible sourcing of tantalum, tin, gold, tungsten
- **Schedule:** Addressing each metal separately, but concurrently
- **Results:** A list of smelters/refiners who are compliant with the CFSP audit protocol is posted on the CFSP website.
  - <http://www.conflictreesmelter.org>

***\*\* Companies make their own sourcing decisions. \*\****

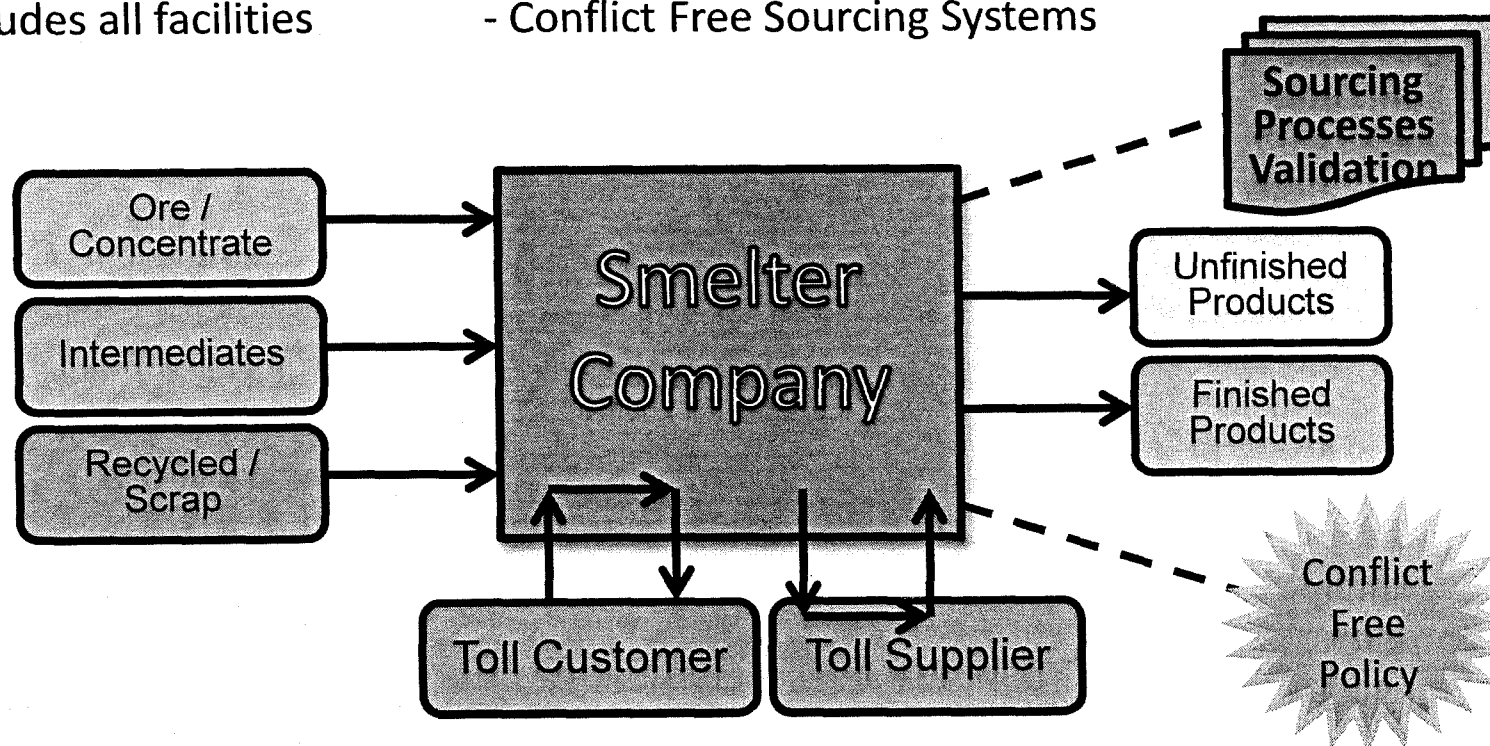
## CFSP Audit Focus

### Company Mass Balance

- Includes all inventory
- Includes all facilities

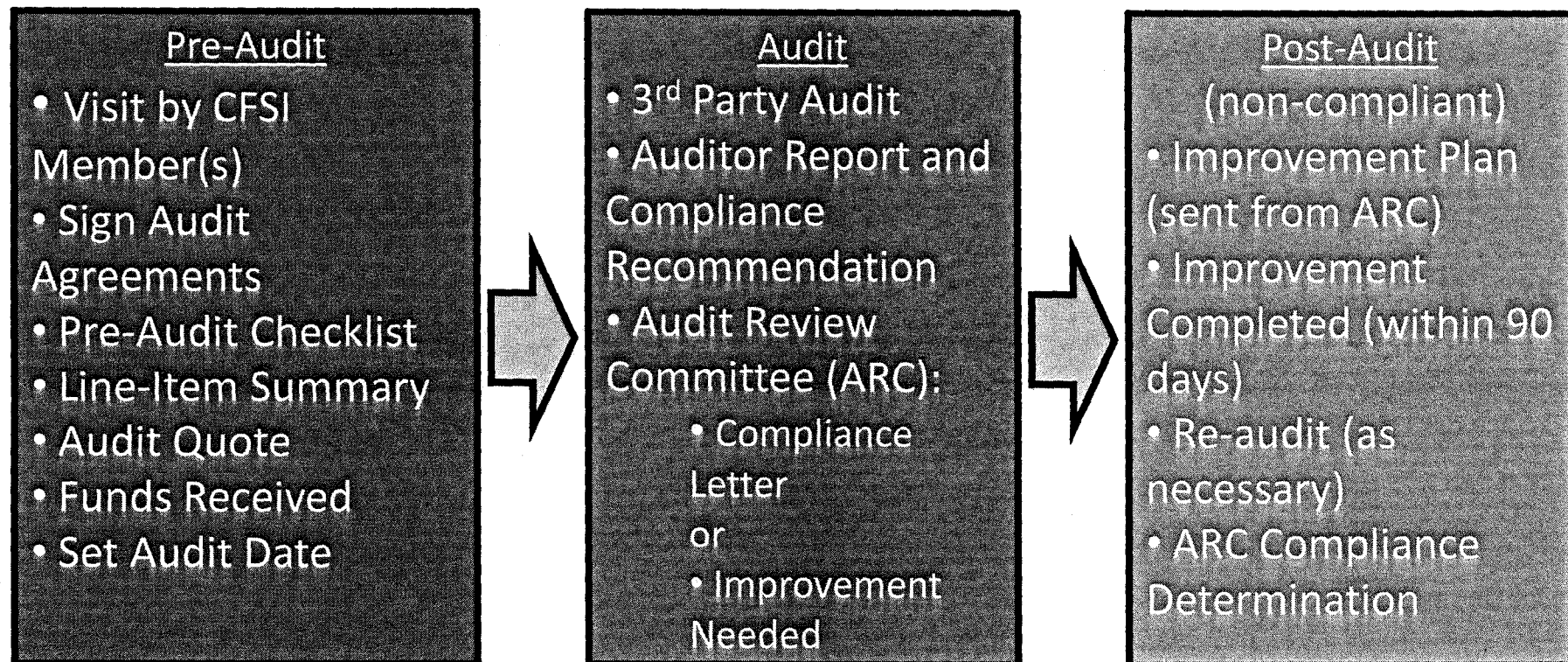
### Company Program Validation

- Conflict Free Policy
- Conflict Free Sourcing Systems



## CFSP Audit Process Overview

- CFSP Audit Program Manager coordinates all the below activities

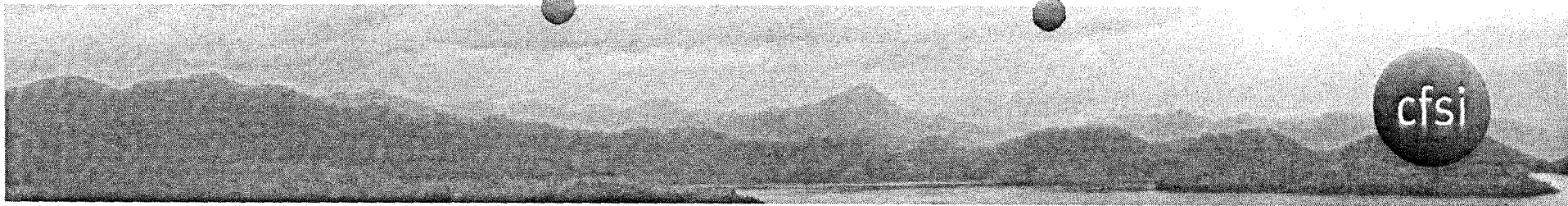






# PRE-AUDIT PROCESS





## Pre-Audit Visits

- Pre-Audit visits are typically arranged by the customer of the smelter with a CFSI company or two who are end customers
- Objective: Help the smelter prepare for a CFSP audit
  - Help compile the Line-Item Summary
  - Answer questions about the Pre-Audit Checklist
  - To assist where possible answering questions about the Auditee Agreement and Non-Disclosure Agreement
- These visits have proven to be a winning strategy for the smelter and the downstream customers

- A documented list of all the smelters purchases during the audit period and closing inventory at the end

