The Dodd-Frank Act was a regulation passed by the Obama administration following the economic housing collapse that took place in the United States. The act was set to increase liability among companies and to prevent another collapse due to unethical business practices. This includes regulations on financial reporting as well as ethical business standards. Although this act only covers publically traded companies, everyone who does business with a public company is affected, as these standards spiral down the chain of production.
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1. **WHAT IS A SMELTER OR REFINER (SOR)?**

A smelter/refiner is a facility that uses heat and/or chemical agents to produce a base metal from its ore. This is the critical processing step where mined materials are reduced to a concentrated volume of a particular mineral.

2. **HOW MANY 3TG SMELTING FACILITIES EXIST WORLDWIDE?**

Best estimates suggest that between 400 and 500 legitimate smelting facilities of 3TG minerals exist.

3. **WHY ARE SMELTERS IMPORTANT?**

The Final Rules of section 1502 of Dodd-Frank requires companies filing a Conflict Minerals Report to exercise due diligence on the source and chain of custody of their conflict minerals. Identifying and understanding the smelter of 3TGs is important to fulfilling this requirement.

Smelting is the conversion point of identifiable materials into a common product. After smelting, it is impossible to determine the source of the input materials. The smelter is the pinch point in the supply chain, putting them in the best position to know the origin of the material and the destination of the product. In addition, there are relatively few smelters compared to many upstream suppliers and downstream users.
4. **WHAT IS THE CFSI?**

The CFSI is an initiative of the Electronic Industry Citizen Coalition (EICC) and the Global e-Sustainability Initiative (GeSI). Through their Conflict Free Smelter Program (CFSP), the CFSI operates a third-party audit process that determines which smelters and refiners can be validated as conflict free.

The CFSI also created the Conflict Minerals Reporting Template (CMRT), which is the industry standard form for disclosure of smelters within corporate supply chains. Accompanying the CMRT is a Standard Smelter List that provides details on the roughly 280 facilities that the CFSP has verified as smelters.

On this list, each smelter is labelled depending on their status within the third-party audit process:

- **Compliant** means that the smelter has completed the annual audit process and has been verified to have conflict free sources.

- **Active** means that they are in the process of being audited, or have committed to begin the audit process.

- The remaining smelters meet the CFSI definition of a smelter but are neither compliant nor active in the audit process.

The CFSI is currently the most utilized and respected resource on conflict mineral issues.

5. WHAT IS THE DOC?

The United States Department of Commerce is a government agency that was required by section 1502 Dodd-Frank Act to compile a list of “all known conflict mineral processing facilities worldwide.” The DoC spent 2 years accumulating, comparing and reconciling data from 7 different public and private sector stakeholders, including the US Geological Survey, the EICC and the GeSI. Their final report was released in September 2014, identifying 428 smelting facilities.


6. WHY ARE THE CFSI AND DOC LISTS DIFFERENT?

The difference in the lists can be accounted for by the different definitions, information gathering channels, and mandates of the two organizations.

The CFSI’s sole industry and mandate is in conflict minerals. As such, it has the benefit of gathering knowledge from members, experts and stakeholders within the industry. It is also able to dedicate its full set of resources towards conflict minerals. The process of information gathering comes through their membership process, third party audit processes, non-disclosure agreements and in-depth industry involvement. The CFSI definition of a smelter/refiner is mineral specific and reflects industry specific details.

The DoC is not normally involved in conflict mineral issues, and therefore it would not have the same level of industry-specific expertise as the CFSI. The DoC had to rely on a number of different information sources, including geological surveys, foreign government reports and
industry reports. The DoC used subtle but significant terminology differences that resulted in their definition of a smelter/refiner being more general than that of the CFSI.

7. WHAT ARE THE GOALS OF THE ASSENT SMELTER PROGRAM?

The primary goal of Assent’s Smelter Program is to be the most comprehensive and effectual source of validated smelter information in the world.

In order to accomplish this goal, there are several key aspects involved in the smelter program.

• Use all available avenues to build and maintain accurate profiles for valid smelters.
• Perform in-depth and innovative information gathering and analysis.
• Conduct native language outreach to actual and potential smelting locations around the globe to enhance Assent’s data-gathering network, validate existing data, as well as educate on the benefits of conflict free sourcing certifications.
• Obtain country of origin and mine information.
• Provide clients with reports that will allow them to view and better understand their supply chain, and the risk of sourcing materials from any particular smelter.
• Provide clean CMRTs and Smelter Reports that can be confidently submitted to customers or as part of a Conflict Minerals Report.
8. WHAT ARE CHALLENGES FACING THE SMELTER PROGRAM?

The main challenges facing the Smelter Program are the result of a severe deficiency of smelter information, in addition, problems with infrastructure and enforcement of regulations are rampant in the covered countries.

A general lack of public awareness and available information on smelters is a large hindrance in data gathering and validation. Invalid data is recorded and perpetuated, rather than scrubbed, as it is passed up and down the supply chain. This leads to complexities in the volume and accuracy of supplier submitted data.

The focus of conflict mineral regulations is on a developing area of the world with obvious deficiencies in governance and infrastructure that would facilitate an easy implementation process. Issues with smuggling, corruption and a lack of record keeping are constant challenges facing the advocates of conflict free sourcing. In addition, artisanal and guerilla mining and smelting, dealing with small amounts of minerals, exist off the grid and are difficult to track and analyze.

The Assent Smelter Program and their partners are constantly looking for new and innovative solutions to these challenges that will lead the industry into a more efficient and successful phase of conflict free sourcing.
9. WHAT IS ASSENT’S PROCESS FOR SMELTER VERIFICATION?

When a candidate smelter entry is received from an industry organization or by supplier submission on a CMRT, the first step is to cross-reference the incoming data against existing profiles in the Assent Database for a match based on indicators such as unique smelter ID (CID#), metal, facility location and name. If a match is found in the database, the duplicate information is merged into one accurate profile.

If no matching profile exists, one is created and populated with information gathered by the Smelter Team. The profile is then analyzed and assigned a status of Valid, Invalid or Undetermined.

• **Valid**: it has been verified as a smelter/refiner by the CFSI, DoC or independently by Assent.

• **Invalid**: it has been confirmed that it is not a 3TG smelter/refiner.

• **Undetermined**: it is a new entry that does not fall within Valid or Invalid. These profiles require further investigation via our research and outreach program. The conclusion of this process is the candidate smelter being labeled Valid or Invalid.

10. WHAT SMELTERS SHOULD BE INCLUDED ON A CMRT?

There is no required practice that answers this question. Many in the industry rely solely on the CFSI's Standard Smelter List. However, the DoC List is a valuable resource and should receive serious consideration.
With the goals of the Assent Smelter Program in mind, we rely on smelter data from both the CFSI’s Standard Smelter List and the Department of Commerce Report. In making this decision we hope to provide our clients with the knowledge and resources that will allow them to confidently complete their Conflict Minerals Reporting.

Despite our decision to label DoC smelters as valid, it is ultimately up to each of our clients to make the choice of what is included on their CMRT Smelter Lists. Further information on listing smelters on a CMRT is available from Assent.