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INSIDE THIS PUBLICATION:

Forging Ahead on

Conflict Minerals Compliance

An e-Book publication sponsored by iPoint

COMPLIANCE WEEK

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Inside this e-Book:

Conflicts Minerals Court Ruling Changes Little

By Joe Mont

The timing of a recent court decision rejecting part of an SEC rule on conflict minerals disclosures could not have been worse. Many companies were already straining to meet the June 2 deadline, and now the court ruling has added another layer of confusion and uncertainty.

Will regulators give companies an extension as they sort out the legal questions the ruling raises? Should companies stay the course and complete the filings as they had planned to? A week after the court invalidated a portion of the rule, the SEC has yet to provide any guidance on how companies should proceed with the impending filing deadline.

The SEC rule applies to the mining of tin, tungsten, tantalum, and gold in war-torn Central Africa that is considered a source of funding for militant groups. A ruling by the U.S. Court of Appeals for the District of Columbia Circuit in April said the plaintiffs were correct to claim that disclosing the fact their products may contain conflict minerals on company Websites is unconstitutional, compelled speech. The rule now heads to a lower court for a review of whether the SEC's rulemaking, or language in the Dodd-Frank statute itself, caused the free speech conflict.

Among the possible scenarios: Petitioners could seek a stay of the implementation of the rule in order to push required filings beyond the current deadline; the SEC could appeal the decision; the Commission could issue guidance confirming that it expects companies to file their required disclosure except for the specific product descriptions that drew judicial rebuke; the plaintiff's could appeal aspects of the SEC rulemaking that were not invalidated; or, the case could eventually wind its way to the Supreme Court at the behest of either side.

With the fast-approaching deadline, however, companies don't have time to wait to see how most of these scenarios play out. Most legal advisers say companies should continue with efforts to complete the Form SD disclosure on conflict minerals use. No matter what happens in courtrooms, some form of the rule will likely prevail, says Dynda Thomas, a partner with the law firm Squire Sanders. "The underpinnings of the congressional statute remain except for that reporting and product description element that was struck down," she says. "The statutory directive remains; that has not changed."

"People should be doing all of the same things they have been doing," says Michael Littenberg, a partner with the law firm Schulte Roth & Zabel and head of its conflict minerals practice. Since the court issued its opinion, he has fielded calls from nearly 75 clients concerned by the legal ramifications. "Every one of them, on their own, has reached the same decision—they are moving forward with their compliance and not changing anything," he says. "Companies realize this is the right path."


Littenberg

In Littenberg's view, the court case, for now at least, shouldn't pose many problems. He goes so far as to describe it as "a big so what" because most companies are far more concerned about complexity and cost than free speech concerns. It remains to be seen whether the SEC will ultimately need to re-write all or part of its rule, but supply chain due diligence will not go away, he says.

> "If somebody is sourcing from places that support conflict, chances are they are not going to know about it because those suppliers are going to do their best to make sure they don't know."
>
> Michael Littenberg, Partner, Schulte Roth & Zabel

Moot Point?

It is expected that many companies will rely on a "conflict minerals undeterminable" status the SEC will allow for the next two years. "I would be even stronger and say that nobody is going to be affected by the court's decision in year one," Littenberg says."I'm not aware of a single company that is going to have to say this year that they have conflict minerals in their products."

The bigger challenge, in these final days of compliance efforts, is the bugaboo that has given companies trouble from the start—obtaining the supply chain transparency they need to accurately assess their exposure to conflict minerals. That aspect remains unaffected by the ruling.

"If somebody is sourcing from places that support conflict, chances are they are not going to know about it because those suppliers are going to do their best to make sure they don't know," Littenberg says. "They are not going to tell you about it, nor are people who are close to them in the supply chain going to tell you about it."

Problematic supply chain due diligence, even at this late stage, has led industry groups to step up their outreach. At a corporate responsibility summit for global automakers and suppliers in April, the Automotive Industry Action Group announced an initiative to shift sluggish conflict minerals programs into high gear. A cause for concern, uncovered by a survey it conducted, is that many companies still struggle with the rule's requirements. "We are far from being able to say that all of our reports will meet the deadline," says Tanya Bolden,

corporate responsibility program development manager for AIAG. "There still a long way to go, and a lot of companies really need to begin the due diligence that a lot of our larger companies began some years ago."

The survey found that nearly half of the 550 companies polled have a policy on conflict minerals reporting, yet only half think they will meet the this year's SEC deadline. In response, AIAG has doubled down on outreach, launching a new Website with information and resources to help OEMs and suppliers get on track.

Work in Progress

The good news, Bolden says, is that all involved, including regulators, understood this was going to be a work in progress. It may take time, but supply chain issues can be resolved on an industry-wide basis much easier than on a company-by-company basis. Cooperation among trade groups is also important. "The challenge for the automotive sector is the complexity of our industry," she says. "Modern vehicles are often described as computers on wheels, and that's why it was only natural for us to reach out to the electronics industry and work with them."

Bolden's advice to companies that still lag behind: Don't try to do it all on your own. "Networking and collaboration is benefiting those who are part of the discussion, rather than just waiting for the solution to come to them," she says.

Supply chain visibility is also why the Electronic Industry Citizenship Coalition, another trade group, is promoting a reporting template that its members, and those in other industries, can use. Its new Conflict Minerals Reporting Template (CMRT) 3.0 was published in April in conjunction with the Global e-Sustainability Initiative and Conflict-Free Sourcing Initiative. An older version of the template is widely used for 2014 compliance; the updated version is intended for 2015 reports.

The template is "a vital tool for companies around the world to gather information about the source of materials in their products, and the smelters and refiners that processed those materials," says Michael Rohwer, program director of the Conflict-Free Sourcing Initiative. "By gathering the same types of information from many levels of the supply chain in a standardized form, companies can make informed choices about conflict minerals in their supply chains."

The CMRT was developed by companies from multiple industries and is available in several languages. The form itself is a standard Microsoft Excel spreadsheet, a familiar format the group hopes will be easier to use and more widely adopted.

Beyond tracking down suppliers and building a list of conflict-free smelters, the reports will help companies assess due the diligence efforts of vendors big and small, Rohwer says. "It asks a series or questions about what that supplier knows about their supply chain. Have they conducted a similar inquiry? Have they received responses back? Do they know who the smelters and refiners are in their supply chain?" he explains.