Line Item Summary of Non-Secondary Recel										NOTES: EACH SECTION CAN BE HIDDEN BY CLICKING ON THE "+" ABOVE. THIS WILL REDUCE THE SIZE OF THE FILE. TO UNHIDE THE SECTION, CLICK ON THE "+"						
Company Name		auditee Example														
Company Smelter ID or ERCC		CD005														
Reporting Template																
Line Item Summary Completed for:		Tin / Tantalum														
TO BE COMPLETED BY AUDITEE																
IDENTIFICATION OF MATERIAL BY TRANSACTION - to be prepared by auditee for ALL CATEGORIES																
TO BE COMPLETED BY AUDITEE																
IMMEDIATE SUPPLIER INFORMATION - ALL CATEGORIES																
ALL SOURCES																
LEVEL 1																
Validation of Legacy Material from Exporting Suppliers																
Type of Material Produced																
Description of Materials Received:  LIST ALL LOTS OF NON-SECONDARY TIN OR TANTALUM MATERIAL RECEIVED WITHIN THE AUDIT PERIOD. Each entity that is assigned its own lot number must be listed on a separate line. Note that one shipment may contain multiple lots; in this case the shipment number is added in column C and the lot numbers are added to column D.		Shipment reference number (only if the same shipment contained several lots)	Smelters Lot Numbers	Date Received	Weight net (not including packaging) weight on smelter's receiving documents (if applicable)	Monetary content on the smelter's assay (if applicable)	Net weight on the smelter's