

Conflict Minerals and the Dodd-Frank Act – 2015

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For the attention of the Managing Director

Dear Sir or Madam,

We are committed to creating a sustainable business. For us that means driving profitable growth whilst achieving a positive economic, social and environmental impact. We fully support the principles of regulations that promote socially responsible sourcing of minerals.

We set high standards for the way we do business. This helps our customers know that we can be trusted to deliver excellence. We request our suppliers to only provide us with raw materials, components and subassemblies that are derived from responsibly-sourced minerals that can be certified in accordance with the Organisation for Economic Co-operation and Development (OECD) guidelines. Suppliers must cascade these requirements to ensure rigour throughout the entire supply chain.

We recognise that determination of the original source of many of the materials used in our supply chain will be a difficult and lengthy process. Despite these challenges, we are committed to working with our suppliers and industry partners to take all practical steps to meet customer requirements and assure supply chain compliance.

Scope:

All suppliers to all Rolls-Royce businesses worldwide. See OECD guidance (below) for defined applicability.

Background:

The Dodd-Frank Act became United States (US) law in July 2010, with both the OECD and Securities and Exchange Commission (SEC) issuing guidance following this law's passage. A component of the law, and the focus of the OECD and SEC rulings, is to impose requirements relating to "conflict minerals." The European Union and several other countries are drafting similar requirements at this time.

Conflict minerals are defined as:

- Columbite-tantalite (ore from which Tantalum is extracted)
- Cassiterite (ore from which Tin is extracted)
- Wolframite (ore from which Tungsten is extracted)
- Gold, and/or any other mineral or its derivatives determined by the US Secretary of State to be financing conflicts in the Democratic Republic of Congo (DRC).

The Congressional concerns are that revenues obtained from the mining and transportation of "conflict minerals" could be used against the desire of the US and its allies to finance the on-going conflict in the DRC and surrounding countries, resulting in a humanitarian crisis.

The legislation requires publicly traded (i.e., SEC-registered) companies to report annually to the SEC on (a) their worldwide use of conflict minerals in products they manufacture or contract to manufacture, and (b) the actions of their supply chains in identifying the use of conflict minerals, identifying the country of origin for any conflict minerals and determining whether conflict minerals from the DRC region are "conflict free" (i.e., they do not directly or indirectly finance armed groups through mining or mineral trading in the DRC region).

These requirements apply equally to US and non-US suppliers and may include reporting by companies that are not SEC registrants, if they are determined to be members of the manufacturing supply chain for a SEC registered company.

The reports filed by Rolls-Royce are subject to independent third-party audit, therefore proper documentation of information related to your supply chain is essential.

Action Required:

All suppliers who supply “product” (in accordance with the definition below) to Rolls-Royce businesses must e-mail a fully completed survey no later than the close of business on Friday 27th February 2015 to the following address: ConflictMinerals@Rolls-Royce.com

The reporting and recording of conflict minerals is required annually, therefore you are required to submit a new survey to Rolls-Royce each calendar year. Surveys submitted for calendar years 2013 and/or 2014 are not applicable for calendar year 2015.

The regulation calls for the recording of all conflict minerals affected products each calendar year and the subsequent reporting of each year’s recorded product on May 31st of the following year. Due to the complexities of establishing these origins throughout the entire supply chain, the SEC and OECD guidance allows for a two year “unknown” or “undeterminable” recording and reporting status, which covers calendar years 2013 and 2014. Therefore all products purchased, recorded, and subsequently provided to Rolls-Royce in 2015 cannot be classified as “unknown” or “undeterminable.”

Rolls-Royce efforts related to conflict minerals are partially aligned to the work of the Electronic Industry Citizenship Coalition® (EICC®) and Global e-Sustainability Initiative (GeSI), therefore we are using the conflict minerals Reporting Template which can be accessed via the following link:

<http://www.conflictreesmelter.org/documents/EICCGeSIDDtemplate.xlsx>

The template provides a common industry approach for the collection of sourcing information related to conflict minerals. One area neither the requirement nor the guidance has clarified is the definition of “product.” The requirement suggests that industry mandate this definition, thus we have determined the good faith meaning of the term “product” shall be the following:

- a) Any item or items that form(s) part of the product that Rolls-Royce distributes or sells to an external customer is/are considered a “product.”
- b) Any consumable or item used in the production process that also forms part of the final Rolls-Royce product, is considered a “product.” Examples include spray powders, paints, welding wire, solder, brazing foils etc.
- c) Based on the SEC’s guidance on definitions, the statement *“In this regard, we are modifying our guidance from the proposal such that, for a conflict mineral to be considered “necessary to the production” of a product, the mineral must be both contained in the product and necessary to the product’s production. We do not consider a conflict mineral “necessary to the production” of a product if the conflict mineral is used as a catalyst, or in a similar manner in another process, that is necessary to produce the product but is not contained in that product”* means that Rolls-Royce does not consider things such as coolants, abrasive blasting media, gel coats, etching acids etc. to be a “product” because they do not form part of the final product.
- d) Items like cutting tools, broach bars, electrodes, grinding wheels, jigs & fixtures, etc. are considered as “tools” by Rolls-Royce and therefore these items are not considered a “product” unless they also fall under the definition of (a) above.

Questions may be submitted in writing and electronically to ConflictMinerals@Rolls-Royce.com

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