"There is an understanding and acceptance that even many of the first-tier suppliers are not going to have good answers to these questions," Rohwer says. "The purpose of the template is to trickle down, tier-by-tier-by-tier until we end up with good information about all the smelters and refiners in the supply chain." ■

THE DECISION

On April 14, in an opinion issued by the U.S. Court of Appeals for the District of Columbia, Senior Circuit Judge A. Raymond Randolph ruled that the National Association of Manufacturers, Business Roundtable, and U.S. Chamber of Commerce were correct to claim, in a lawsuit filed in October 2012, that a requirement by the Securities and Exchange Commission that companies report products that may not be conflict-free is compelled speech that could cause "irreparable First Amendment harm."

A selection from that opinion reads:

"It is far from clear that the description at issue—whether a product is "conflict free"—is factual and non-ideological. Products and minerals do not fight conflicts. The label "conflict free" is a metaphor that conveys moral responsibility for the Congo war. It requires an issuer to tell consumers that its products are ethically tainted, even if they only indirectly finance armed groups. An issuer, including an issuer who condemns the atrocities of the Congo war in the strongest terms, may disagree with that assessment of its moral responsibility. And it may convey that "message" through "silence." By compelling an issuer to confess blood on its hands, the statute interferes with that exercise of the freedom of speech under the First Amendment."

"[Applying past legal precedents] broadly would allow Congress to easily regulate otherwise protected speech using the guise of securities laws. Why, for example, could Congress not require issuers to disclose the labor conditions of their factories abroad or the political ideologies of their board members, as part of their annual reports? Those examples, obviously repugnant to the First Amendment, should not face relaxed review just because Congress used the 'securities' label."

Source: U.S. Court of Appeals for the District of Columbia.

Conflict Minerals Rules May Get Global Versions

By Joe Mont

Bad news for companies struggling to comply with the U.S. conflict minerals disclosure rules created by the Dodd-Frank Act: other countries are considering similar rules and they could be even more onerous.

In the European Union, similar legislation has been in the works for months and could be on the books sometime this year, according to statements by members of the European Union Commission. Australia and Canada are also at various stages of efforts to release their own conflict minerals rules. And other countries are considering legislation that would either require companies to disclose the use of controversial materials that could contribute to human rights violations or discontinue their use completely.

The new rules could require global companies to revisit their conflict minerals rule compliance efforts. "Whether it's the European Union, Canada, or anyone else, these are not going to be clones of the U.S. rule," says Michael Littenberg, a partner with the law firm Schulte Roth & Zabel who heads its conflict minerals practice. "For the European Union in particular, it is probably going to look substantially different. Companies shouldn't think of these as foreign equivalents of the U.S. rule."

As companies build out their compliance programs, they should strive to make them flexible, robust, and scalable because they may very well end up having to add other geographies, activities, or minerals, Littenberg says. "It is important to have a program that you don't need to scrap and redo as you continue to meet ongoing compliance needs," he adds.

Final rules adopted by the Securities and Exchange Commission require companies to assess products they manufacture to determine whether any contain so-called conflict minerals—columbite-tantalite, cassiterite, gold, and wolframite—and determine whether the source of those minerals is the war-torn Democratic Republic of the Congo or an adjacent country. Disclosure requirements are tied to that supply chain due diligence.

How will the EU's approach differ? It could take a broader approach than the United States. While the list of minerals covered may not be expanded, the countries covered are expected to.

In a speech last September, European Commissioner for Trade Karel De Gucht advanced this notion. "We need a broad geographical scope," he said. "While it is true that the [DRC] region remains the most terrifying example of the problem it is certainly not the only one."

Beyond the Congo

The EU's approach builds upon United Nations and Organization for Economic and Co-operation Development (OECD) guidelines and its view that the problem on mining operations funding violence as a global matter is not isolated to the Congo. For example, Coltan, used in microchips, is illegally mined in Venezuela and Columbia and funds the militia known as the Revolutionary Armed Forces of Colombia, or FARC.

"There are other areas of the world that are potential hotspot as it relates to raw materials or manufacture goods. It is something companies have to be thinking about as they are assessing risk internally," Littenberg says. "Responsible sourcing is becoming an increasingly important issue for companies to address. Whether you are talking about conflict minerals, cotton from Uzbekistan, or garment factories in Bangladesh, it is all part of the same broader issue."

There is some speculation that the EU may even refrain from specifically naming particular countries or regions, thereby providing the flexibility to respond to crisis. If so, it remains to be seen how the directive will be applied on a case-by-case basis.

Efforts in Europe and the United States open the door to legislators in other nations expanding regulations in other ways as well, says Harrison Mitchell, head of due diligence and responsible supply chains for London-based Resource Consulting Services. "They will look at other issues in the mining sector, such as forced labor and environmental issues."

Mitchell compared the conflict minerals trajectory to diamond trade legislation and regulation. "First the focus was on conflict," he says. "Then, as the conflict issue became less pertinent, it turned to human rights abuses."

As signaled by De Gucht, the European approach will focus upstream of the supply chain, closer to smelters. This is the opposite of how the U.S. rules tackle the problem, using disclosure to "name and shame" corporate end users into demanding supply chain reforms. What remains to be seen is how upstream the EU will go. Will it look exclusively at those smelters, or nudge more downstream to cover exporters?

"I'm not sure as to the mechanism on how they are going to do that," Mitchell says. "How is Europe going to enforce obligations on a smelter in Asia?" It doesn't means there are not going to be any compliance obligations for downstream companies, he adds, just that the bulk of the compliance is going to be further upstream.

Other concerns emerging in advance of the European Commission's directive is whether it will harm companies that do business there. "Indications are that there may be some distinction in how the rule is applied to countries that trade within the European markets and those that trade from outside," says Dynda Thomas, a partner at law firm Squire Sanders. "There is great concern that the rules would unfairly or disproportionally impact non-European companies. U.S. companies are concerned that they will have to comply with

rules that their European competitors will not have to. That's something everyone will be looking at very closely."

There is also another wildcard to consider—that the European Commission will only issue voluntary guidelines for some or all of its initiatives, with required compliance at least three years off.

Australia, Canada, and Others

Other countries are working on new standards too. The Australian government, for example, released due diligence guidelines for supply chains, pressuring them to mitigate the risk of supporting conflict in the DRC. Similar guidance, stopping short of legislation, has emerged from U.K. officials as well.