receiving documents (either the calculated, dry net weight (if applicable) or net weight as indicated on the receiving document)	Smelter's Final Assay % Content of TaO <sub>5</sub> or Tin	Weight of Final Assay Contained TaO <sub>5</sub> or Tin content	FOR TANTALUM ONLY: Class 7 Shipment	FOR TANTALUM ONLY: Class 7 Transportation Documentation Available	Immediate Supplier (Mine, Concentrator or Trader)	Country of the immediate supplier	Exporter in mine country or trader (if different from immediate supplier)	Type of Material	Product
Measurement Unit to	Individual Transaction	Segment	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	Individual Transaction	
Measurement Value to	L1, L2, L3, Other	Number	Number	d9mm/yyyy	kg	%	kg	%	kg	Yes/No	Yes/No/A	Company name	Country name	Company Name	DGAA	
							0.00		0.00							
							0.00		0.00							

**Must be completed completely for appropriate audit quote and effective audit execution!**  
**- Separate worksheet tabs for Management Systems, Mass Balance, Non-Secondary and Secondary (Scrap)**



## Line-Item Summary (Cont.)

- The column headings on the Excel document may not match your company's system. Work with your auditor to clarify for them.
- Not all transportation documents will match. Work with your auditor to clarify for them.
- The Line Item Summary is the tool the auditors will use to track the material movement throughout your supply chain.

