



Regulatory Alert: Conflict Minerals Reporting Requirements

This email is to inform you of Federal legislation that may significantly impact the aerospace industry and suggested actions to take.

In July 2010, President Obama signed into law the Wall Street Reform and Consumer Protection Act, also known as the Dodd-Frank Act. Although the focus of the Act is financial market regulatory reform, it also imposes new requirements relating to "Conflict Minerals." Specifically, section 1502 of the Act imposes Securities and Exchange Commission (SEC) reporting requirements upon publicly-traded companies whose products contain metals derived from minerals defined as "Conflict Minerals," which include tantalum, tin, tungsten and gold.

The new reporting requirements reflect congressional concerns that revenues obtained from the mining and transportation of "Conflict Minerals" could be used against the desire of the U.S. and its allies to finance the ongoing conflict in the Democratic Republic of Congo (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" (that is, they do not directly or indirectly finance armed groups through mining or mineral trading in the DRC Region). The SEC is currently finalizing a regulation that will detail how publicly-traded companies must comply with section 1502. Please note that these requirements apply to both U.S. and non-U.S. suppliers and may also include reporting by companies that are not SEC-registrants if they are determined to be members of the manufacturing supply chain for an SEC registered company.

Once the final regulations are released, publicly-traded companies will be required to report on "Conflict Minerals" in their products that originate in the DRC or the nine adjoining countries for the first fiscal year following the year in which the SEC final regulation is issued.

As a result, you may be asked to assist in obtaining source information from smelters and refiners of minerals in your supply chain to determine whether the materials or products contain "Conflict Minerals" that originate in the DRC or adjacent countries. Annual submissions to the SEC may require an independent, third-party audit, and therefore, proper documentation of information related to your supply chain is critical.

To summarize and reinforce some important potential compliance impacts, your company should consider the following:

- Companies may be asked to trace products that contain tantalum, tin, tungsten and/or gold through their supply chain to some extent.
- Non-SEC registered companies who supply directly or indirectly to AIA Member companies may be asked to comply with the regulations. Compliance agreements between non-SEC registered suppliers and their public customers will need to be reached.
- Independent, third party audits proving company compliance may be required.
- The compliance effort is expected to also include the packaging that each company uses and any advertising products that the company distributes.

According to the Organization for Economic Co-operation and Development (OECD), there are some actions all suppliers can take now to prepare for this requirement, including some or all of the following:

- Determining parts/assemblies/materials that incorporate one or more of the identified “Conflict Minerals.”
- Reviewing the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” for possible implementation:
<http://www.oecd.org/dataoecd/62/30/46740847.pdf>.

The Regulations are expected to come out sometime between now and early in 2012. Implementation of the SEC’s final rule may be challenging, so we want to ensure that the aerospace industry is aware of this situation in advance of the effective requirements and reporting date.

To learn more about the legislation and “Conflict Minerals,” please consult the SEC website:
<http://www.sec.gov/news/press/2010/2010-245.htm>.

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