

Conflict Minerals Compliance Program (CMCP) Description

The U.S. Securities and Exchange Commission (SEC) Final Conflict Minerals Rule¹ (SEC Final Rule) requires a three-step compliance process: the first step is determining the applicability of the rule; the second step is conducting a “reasonable country of origin inquiry” (RCOI) to determine whether or not there is reason to believe that tin, tungsten, tantalum or gold (3TG), also referred to as conflict minerals, from the Democratic Republic of Congo or adjoining countries are present in the company’s products; and if so, the third step is conducting due diligence to determine the source and origin of those conflict minerals based on the facilities (smelter or refiners, “SORs”) in which they were processed. Companies requiring due diligence must use a nationally or internationally recognized standard such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance²) to meet the SEC regulatory requirements. The sections below describe Source Intelligence’s approach to meet each of the three steps in the SEC Final Rule compliance process; these activities were completed in concert with SP Industries’ internal regulatory compliance program activities.

SEC Final Rule Applicability Determination

The first step in SEC Final Rule compliance is examining rule applicability to a given organization’s activities. According to the Final Rule, there are four decision criteria: (1) whether the organization files reports with the SEC under Sections 13(a) or 15(d) of the Exchange Act; (2) whether the organization manufactures or contracts to manufacture products; (3) whether conflict minerals are “necessary to the functionality” or “necessary to the production” of such products and (4) whether the necessary conflict minerals were outside the supply chain prior to January 31, 2013.³

To aid SP Industries in the supplier scoping process, all Tier 1 suppliers were included in the RCOI performed by Source Intelligence. Prior to being asked to provide conflict minerals data, suppliers were asked a series of questions to determine whether the products they supply to SP Industries contain 3TG which is necessary to the functionality or production and whether the products were supplied to SP Industries during the 2021 reporting year. This information was used to determine which suppliers were in scope for regulatory purposes and thus asked to provide additional conflict minerals information.

SP Industries provided to Source Intelligence a list of Tier 1 suppliers determined to be in-scope for regulatory purposes based on SP Industries’ influence over the manufacturing process (i.e., meeting the manufacture or contract to manufacture definitions in Rule 13p-1) and potential use of 3TG. These suppliers were engaged following the RCOI process described below.

¹ Securities and Exchange Commission, 17 CFR Parts 240 and 249b, <http://www.sec.gov/rules/final/2012/34-67716.pdf>.

² OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, <http://www.oecd.org/daf/inv/mne/GuidanceEdition2.pdf>.

³ Conflict minerals are considered “outside the supply chain” if they were smelted or refined or were outside of a covered country prior to January 31, 2013.

Reasonable Country of Origin Inquiry (RCOI)

To complete the RCOI required by the SEC Final Rule, Source Intelligence engaged SP Industries' suppliers to collect information about the presence and sourcing of tantalum, tin, tungsten and gold (3TG) used in the products and components supplied to SP Industries. The program utilized the Conflict-Free Sourcing Initiative's Conflict Minerals Reporting Template (CMRT). Only CMRT's version 4.0 or higher were accepted. Suppliers were offered two options to submit the required information, either by uploading the CMRT in MS Excel format or by completing an online survey version of this template directly in the SI platform. In certain cases if a supplier was unable to complete on the platform, SP Industries or Source Intelligence uploaded the CMRT on their behalf.

Supplier Engagement

SP Industries provided Source Intelligence with at least one email address for each Tier 1 supplier designated as in-scope.

The RCOI began with an introduction email from SP Industries to suppliers describing the Conflict Minerals Compliance Program (CMCP) requirements and identifying Source Intelligence as a partner in the process. Following that introduction email, Source Intelligence sent a subsequent email to suppliers containing a registration and survey request link for the on-line data collection platform.

Following the initial introductions to the program and information request, reminder emails were sent to each non-responsive supplier requesting survey completion.

New Information Cut-off

In recognition that the information requested can take time to collect and aggregate, suppliers were given a final deadline of April 30, 2022 to provide information about the metal processors present in their supply chains for the 2021 reporting year.

Information Requested

Suppliers were asked to provide information regarding the sourcing of their materials with the ultimate goal of identifying the 3TG smelters or refiners ("SORs") and associated mine countries of origin. Suppliers who had already performed a RCOI through the use of the CMRT were asked to upload this document into the Source Intelligence system or to provide this information in the online survey version.

SP Industries chose to give their suppliers the ability to share information at a level with which they were most comfortable, i.e. company, product or user-defined, but the declaration scope had to be specified.