Mitchell explains that Canadian legislation introduced earlier this year was very broad and would have covered more minerals, more companies, and more countries. "It was much more expansive and alarming," he says. That proposal, a legislative initiative filed by a citizen, garnered a lot of press, but will likely be significantly weakened.

Will Asia will be the next part of the world to focus on these issues? "It is definitely coming," Mitchell says. "Rules of this sort don't just get contained to the jurisdiction that initially creates them," says Michael Kirschner, an environmental compliance expert and principal consultant for ENVIRON International Corp. "Other legislators and regulators around the world are constantly looking at what others are doing and saying, 'Look we've got the same problem here, so what if we adopt it and localize it."

Those laws can be more onerous than the originals. The Restriction of Hazardous Substances Directive, better known as RoHS, was adopted in 2003 by the European Union and made law in each member state. It restricts the use of several materials (among them lead, mercury, and cadmium) that are deemed hazardous in the manufacture of electronics.

"The EU's RoHS directive has been adopted in all sorts of different places around the world," Kirschner says. "But it is not exactly the same anywhere else. They are totally un-harmonized, have different scopes and degrees of restriction, and different reporting requirements.

These variations can be problematic. "I've seen manufacturers just focus on EU RoHS and then there was China RoHS" he said. "All of a sudden they had to change all the systems that they put in place because it was slightly different."

Tougher conflict minerals laws could emerge just as China took a more restrictive approach to RoHS. "In other countries legislators and regulators can do whatever the heck they want," Kirschner warns.

Jurisdictions at the state and local level are also joining the conflict minerals fray—including Massachusetts, Maryland, California, Pittsburgh, and Detroit—and passing their own conflict minerals laws. Most enhance federal efforts by refusing government contracts to companies that fail to comply with the SEC rule.

Conflict minerals regulations, and the laws they inspire, will be a moving target for years to come. As the SEC was crafting its rules, Thomas says she advised clients to keep their eye on the big picture and "make sure your process is adaptable and can grow and change as the regulatory environment changes," she told them. That advice still rings true. ■

INSIGHT INTO THE EU APPROACH

A speech by European Commissioner for Trade Karel De Gucht, "Conflict Minerals: The Need to Act," delivered last September, offers some insight into how the European Union will address conflict minerals. A selection from his remarks follows:

We have to acknowledge that trade is just one factor among many that have created these conflicts. It would be great news if trade policy could provide a simple solution to war, but it cannot.

Our action must support existing efforts to tackle the issue. I am very conscious that many European companies are already setting high due diligence standards for themselves as part of their corporate social responsibility agenda. Also, many must comply with reporting requirements on conflict minerals in their supply chains either because they are listed on U.S. stock exchanges and are therefore subject to Dodd-Frank Section 1502 or because they supply large U.S. businesses who are.

We need to follow the doctor's maxim: Do no harm. We have to avoid creating incentives for companies to stop sourcing minerals from conflict regions altogether. This would have disastrous development consequences. Our approach must provide incentives for companies to work with primary producers in conflict regions to provide guarantees that they are above board.

We need a broad geographical scope. While it is true that the Great Lakes region remains the most terrifying example of the problem it is certainly not the only one, as we have seen with other examples in Latin America, and we cannot exclude other regions in future either. In fact, the Heidelberg Institute estimates that some 20 percent of global conflicts are linked to natural resources. So we need broad coverage if we want to be effective.

We need a targeted approach. If we want to be effective we need to focus on where we can have most impact. And that means providing smelters—the narrowest point in the supply chain—with incentives to carry out due diligence on their upstream suppliers.

Source: European Commission.

Conflict Minerals Compliance

How to Manage Corporate Risk and Create Opportunities for Strategic Advantage

By Tolga Yaprak

Introduction

Up to and throughout 2014, compliance with U.S. conflict minerals regulation, as laid out in Section 1502 of the Dodd-Frank Act (DF 1502), posed various challenges for companies around the globe. However, the first year of conflict minerals reporting also provided valuable insight into best practices, lessons learned, and general trends in DF 1502 compliance. Based on real-life experiences of stakeholders in a variety of industries, this white paper presents a guideline for successfully managing corporate risk and opening up opportunities for strategic advantage while complying with U.S. conflict minerals regulation. It focuses on the three most significant factors of a successful compliance program: applicability of DF 1502, data gathering, and data validation.

Applicability of DF 1502

Company Level

"The law only affects U.S. companies that issue publicly traded stock"—this assumption is one of the most common misconceptions surrounding DF 1502. In practicality, the U.S. conflict minerals regulation is a global affair with far-reaching consequences for all layers of the supply chain. Moreover, companies that file with the U.S. Securities and Exchange Commission (SEC) on a voluntary basis also need to comply, whether or not they are publicly traded. (United States Securities and Exchange Commission, 2012) In addition, any company with a customer filing with the SEC needs to provide information on its sourcing practices so that its customer(s) may fully comply, even if the company (supplier) does not file with the SEC itself. Thus, the need for acquiring information and reporting to the SEC may indeed start with SEC filers. But the natural interconnectedness of global markets and supply chains as well as the necessity of relevant information per the OECD Due Diligence Guidance and SEC Final Rule make DF 1502 a regulation that affects all levels of the supply chain. (OECD, 2013)

Product Category Level

The requirement to include "a description of the products manufactured or contracted to be manufactured" in the Conflict Minerals Report (CMR) as an exhibit to the Form SD in specific scenarios (United States Securities and Exchange Commission, 2012) adds another layer of complexity to the compliance process. Furthermore, in the event that a product has been found to be "not DRC conflict-free", in addition to the description of products, the legislation specifically requires filers to "include a description of … the facilities used to process the conflict minerals, the country of origin of the conflict minerals, and the efforts to determine the mine or location of origin." (United States Securities and Exchange Commission, 2012) Thus, to fully comply with the spirit and letter of the law and to manage risk in the supply chain, companies should investigate all of their product categories to determine their applicability.

Part Level Risk Assessments

Although challenging, assessing the components and parts that comprise a product category can also aid in managing risk and create strategic opportunities for a company. If a company is able to determine that the parts it supplies to a customer are of a particular status (DRC conflict-free, DRC conflict undeterminable, or not DRC conflict-free), then the information passed on to its customer can be a factor in the nature of the relationship between supplier and customer, exhibiting reliability on the side of the supplier as the company has conducted its due diligence. If, however, a company were to simply inform its customer of its DRC conflict status at a company level, then that information will not reflect exactly what that company is selling to a specific customer. This could result in an evaluation of the supplier-customer relationship, as customers only need the information relevant to the products that they manufacture, whereby any misinformation could alter their own declaration status.

