



Techtronic Industries

Conflict Minerals Policy

CONFLICT MINERALS
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1. Overview.

1.1 Introduction

Techtronic Industries Company Limited (“TTI” or “the Company”) utilises a variety of materials to build the world-class products that we deliver to customers. Four materials – Tin, Tungsten, Tantalum, and Gold, are essential minerals (commonly referred to as “3TG”), which may at times be necessary for our products. While 3TG is often sourced from various parts of the world, a significant amount of 3TG is mined and transported from the Democratic Republic of Congo (“DRC”), or its adjoining countries including Angola, Burundi, Central Africa Republic, Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia (“the Covered Countries”), where violence and war have reigned for years. Armed groups often involve themselves somewhere in the mining or transportation process of 3TGs to fund the conflicts they are involved in.

As a leading manufacturing company, we want to ensure that any 3TG we source and ultimately use in our products does not come from the Covered Countries. To achieve this, TTI, its employees and suppliers must follow the standards set by this Conflict Minerals policy.

1.2 Objective(s)

The objective of this Conflict Minerals Policy is twofold:

- Set out the rules, standards, and expectations that TTI and its suppliers must abide by to ensure that the Company sources 3TG from reputable sources free from conflict or other human rights violations
- Provide guidelines for TTI employees and suppliers to assist them in establishing procedures and actions for procurement of conflict-free 3TG

This policy will help TTI meet international legal obligations, commitments to its customers and best practices related to conflict minerals sourcing including:

- Section 1502 of the Dodd-Frank Act (“DFA”) – requiring companies which may use conflict minerals in their products to disclose the source of such minerals
- OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas

1.3 Applicability

This Conflict Minerals policy applies to:

- TTI, all its subsidiaries, including subsidiaries, joint-ventures, and other related entities in which TTI owns fifty (50) percent or less interest, (collectively referred to as “TTI”) and all of their employees, with special emphasis on Procurement
- All TTI Suppliers, including indirect suppliers selling to TTI suppliers at any point in the supply chain

2. Policy Requirements.

2.1 Expectations

Our position as a world-class manufacturer and our commitment to ethical business conduct shape our expectations regarding the procurement of 3TG.

- We will not tolerate, profit from, or otherwise knowingly contribute to any form of inhuman or degrading treatment related to or flowing from the procurement of 3TG. Inhuman or degrading treatment includes but is not limited to:
 - Torture
 - Compulsory labour
 - Child labour
 - Sexual violence
 - War crimes
- We will not engage in any direct or indirect support of armed groups through procurement of 3TG;
- We will not tolerate or support any public or private security forces which illegally control mines, transportation routes, or illegally tax intermediaries or other traders involved in the flow of 3TG downstream.

2.2 Requirements

To meet the above expectations and comply with legal obligations related to conflict minerals, we would require TTI Procurement personnel and all employees assisting Procurement in their endeavours, as well as the suppliers that TTI engages, to adopt the following practices and conduct a reasonable country of origin inquiry (RCOI) to identify the source of 3TG.

TTI Procurement

- Adopt an internationally recognized due diligence framework to:
 - Identify the circumstances surrounding the extraction, transport, handling, trading, processing, and smelting/refining of 3TG entering TTI's products by requiring TTI suppliers to conduct RCOI;
 - Assess, prioritise, manage, and respond to identified risks;
 - Learn more about due diligence efforts taken by suppliers to vet suppliers and smelters they utilise.
- Inform suppliers of our policy and get them to agree to our policy, standards, and Supplier Code via the TTI supplier contract

TTI Suppliers

- Agree to the standards, values, and expectations set out in this policy and in any supplier contract negotiated between TTI and supplier;
- Agree and provide certification of understanding of the TTI Supplier Code of Conduct;
- Agree to take steps to implement a due diligence framework mirroring the TTI supplier due diligence framework, and conduct RCOI to identify the extraction, transport, handling, trading, processing, and smelting/refining activities of upstream parties;
- Cooperate with TTI in due diligence process and provide accurate, complete and timely responses to TTI questionnaires and other compliance documentation used by the Company to learn more about the supply chain

The specific steps for an RCOI are laid out in Appendix A of this Policy. TTI Procurement should make reference to Appendix A when initiating an RCOI and guiding TTI suppliers through the process.