# Pre-Audit Checklist (Overview of Refiner)

Used to estimate  
the audit cost at  
the smelter's  
facility(ies)

IMPORTANT NOTE: Please complete fields highlighted in blue. Fields marked (*) are mandatory. All entries must be in ASCII characters.		
1	Please complete the following information regarding the smelter to undergo the audit.	
	Company Name (*)	
	Company Address (*)	
	Contact Name (*)	
	Contact Title	
	Contact Telephone (*)	
	Contact Email Address (*)	
2	Please complete the following company information regarding the smelter to undergo the audit.	
	How many sites does the smelter have? (*) If more than one: Please complete a separate questionnaire for each site. You may use the additional tabs in this Excel spreadsheet.	
3	Type of material(s) to be audited?	
	<b>Metal</b>	<b>Response</b>
	Tin (*)	
	Tantalum (*)	
	Tungsten (*)	
4	months of the proposed audit period? (*)	
	Number of shipments received for each category?	
4	Transaction Type:	
	Non-Secondary Material:	
	Level 1 Country (*)	
	Level 2 Country (*)	
	Level 3 Country (*)	
	Legacy Level 1 or 2 Country (*)	
	Legacy Level 3 Country (*)	
	Supplying Smelter (*)	
	Secondary Material:	
	Level 1 Country (*)	
Level 2 or 3 Country (*)		
5	Is the smelter ready to undergo the audit?	
	Readiness Assessment:	
	AECI (Non-Disclosure Agreement) completed and signed with the CFSP Program Manager? (*)	
	Auditee Agreement completed and signed with the CFSP Program Manager? (*)	
	Smelter Identification Questionnaire completed and sent to the CFSP Program Manager?	
	Line Item Summary (LIS) completed and ready to be sent to the CFSP Program Manager? (*)	
	All documentation for compliance with the Sn / Ta Audit Protocol prepared? (*)	
	Mass Balance calculation prepared and all documentation available for review? (*)	
	If required, Non-Disclosure Agreement completed and signed with auditor?	
	Is Personal Protective Equipment (PPE) available for all visitors (when required)?	
If sourcing from a Level 3 country, is the auditee a member of an industry mechanism that is pre-evaluated?		

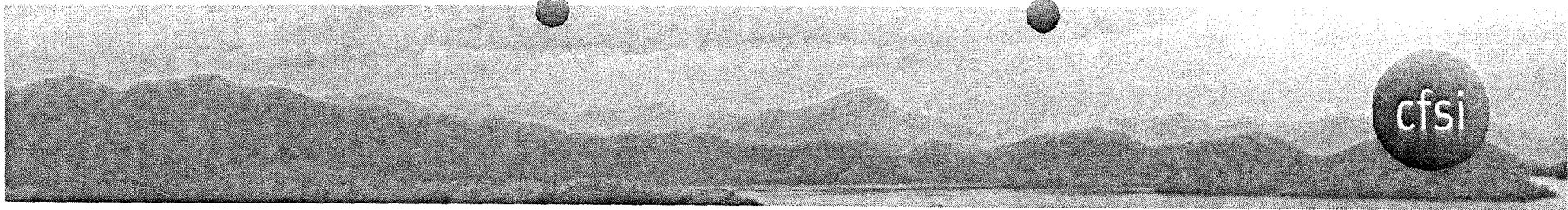


# AUDIT PROCESS



## Key Components of the CFSP Audit

1. Conflict minerals policy review
  - Publicly available
2. Mass balance
  - Accounting system assessment
3. Materials traceability assessment
  - Reasonable Country of Origin Inquiry
4. Due diligence program review
  - Any other key components (e.g. OECD expectations)