Applicability Scenario

Understanding the caveats and exceptions in the SEC Final Ruling is critical to correctly comply with DF 1502. For example, if a material data sheet were used to determine the applicability of products such as polyurethanes and silicones, then they would be found to be at risk, as the chemical compounds within those types of products may contain organic metal compounds from derivatives of conflict minerals, such as tin and tungsten. This scenario provides an opportunity for both risk-management and strategic advantage. In the case of risk management, a company may falsely report that it is not DRC conflict-free, which creates an at-risk instance. Concurrently, a company can determine that its product category, which contains the organometallic compounds, is in fact not applicable, and therefore not at-risk due to the SEC Final Ruling's provision, which limits the term 'conflict minerals' to, "…cassiterite, columbite-tantalite, gold, wolframite,

and their derivatives, which are limited to the 3Ts [tin, tungsten and tantalum]…" (United States Securities and Exchange Commission, 2012) Thus, the above-mentioned applicability scenario exhibits the ability of a company to manage its risk by investigating its products to determine their applicability to the law and to create opportunities by attaining that information and utilizing it.

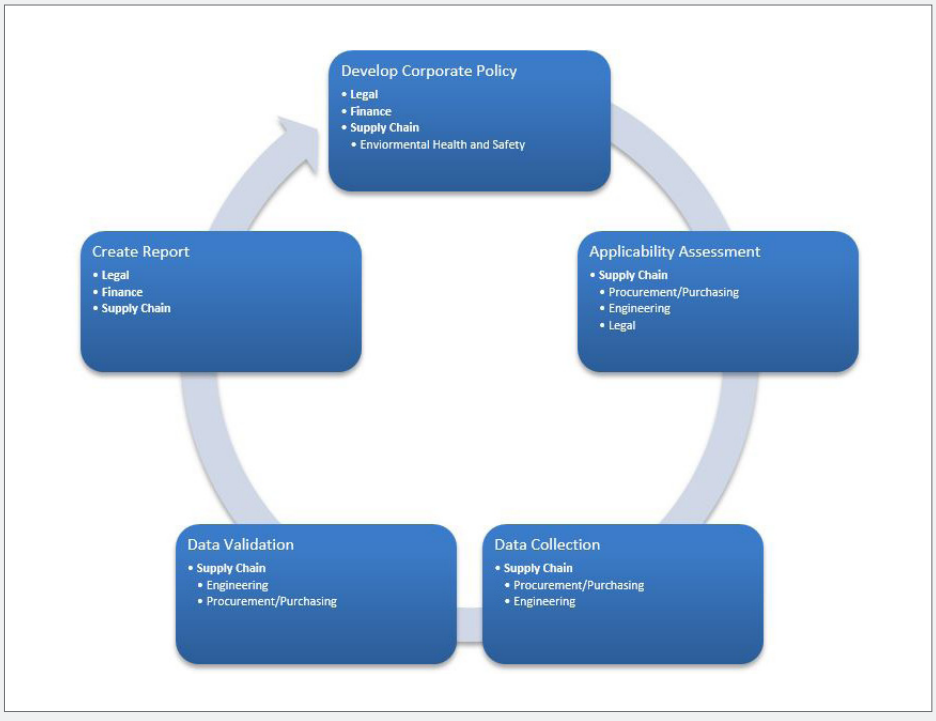
Best Practices

To develop an effective applicability assessment for products and suppliers, creating a multi-functional team with a clearly designated leader is a valuable approach. With compliance being a legal issue and the Form SD an official SEC filing, final gatekeeper authority of the project could rest within the hands of legal and finance departments. Nevertheless, legal and finance departments generally don't have the depth of knowledge and relevant resources to perform the actual operations pertaining to applicability, i.e., data gathering and data validation. Current cross-functional teams consist of, but aren't limited to, supply chain, environmental health and safety, engineering, quality, and procurement/purchasing. Successful companies tend to have the supply chain department carrying the primary responsibility throughout the compliance life-cycle, while engineering and EHS assist in determining the applicable product categories and suppliers. Ensuring that the correct contact information is being used to contact suppliers and to apply pressure if necessary to attain the relevant information is where purchasing can also play a strategic role in the compliance process.

Figure 1 (below left) illustrates how some companies have been successful in their compliance process with a cross-functional team.[1] The process begins with legal and finance departments collaborating with supply chain departments to develop a corporate policy that suits both their regulatory needs as well as their business capabilities. EHS can also have valuable input during the policy development stage. Then, the process moves to assessment of applicability, where the in-depth knowledge of suppliers and products enables supply chain to take the lead, with the support of engineering, procurement/purchasing, and legal. Collection of data will then ensue, with supply chain remaining at the helm assisted by procurement/purchasing and engineering. Although there will be overlap, following the data collection, it must then be validated. That step will take place with the same departments playing the same role as the previous one. Lastly, the data will then need to be rolled up to be provided to customers and/or the SEC. In the report roll-up and creation stage, legal, finance, and supply chain departments will need to collaborate to ensure that the report reflects all of the relevant information to the recipient of the information.

According to Stewart Werner, executive director of global supply chain management- global processes at Tenneco Inc., a cross-functional team allows for subject-matter expertise to be

Figure 1



1 The primary departments are listed in bold

harnessed to enable effectiveness when taking a risk-based approach by product. (Werner, 2014) He also believes that those subject to DF 1502 can increase their effectiveness in determining the applicability of their products by providing education on the topic to "all associates, especially procurement leadership." (Werner, 2014) As Werner points out, one of the best practices in creating effectiveness and efficiency in compliance with DF 1502 is training and educating relevant associates, so that they may be aware and prepared to communicate with suppliers and assist the organization in achieving positive results.

Internal Applicability Assessment

Establishing a strong, inter-connected and cross-functional team is critical in reducing risk exposure to DF 1502. Although there can be internal difficulties concerning the process of assessing applicability to DF 1502, there are methods that enable effectiveness. A clearly designated leader who is involved in the process and knowledgeable on the topic, as well as a structured approach to the applicability assessment process is important. Furthermore, inter-departmental communication and efficacy play a significant role in securing the effectiveness of assessing company and product category applicability. To manage and mitigate risk, successful companies encourage the exchange of relevant information between departments, enabling internal teams charged with conflict minerals compliance to access the resources they need.