2. Policy Requirements

2.3 Onboarding New and Existing Suppliers

TTI will communicate its commitment to sourcing conflict-free minerals by sending out this policy and other related materials to new suppliers. New suppliers will be required to agree and abide by the terms of this policy and other documentation related to meeting conflict minerals obligations as part of the onboarding process.

Existing suppliers will also receive communications relating to TTI's commitment to sourcing conflict-free minerals, through receipt of this policy and other related materials. Existing suppliers will be required to agree and abide by the terms of this policy and other documentation as part of the contract renewal process.

Both new and existing suppliers will be required to communicate TTI's expectations on sourcing conflict-free minerals to relevant personnel, and will also adopt communications setting out their own expectations on conflict minerals sourcing, to their upstream suppliers.

2.4 Monitoring and Enforcement

To ensure compliance with this policy, TTI will establish a monitoring and auditing programme. All TTI entities and their suppliers that handle 3TG are subject to ongoing compliance monitoring and may be subject to an audit. TTI will monitor and report on the status of the implementation of this policy through periodic reports issued by the Compliance and Legal Department.

2.5 Consequences of Non-Compliance

Failure to comply with this policy by an employee qualifies as a breach of the respective employment agreement. TTI may take a disciplinary action against the employee in question, up to and including dismissal of the employee. Compliance with this policy is a mandatory condition of doing business with TTI. For suppliers, failure to comply with this policy qualifies as a breach of contract entered into with TTI. TTI will take an appropriate action against the supplier in question that may include a remediation plan or, in egregious cases or repeated non-compliance, the termination of business relationship with the said supplier.

3. Additional Information.

3.1 Frequently Asked Questions

3.1.1 Who do we consult for additional information on the policy?

Employees' first point of contact should be their managers. Managers are expected to ensure that their direct reports are aware of the policy requirements applicable to them. They are also responsible for communicating compliance expectations and setting the right tone. Managers who are seeking more in-depth information on the policy should contact the Compliance and Legal Department for more information. Existing or prospective TTI suppliers should contact their main point of contact at TTI for further information.

3.1.2 What external resources can I consult for more information on the topic of conflict minerals and compliance?

There are many public available resources concerning Conflict Minerals. We recommend the following reputable sources:

- OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas
- The Conflict-Free Sourcing Initiative (www.conflictreesourcinginitiative.org), the information it provides on Conflict-Free Smelter Program (www.conflictreesmelter.org) and its publications including "Reasonable Practices to Identify Sources of Conflict Minerals: Practical Guidance for Downstream Companies"
- Industry groups such as Electronic Industry Citizenship Coalition (www.eicc.info), Global e-Sustainability Initiative (www.gesi.org), International Tin Research Institute (www.itri.co.uk), World Gold Council (www.gold.org), and International Council on Mining and Metals (www.icmm.com)

3.1.3 Why does TTI need to determine if it uses conflict minerals in its products? Shouldn't that be the responsibility of TTI's suppliers?

DFA, the U.S. legislation which requires companies to take reasonable efforts to determine if conflict minerals are handled or used in their products, mandates that companies publically listed in the United States make their first disclosure report outlining their due diligence process, on May 31, 2014.

Many of our valued customers are large companies publically listed in the United States. So while TTI is not directly subject to DFA, many of our customers are. As a part of their own due diligence efforts, they do require that their suppliers, including TTI determine where the minerals they handle are coming from.

As such, TTI must make a strong effort to determine whether any of its upstream suppliers handles conflict minerals that could end up in our products. However, just like our customers expect from us, we will instruct our suppliers to also undertake reasonable due diligence efforts to determine where the minerals they source are originating from.

3. Additional Information.

3.2 Glossary of Terms

3TG – Tin, Tantalum, Tungsten, and Gold, which are four minerals that are substantially mined in and shipped from the Democratic Republic of Congo and surrounding countries.

The Covered Countries – The Covered Countries are those countries which the Dodd-Frank Act and other international legislation have stated are areas of high-conflict, where the mining and transport of 3TG minerals are used to fund such conflicts. The Covered Countries include The Democratic Republic of Congo, Angola, Burundi, Central Africa Republic, Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia.