# 1. Conflict Minerals Policy Requirements

- A documented, effective and communicated conflict-free policy for procurement
- Explicitly states that the smelter avoids minerals that directly or indirectly finance or benefit armed groups from conflict-affected regions.
- Key policy components:
  - Covers tin/tantalum/tungsten/gold materials as relevant to that smelter/refiner
  - Covers the DRC and adjoining countries
  - Publicly communicated
  - Embedded within standard operating procedures and training provided
  - An effective date established
  - If sourcing from DRC or adjoining countries, needs to comply with Annex II of the OECD guidance for tin, tantalum and tungsten
  - Shared with suppliers

## 2. Mass Balance

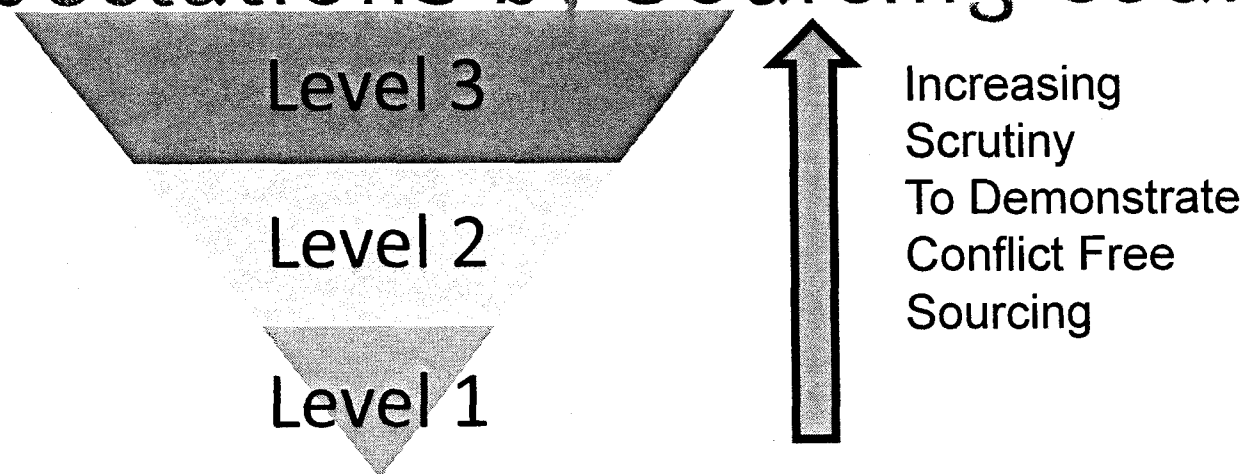
- Objective: to ensure that the declared closing inventory matches that expected from the calculated closing inventory, taking into account the possible error margin of inventory, stock, and loss estimation
  - The auditor must be able to evaluate the smelters procurement processes and records, and determine if all material can be accounted for within a 10% margin of error.
- Formula:  
*Closing inventory at end of audit period = Opening inventory at start of audit period + receipts – product shipments – estimated losses*



### 3. Material Traceability Assessment (Chain of Custody)

- Objective: validate the reasonable countries of origin (RCOI) for the smelter's procurement
- Auditor validates:
  - Documentation as identified on the smelter's Line-Item Summary demonstrates chain of custody
    - Secondary (recycle/scrap) evaluation of transportation and supplier only
  - Sampling of finished lots can be traced back to incoming materials to test for missing documentation on the Line-Item Summary

# Chain of Custody Documentation Expectations by Sourcing Country



- Level 1: countries with known active ore production which are not identified as plausible countries for export out of region, smuggling, or transit of conflict minerals
- Level 2: known or plausible countries for export out of region, smuggling, or transit of conflict minerals (currently: **Kenya, Mozambique, South Africa**)
- Level 3: ore sources currently within conflict regions that are potentially supplying ore materials which currently include **the Democratic Republic of the Congo and the adjoining countries**