Data Gathering

Establishing Communication

Locating the correct contact information poses a common challenge for DF 1502 compliance. Contact information may seem like a non-issue, but for companies trying to collect the relevant information, it is in fact rather difficult to find the relevantly responsible individual at a supplier. Establishing communication with external parties, be they suppliers, customers, or other stakeholders, can consume a significant amount of time. Generally, the first point of contact with a supplier is not the compliance officer, and in some cases requests for data can go unchecked for months. One of the many factors that can create a lack of communication is the novelty of the regulation; conflict minerals is not a topic that most companies educate their whole staff about. Therefore, if a long message shows up in an external party's inbox that the individual is not prepared to receive, it may never get a response. Thus, the value of having a cross-functional team can be utilized in the data gathering process as well. In the event that a request for information doesn't get a response, purchasing or procurement departments can play a decisive role in making sure that the message is passed on to the correct individual in order to get the data exchange process going.

Supplier Reliability

Establishing correspondence with the appropriate individual (or department) is difficult. However, it is not the only barrier to successful data exchange. The real difficulty comes into effect when a supplier does not provide timely and reliable information. Significantly, reliable information doesn't have to exclusively mean a completed questionnaire with descriptions of every part. Reliable information can simply be the ability to exhibit due diligence in whichever way the customer deems fit. The key to reliability from the supplier's side is the supplier's transparency and willingness to share the relevant information that the supplier has at that instance in a timely manner.

Best Practices

Applying pressure on suppliers to assist in compliance with the law, and/or assisting customers with complying is a sensitive balancing act. Nonetheless, it is necessary for U.S. filers to perform their due diligence and gather the relevant information from their suppliers, so it is essential that suppliers participate. One practice that has seen success in multiple industries is the utilization of supplier scorecards. They enable the customer to determine what criteria the supplier will be evaluated on for their due diligence, i.e. providing relevant information in a timely manner. For example, in utilizing supplier scorecards the customer may decide whether or not to score suppliers based on how many times they were contacted before receiving information, reliability of information, completeness of information, etc… In addition, the customer can also determine how much 'bite' the scores can have. It can merely be used as a statement or recognition of compliance/non-compliance on one end of the spectrum, or as a way to determine future relationships with suppliers on the other end. Utilizing scorecards isn't the only way to apply pressure on suppliers. But it has turned out to be a highly effective option, creating an extra layer of validation and increasing the value of the customer's own report.

Relying on specific departments to apply pressure is another tried and tested technique. Caterpillar Inc. (CAT), a global manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives, began the data gathering process mid-2012. (Dam, 2014) Based in Peoria, IL, with over 118,000 employees worldwide, CAT has found that success in gathering the relevant information from suppliers rests primarily with "Procurement/Purchasing staff" and that in particular, "requirements from leaders" are effective. (Dam, 2014)

Common Barriers

Complacency is a very easy pitfall to be stuck in at this period in time, due to the nature of the two- to four-year grace period that allows issuers to claim an undetermined status as well as the recent ruling by the U.S. Court of Appeals for the District of Columbia Circuit, which remanded the case to the District Court for further determination, (National Association of Manufacturers. et al., Appellants v. Securities and exchange commis-

sion, et al., Appellees, 2014). As a result, many non-filing suppliers are not applying sufficient pressure on their own supply chains, leading to reluctance in information sharing. This can negatively affect not only the ability of SEC issuers to conduct their due diligence, but also any other company trying to comply with the OECD Due Diligence Guidelines. Therefore, education on the subject of conflict minerals both internally as well as with suppliers is critical in avoiding complacency and gathering the relevant data.

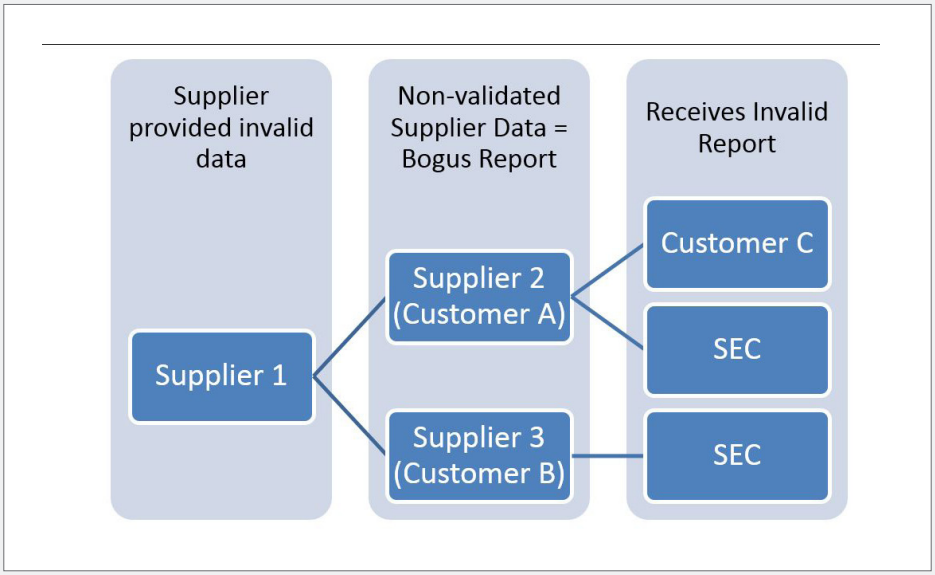
Data Validation

Highlights

Performing data validation is the most important process in complying with conflict minerals regulation. Data validation is paramount because the raison d'être of the legislation is investigating the supply chain, performing due diligence and, as a result, providing transparent and valid information.

In order to validate supplier-provided data, companies need an internally determined set of criteria, or data audit guidelines. These should reflect corporate policy (if there is one) and need to be documented and observed thoroughly throughout the process of receiving data from suppliers. Validation can be used to varying degrees, but should fulfill one main objective: confirming that the information received from a supplier is up-to-date as well as true to the best knowledge of all parties. The value of data validation is most tangible in the reporting process, as a company that actively and thoroughly validates supplier-provided data will be better able to prove its due diligence when providing information to its own customers and/or the SEC. Without data validation, companies can be at risk in a variety of fashions, exponentially increasing the risk factor. The possible risks include, but are not limited to, utilizing information from the wrong suppliers, reporting a Type I Error and reporting a Type II Error. A Type I Error would encompass reporting a false positive: a report claiming usage of conflict minerals without truly using them. A Type II Error would represent a false negative scenario whereby a report declares non-usage of conflict minerals, when in fact conflict minerals are being used. Both Type I and Type II Errors are risks that can be mitigated and managed by utilizing a data validation scheme, whether in the form of audit guidelines or otherwise.