The Dodd Frank Act (DFA) – The Dodd-Frank Act is a 2010 United States legislation aimed at economic reform and consumer protection. Section 1502 of the Act requires companies publically listed in the United States to make a determination whether conflict minerals are used in their products, and file a disclosure with the Securities and Exchange Commission attesting to the efforts they took as part of their review process.

OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas – The OECD Guide offers an internationally recognized framework on how companies can conduct due diligence on their suppliers.

Appendix A: Conducting a Reasonable Country of Origin Inquiry (RCOI).

Conducting a Reasonable Country of Origin Inquiry (RCOI) will help TTI determine the source of any 3TG that we use in our products. An RCOI is a joint-effort by TTI and its suppliers to gradually gather information and build a database through which suppliers and smelters can be referenced.

The following are specific recommendations that TTI and its direct suppliers should follow to carry out an RCOI. These recommendations are not limited to TTI and TTI expects its direct suppliers to follow these steps to determine the source of any 3TG they handle.

Step 1: Identify high priority/first tier suppliers that supply products containing 3TG

Since supplier networks can be very large, the best way to make an RCOI manageable is to first focus on reviewing “high priority” or “first-tier” suppliers.

- TTI Procurement conducting an RCOI should prioritize suppliers by volume of business. High priority suppliers are those that conduct more than USD \$10,000,000 worth of business.
- TTI Suppliers conducting their own RCOI can prioritize by volume of business or volume of 3TG that its suppliers handle.

Step 2: Request information on and from these high priority/first tier suppliers

The best way to gain baseline information on a supplier’s 3TG sourcing practices is by having them fill out the CFSI Reporting Template, which can be downloaded at the below link. <http://www.conflictreesourcing.org/conflict-minerals-reporting-template/>

- TTI Procurement should download this file and send it to all first tier suppliers.
- TTI Suppliers conducting their own RCOI are urged to use the CFSI Reporting Template, but may elect to use another comparable data collection tool.

Appendix A: Conducting a Reasonable Country of Origin Inquiry (RCOI)

Step 3: Review information provided by the first-tier/high priority suppliers

TTI and its suppliers should review the answers provided by their suppliers in the CFS Reporting Template or other data collection tool. The following information must be provided by the supplier through such documentation:

- Types of 3TG the supplier sources;
- Whether the 3TG comes from a Covered Country;
- Whether the supplier has identified all of its smelters;
- Whether the smelters are CFS certified, and
- What due diligence measures the supplier has in place to review its own direct suppliers

TTI and its direct suppliers must be able to reasonably rely on the answers provided by the suppliers. If incomplete answers are provided, Procurement and all TTI direct suppliers are expected to follow up with the relevant supplier(s) and acquire the missing information.

Step 4: Review information provided by suppliers on smelters/refiners in their supply chain

It is often the smelter/refiner that has the greatest knowledge on where the 3TG originates from and the routes through which it was transported.

Accordingly, the final step of the RCOI should focus on:

- Determining which smelters/refiners are independently verified, such as through membership on the CFS List;
- Which unverified smelters have been properly vetted through due diligence;
- Which unverified smelters may need to undergo due diligence

Step 5: Determining the next steps

Based on the information gathered, TTI and its suppliers should carry out and document the following:

- Determine which suppliers are sourcing 3TG from scrap or recycler sources
- Determine which suppliers are not sourcing from scrap/recycler sources and whether there is reason to believe that they are instead sourcing from mines or through transportation routes located in Covered Countries
 - For such suppliers, TTI and its suppliers should conduct due diligence on the supplier to determine where and how the minerals are sourced
- Determine which suppliers have provided incomplete information on any of the following key sections, necessitating further review including:
 - Which 3TG (if any) the supplier handles;
 - Whether the 3TG originates from a Covered Country;
 - Whether the minerals come from a scrap/recycler source;
 - Whether the supplier has identified all of its smelters;
- Conduct due diligence on any unverified smelters which have not already been reviewed through due diligence

For exact steps on how to conduct due diligence, please contact TTI Legal and Compliance for more information.