## CFSP Chain of Custody Expectations:

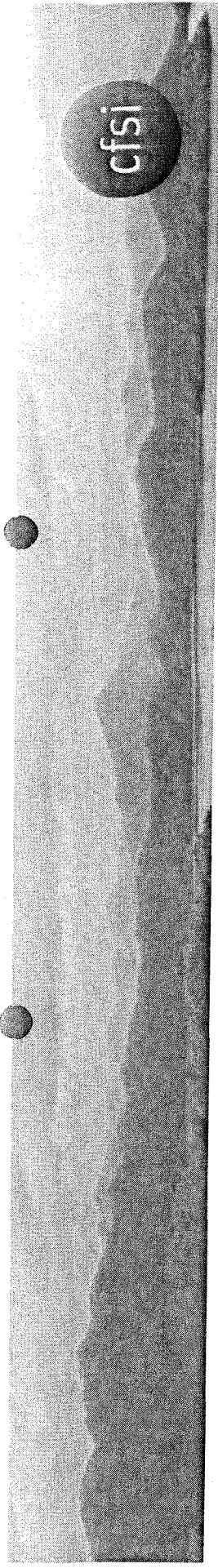
- Mechanism for tracing product back to purchased material sources.  
Includes:
  - Shipping/transportation documents
  - Lot numbers
  - Receipts, inventories, and sales documents account for mass balance
- Mining materials
  - government issued mine of origin certificate
  - import/export document
  - shipping/transportation document
  - mine assay results & weight
- Recycled materials
  - ID of material type and source (manufacturer of scrap, or collector)
  - Shipping/transportation document