Figure 2



Best Practices

Of the various data validation methods available to date, Caterpillar has found one that works particularly well for them. In order to overcome the barriers set by validating supplier-provided data, CAT leverages a software program to assist "analyzing those responses and ultimately improving the quality of incoming data with greater specificity." (Dam, 2014) By using software that automates data validation processes, companies can manage that element of risk more efficiently.

Supply Chain Risks

Although data validation is an element of compliance that affects the whole supply chain, it can be managed if companies employ data validation processes. Figure 2 (above) shows how invalid data can reach throughout the supply chain and affect all participants' reports if data validation is not used.

Figure 2 (above)

In this instance, Supplier 1 has provided Customers A and B with invalid data. Upon receipt of the data, Customers A and B will use it to complete their own reports, and without data validation in place, Customers A and B risk providing invalid data of their own. Furthermore, due diligence will be difficult to prove for Customers A and B.

Overall Trends in Risk Management

Compliance and Sustainability

Among business professionals that are just gearing up for conflict minerals compliance or have been in the trenches for a while, it's difficult to find a lot of strong arguments for the opportunities that lay within compliance despite the fact that many exist. In a recent Forbes interview, Gary Niekerk, director of corporate responsibility at Intel, states, "Sustainability issues may not be at the center of most consumers' buying decisions, but if you

look at the trends it's becoming more top-of-mind." (Niekerk, 2014) Intel has been able to create its own opportunities in this field by coming out with a "conflict-free processor," a world first. The tangible business results of such forward thinking are yet to be seen in long-term financial analyses, but the branding implications are certainly there. Furthermore, regarding the longevity of business, Niekerk says, "Treating your customers and employees with dignity and respect; understanding the long-term impacts of your actions on the environment; and seeking opportunities to align your skills, capabilities, and resources to address social challenges—I believe is a great blueprint for a sustainable business." (Niekerk, 2014)

Best Practices

Intel is not the only company to realize the benefits of creating a business strategy on sustainability and conflict minerals. Fairphone, based out of Amsterdam, the Netherlands, focuses solely on selling conflict-free smart phones. Moreover, Fairphone even has a full break-down of the costs in creating its first Fairphone model, publicly available on its Website.[2] (Abel, 2013)

Granted, most companies that have to comply with DF 1502 are not structured around a business model like Fairphone. But the trend in consumer purchasing decision making is making itself known, and leveraging company resources and capabilities to fully comply can create advantageous and strategic business opportunities, as Fairphone's success shows.

Risk Exposure

The much-quoted and commented-upon travails of Nintendo are one of the best known examples of risk exposure to date. The initial public ire with Nintendo and the company's relationship to conflict minerals was not necessarily on the usage or non-usage of the minerals, but focused on its lack of transparency. Nintendo's social responsibility report[3], widely criticized by the Enough Project[4] and other NGOs, led to several reactionary campaigns. Walkfree.org[5] released multiple videos containing comical human renditions of the famous Italian plumbers jumping on "question boxes" that exploded with letters to Nintendo inquiring about the company's conflict minerals policy. It also featured a video with two activists instructing other like-minded consumers to order a free package, including outfits relating to Nintendo's games and cardboard boxes that had questions about Nintendo's conflict minerals policy. The boxes were to be given to other consumers at retail outlets selling Nintendo products.[6] (Whitehead, 2013)

Nintendo's plight is represented in a common paradigm that most B2C companies are facing, and that is one with a direct consumer impact. Yet, for many companies that are having to comply with the law and aren't necessarily in the spotlight, their paradigm is not structured the same; they may not have the same relationship with their consumers. Notwithstanding their B2B relationship with their customers, suppliers of raw materials, parts, and components will still feel the scrutiny as their customers will be selling finished goods to consumers. Therefore, even if a company does not sell directly to consumers or is not an SEC filer, the relationship it has with customers and therefore also its reputation will still be at risk if it does not provide transparency into the supply chain. Thus, whether or not the company in question is a B2B or B2C company, or even an SEC issuer for that matter, compliance with DF 1502 will reduce risk for the company and create opportunities for strategic advantage.

Significantly, it is important to remember that companies do not have to manage the risk associated with DF 1502 compliance on their own. Leading industry organizations are actively identifying resources to assist with conflict minerals reporting. The Automotive Industry Action Group[7] (AIAG), which represents OEMs (original equipment manufacturers) and suppliers of all sizes, has a well-developed working group that collaborates to identify common tools and solutions for automotive and related industries to assist in making compliance more efficient and transparent. Tanya Bolden, corporate responsibility program development manager at AIAG, remarks, "It's a daunting task to gain visibility throughout our complex supply chain. However, as we make strides to accomplish this, it enhances a company's ability to respond to and mitigate risk." (Bolden, 2014) Thus, some companies in the automotive industry are not only employing internal methods, but are also engaging collaboratively for a common approach.

Robin B. Gray, Jr., chief operating officer and general counsel of the Electronics Components Industry Association (ECIA)[8], has also weighed in on the topic. According to Gray, the hurdles for compliance lay in "… traceability and compliance costs." (Gray Jr., 2014) Gray also points out that the two are "related" and that "traceability adds to the cost of compliance." Furthermore, Gray notes that the possibility for strategic advantage lies in the cost-benefit relationship of compliance with the law. (Gray Jr., 2014)

Recommendations for Achieving Strategic Advantage

Transparency is the issue at the center of conflict minerals compliance. It also provides opportunities for strategic advantage when pursued diligently. But if

2 http://www.fairphone.com/2013/09/12/cost-breakdown/

3 http://www.nintendo.com/corp/csr/#conflict

4 http://www.enoughproject.org/

5 http://www.walkfree.org/

6 Videos can be found at http://www.nintendo-life.com/news/2013/06/nintendo_falls_under_further_pressure_regarding_conflict_mineral_policies

7 https://www.aiag.org/scriptcontent/index.cfm

8 http://www.eciaonline.org/default.aspx

not handled properly, it can be a threat in the form of risk exposure. Annie Dunnebacke, deputy campaigns manager at Global Witness[9], a non-governmental organization (NGO), adds further insight from an NGO perspective. Dunnebacke states that, "Due diligence means responsible sourcing and risk management, not 'non-sourcing.' NGOs are placing a lot of emphasis on responsible sourcing: We will view favorably companies that submit credible, comprehensive reports that include full details on due diligence carried out, risks identified, and appropriate risk mitigation steps taken." (Dunnebacke, 2014) As Dunnebacke's statement shows, due diligence isn't about merely complying with the law to a minimum. It's about providing transparency, and the degree of transparency can determine whether or not a company will be at risk with public and consumer opinion or creating an opportunity for its business to gain credibility and advantage.