Suppliers were requested to provide an electronic signature before submitting their data to SP Industries to verify that all answers submitted were accurate to the best of the supplier's knowledge but the suppliers were

not required to provide an electronic signature to submit their data.

Quality Assurance

Supplier responses were evaluated for plausibility, consistency, and gaps. If any of the following “quality control” (QC) flags were raised, suppliers were automatically contacted by the Source Intelligence platform on a bi-weekly basis up to three times.

- One or more smelter or refiners (SORs) were listed for an unused metal;
- SOR information was not provided for a used metal, or SOR information provided was not a verified metal processor⁴;
- Supplier answered yes to sourcing from the Democratic Republic of the Congo or adjoining countries (“DRC”), but none of the SORs listed are known to source from the region;
- Supplier indicated that they have not received conflict minerals data for each metal from all relevant suppliers;
- Supplier indicated they have not identified all of the SORs used for the products included in the declaration scope;
- Supplier indicated they have not provided all applicable SOR information received; and
- Supplier indicated 100% of the 3TG for products covered by the declaration originates from scrap/recycled sources, but one or more SORs listed are not known to be exclusive recyclers.

RCOI Results

A total of 18 Tier 1 suppliers were identified as in-scope for conflict mineral regulatory purposes and contacted as part of the RCOI process conducted by Source Intelligence. The response rate among these suppliers was 67%. Of these responding suppliers, 25% indicated one or more of the regulated metals (3TG) as necessary to the functionality or production of the products they supply to SP Industries. The attached Source Intelligence RY 2021 CMCP Data Summary provides detailed information regarding the smelters/refiners reported to be in SP Industries’ supply chain and the associated mine countries of origin (see CMCP Data Summary Description for an explanation of the contents of this MS Excel file). Based on Source Intelligence’s smelter/refiner database, and as shown in the CMCP Data Summary, there was an indication of DRC sourcing for 52 out of 328 verified smelters/refiners⁵.

⁴ Source Intelligence maintains a smelter/refiner database to document which companies are known metal processors (i.e., verified), which companies are exclusive recyclers, mine country of origin information, and DRC conflict-free certification status. Source Intelligence collects SOR data submitted by suppliers via CMRTs and compares it against its existing database. Supplier responses listing entities that are not verified smelters/refiners are flagged and suppliers are asked for further clarification.

⁵ The information in the smelter/refiner database begins with supplier-provided information (CMRT data); Source Intelligence then performs additional research (internet, industry and government associations) and outreach (email and telephone) directly with these companies to confirm the data provided via CMRTs. The Source Intelligence Smelter Verification and Outreach Process includes research in an attempt to verify types of metal processing performed (including exclusive recycling), mine countries of origin, conflict-free certification status, and due diligence measures being conducted for those entities who are not conflict-free certified.

SI Due Diligence Process

For those supply chains with SORs that are known or thought to be sourcing from the DRC, additional investigation is needed to determine the source and chain-of-custody of the regulated metals. Source Intelligence relies on the following internationally accepted audit standards to determine which SORs are considered “DRC Conflict Free”: the Responsible Minerals Assurance Process (RMAP), the London Bullion Market Association Good Delivery Program and the Responsible Jewellery Council Chain-of-Custody Certification. Source Intelligence has become an official vendor member of the Responsible Minerals Initiative (RMI) to further facilitate the exchange of supply chain data and technical information in the quest for global ethical sourcing of materials. This membership provides Source Intelligence access to the following working groups: Engage with the CMRT Development Team, Smelter Engagement Team, Smelter Data Management Team, RMI Stakeholders Call, and RMI Plenary.

If the SOR is not certified by these internationally-recognized schemes, Source Intelligence attempts to contact the SOR to gain more information about their sourcing practices, including countries of origin and transfer, and whether there are any internal due diligence procedures in place or other processes the SORs takes to track the chain-of-custody on the source of its mineral ores. Relevant information to review includes: whether the SOR has a documented, effective and communicated conflict-free policy, an accounting system to support a mass balance of materials processed, and traceability documentation. Internet research is also performed to determine whether there are any outside sources of information regarding the SOR’s sourcing practices. Up to three contact attempts are made by SI to SORs to gather information on mine country of origin and sourcing practices.

A list of SP Industries’ SORs with indications of RMI Country Risk Levels along with certification statuses is provided in the attached Source Intelligence RY 2021 CMCP Data Summary.