16 September 2013



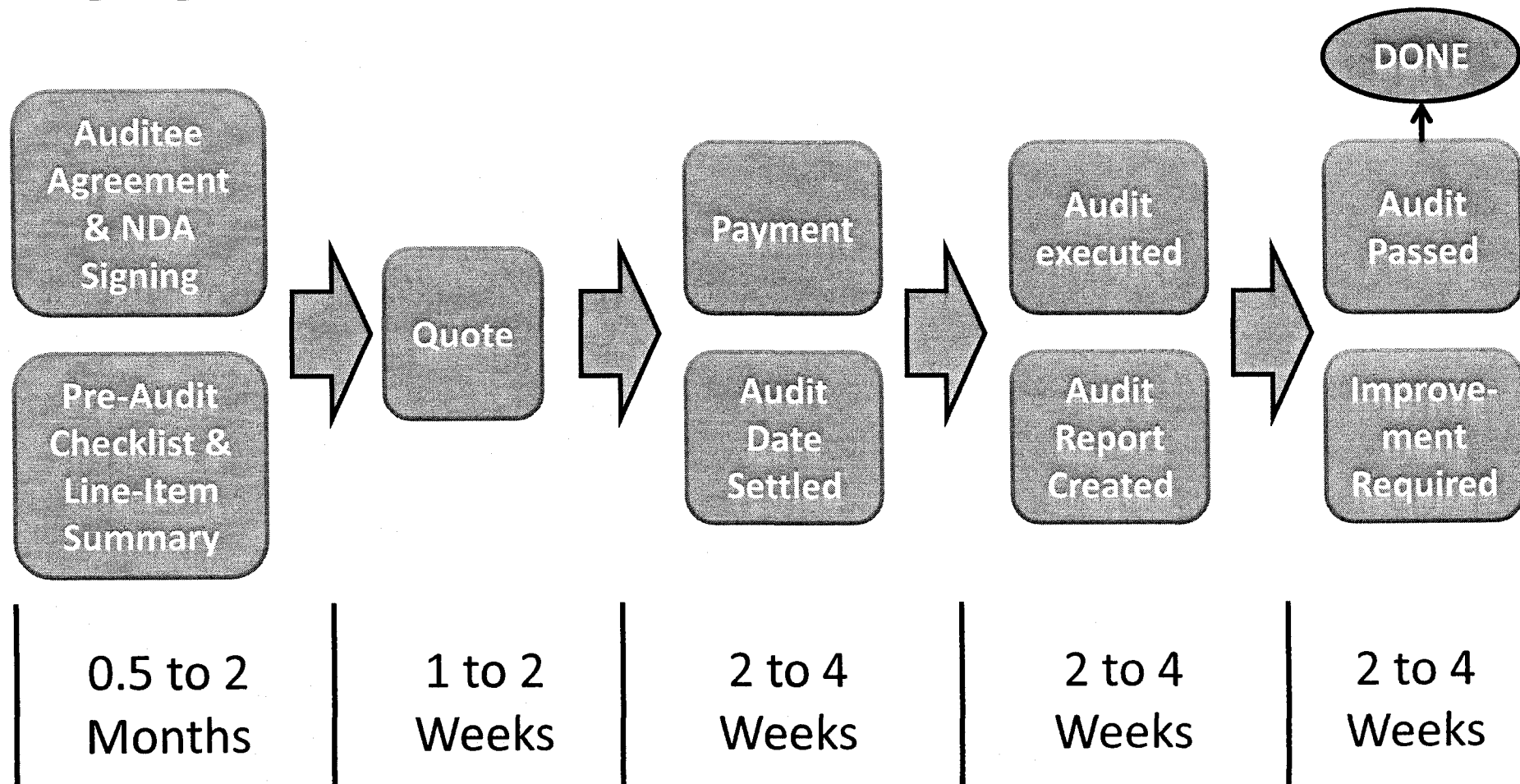
## 4. Due Diligence Program Review

- Objective: Ensure that overall systems and procedures for Conflict Minerals management work together and meet CFSP expectations for all sourcing
- Smelter's program is evaluated through a review of the conflict minerals policy, mass balance, and sourcing documents
- Procurement and management systems must be sufficiently robust that the smelter/refiner can easily demonstrate the chain of custody for incoming materials.
- Testing of the material on-hand (inventory) upholds the robustness of management systems and demonstrates that the source of origin can be efficiently determined with reasonable certainty.

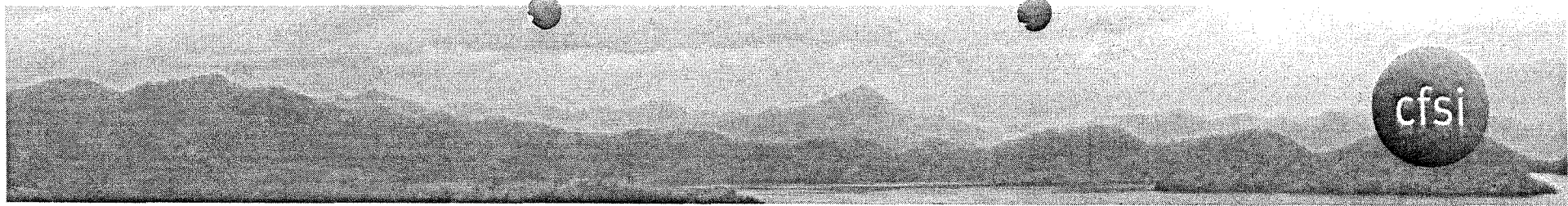


## OTHER CFSP KEY POINTS

# CFSP Process Estimated Timeline



Allowance for improvements is up to 90 days, and may require a re-audit



## Benefits of Participation

- CFSI continues to gather multi-sector support for the CFS Program
  - Electronics very broadly (JEITA supporting partner)
  - Automotive (AIAG supporting partner)
  - Retail Industry (RILA supporting partner)
  - Aerospace (GE, Boeing, and UTC partner companies)
  - Manufacturing (MSCi and Siemens partner companies)
  - Jewelry (Signet/Sterling Jewelers partner company)
- Being found compliant with the CFSP protocol helps assure your customers that you can supply them conflict-free minerals
  - One audit: significantly reduce downstream customer reviews and audits of your procurement activities
  - Provides your downstream customers with verified information about your sourcing activities
  - Through your participation, you help to encourage responsible mineral trade to meet CSR goals