So how can companies effectively implement a strategy to develop strategic advantage? Firstly, decision makers need to understand the importance and the dynamic of compliance with DF 1502 before the process can begin. That might actually be the hardest part. But if a company can make it past that initial point, the next objective can be to establish a team tasked with the operational aspects of compliance. The team could then manifest the objectives laid out by the decision makers, but unfortunately, that is only half the battle. As any individual involved in the operations of compliance will attest, the actual logistics of gathering, compiling, verifying, and then aggregating data (if it's all validated) is a very lengthy process. Therefore, in order to fully create a strategic advantage, companies must have an operational process in place that minimizes the time and effort needed to complete most steps. Ideally, that would consist of customized, automated processes, including, but not limited to: which suppliers to solicit for relevant information; automatic cross-checking of IMDS or other databases for materials information; automated verifications for certain groups of suppliers, i.e., semi-conductor suppliers who state they don't use tantalum would need another look, etc. If the theoretical ideals developed into policy can be implemented efficiently through software or other platforms, then companies will be better positioned for the best possible situation to create a strategic advantage.

There is one more area in which companies can achieve strategic advantage with DF 1502 compliance. If they are able to implement the recommendations above, the theoretical aspect and the operational automation of many of the processes through software or other platforms, then companies could integrate those systems with any additional compliance needs. For example, by integrating conflict minerals information from suppliers with BOMs, REACH, and RoHS (among others), companies will generate an economy of scale in compliance that can help bottom lines through efficiency and effectiveness. Thus, not only looking at conflict minerals in particular can create strategic advantage, but taking all compliance aspects into account can enhance that strategic advantage even further. ■

9 http://new.globalwitness.org/index.php

About the author

Tolga Yaprak is a Consultant with iPoint and has been extensively involved in all facets of conflict minerals compliance since the rule's inception. Tolga also serves as co-chair of the AIAG (Automotive Industry Action Group) Conflict Minerals Working Group Communications sub-committee. Tolga earned a Bachelor's degree in International Studies from Michigan State University, a Master's degree in Business Administration from Eastern Michigan University, and served in the United States Peace Corps.

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New Rules Won't End With Conflict Minerals

By Joe Mont

When Congress included a demand for the disclosure of the use of "conflict minerals" throughout the supply chain in the Dodd-Frank Act—legislation primarily focused on banking reform—it took many companies by surprise.

Maybe it shouldn't have. For several years leading up to passage of the reform bill activist groups and shareholders continuously advocated for legislation to combat the problem of militant groups in the Congo region of Africa using the proceeds from the mining of tin, tungsten, tantalum, and gold to fund violence, and they targeted U.S. companies that used the minerals in their products.

"We all knew this was coming, I just wasn't expecting it to be a part of Dodd-Frank to be honest," says Sonal Sinha, associate vice president of Industry Solutions for MetricStream, a provider of governance, risk, and compliance solutions. Now, however, "there is a lot more transparency and greater expectations shareholders are placing on operations."

"Today we are talking about conflict minerals. Tomorrow it could be wood, or other materials," she says. "The list can just go on and on."

Companies, often prodded by activist shareholders as much as regulation, are being forced to be more transparent about their sustainability efforts. Compliance Week set out to identify some of the issues that are on activist and shareholder agendas that could become the next conflict minerals if Congress or state legislators decide to pick up the cause and require companies to disclose more about how they use certain controversial components.

Problem Materials

Blood Diamonds: The trend isn't a new one. Consider so-called "blood diamonds" that finance violent rebel groups throughout Africa and Latin America. It served as a precursor to the conflict minerals rule. A voluntary protocol in place by the World Diamond Council, as well as the multi-national "Kimberly Process," offer conflict-free certifications intended to eliminate the use of blood diamonds in jewelry and manufacturing supply chains. The Clean Diamond Trade Act, signed into law by President George W. Bush in 2003, demanded U.S. participation in the Kimberley Process. With growing complaints by activists, notably Global Witness (also a forceful proponent of conflict minerals regulations), that the Kimberly Process is failing in its effort, additional regulations might lurk in the future.

'Death Metal': A geographic hot spot that could lead to new law or regulations is Indonesia, particularly the Bangka Island region. Military violence, often tied to a crackdown on even peaceful demonstrations, the persecution of journalists, and the excessive use of force by police, have long been concerns for human rights groups. As many as 2 million people were massacred in 1965-1966 during a violent purge of the Communist Party, now considered as genocide.

Tin produced in the region is controversial, not just because of ongoing human rights concerns, but for environmental reasons as well. Recent protests have targeted Apple, Samsung, Sony, LG, and others about the damage done to tropical rainforests from tin mining in the country.

Palm Oil Problems: Palm oil, also produced in Indonesia and in other countries, is another product that has drawn close attention from activists and could end up on the radar screens of regulators. Groups like the Roundtable on Sustainable Palm Oil have championed sustainably produced palm oil and global standards, citing "environmental destruction and the abuse of human rights."

Child labor is also alleged to be widespread in Indonesia's palm oil industry. Palm oil and its derivatives are used in thousands of products, including oils, soap, lipstick, and fuel.

The Knock on Wood: Certain wood, produced domestically and abroad, could end up on the list of materials that regulators want more information from companies on whether and how they are used.

Where companies get their wood, and how they ensure that proper reforestation programs are in place, is a growing concern. Swedish furniture maker Ikea, for example, uses nearly 1 percent of the total wood used commercially around the world, making it one of the largest users of wood in the retail sector. As such, it has been under pressure from activists to treat that use more responsibly. The company, in its most recent sustainability report, insists that it has done so.

Ikea has bolstered its use of Forest Stewardship Council-certified timber to nearly 23 percent and has 19 foresters devoted to ensuring that all wood is sourced in compliance with company standards intended to "protect biodiversity, prevent deforestation, and support the livelihoods of communities in forest regions." Company standards are also intended to avoid illegal logging.

Cobalt: It wasn't included in the list of four conflict minerals cited by the Dodd-Frank Act, but many speculate that cobalt could be added to the list eventually. The Democratic Republic of Congo, targeted by the rule, is also the world's largest producer of cobalt, which is used in many paints and as a component of lithium ion batteries. Its strength and durability has also made it a preferred metal in tool construction, notably drill bits, and for artificial joints and limbs.

The Enough Project estimates that 60 percent of that production comes from illegal mines. Unsafe working conditions and child labor have been cited by the human rights watchdog.

Poor Sourcing Practices

Factory Conditions: Reports of harsh working conditions and employee suicides at China-based manufacturer Foxconn has been an ongoing PR nightmare for Apple and other tech companies that rely on the cheap labor it provides.

Worker safety also came to light, in dramatic fashion, earlier this year when a garment factory collapse in Bangladesh killed 1,129 workers. Following the disaster, many retailers agreed to sign onto a legally binding European accord that requires retailers fund fire safety and building improvements at the Bangladesh factories they employ. A non-legally-binding effort spearheaded in the U.S. for its companies has been less successful, with companies like Walmart and GAP citing legal liabilities for their refusal to sign on. Although federal legislation to force an EU type of agreement is unlikely, expect to see shareholder activists push a similar agenda.

Human Trafficking and Slavery: Many U.S. regulations can trace their origin to similar efforts that initiated either overseas or on the local level. Potential rules regarding human trafficking and slavery would be an example of both.

The California Transparency in Supply Chains Act requires many companies doing business in California to disclose efforts they have taken to eliminate human trafficking and slavery from their supply chains. The law applies to retail sellers and manufacturers with annual worldwide gross receipts exceeding $100 million that have either sales or operations in the state.

Leveraging Conflict Minerals Compliance

Given the lengthy list of supply chain issues that could eventually spur new regulations, companies may want to leverage their ongoing conflict minerals efforts to gear up for what is to come.

"For smart businesses to stay ahead of the regulators, they need to look past specific regulations on a micro level and look at the solution holistically," says Matt Whitteker of Assent Compliance, a consulting firm. "Regulators reg-

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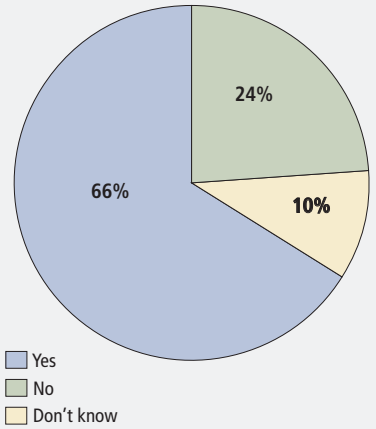
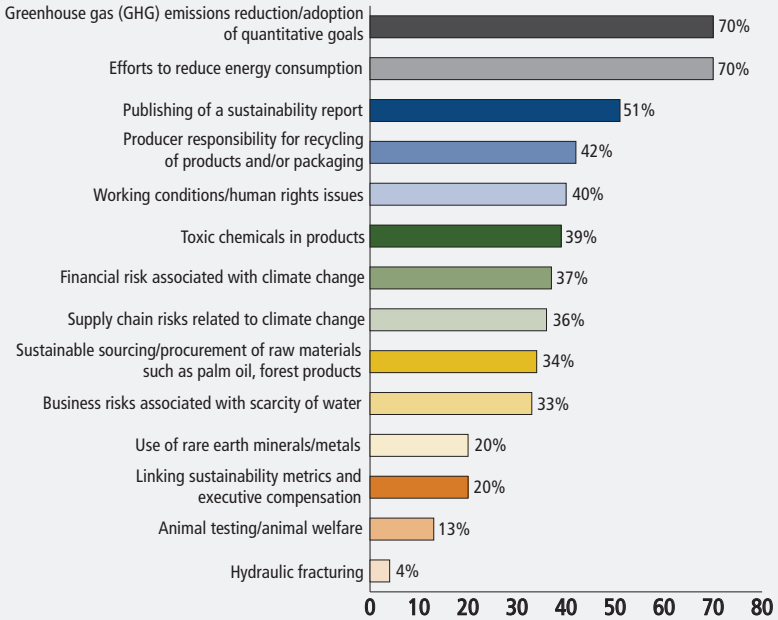
SHAREHOLDERS AND SUSTAINABILITY

The following charts from the EY report "Six Growing Trends in Corporate Sustainability" reveal investor concerns about sustainability.

Survey takers were asked: "Has your company seen an increase in inquiries from investors/shareholders about sustainability-related issues in the past 12 months?"



And … "If yes, which topics are you being asked about?"



Sources: EY; GreenBizGroup.

The Problem Under Conflict Minerals Compliance

By Matt Kelly

I had the pleasure recently of talking to a top legal officer at a large manufacturer. The program his company has developed so far is excellent, and I won't spoil it by naming him and disclosing all the details here—but our conversation also underlined a headache compliance executives are facing that runs far deeper than conflict minerals, one worth discussing now.

Let's start with our man Smith and his company's first efforts at conflict minerals compliance. The duty fell to Smith because he, in the legal department, oversees all regulatory filings with the Securities and Exchange Commission—which will include conflict minerals disclosure on the agency's new Form SD, starting early next year. So Smith assembled a task force from various company departments: compliance, accounting, IT, and supply chain.

He then described to me how the task force mapped out its goals and the work required to get those goals done, and it all sounded very much like the conversations I had nearly 10 years ago with companies confronting Section 404 compliance with the Sarbanes-Oxley Act. Understand what the SEC wants; find your weak spots; remediate any weaknesses as best you can; disclose what you know and what you don't know, but hope to fix in the following year. Any compliance officer of a certain age will certainly see the parallels.

Smith quickly understood that the company's biggest challenge would be staffing: both manpower to get the work done, and expertise to know how to do the work wisely. Little surprise, then, he turned to his company's external auditor (a Big 4 firm) for help. The company's exposure to conflict-minerals is small, Smith told me, so he knew that its conflict-minerals program could be audited by a small firm. The more important trick would be building the right structure for compliance in the first place, so all those disclosures will be correct—and when you need specialty teams of very bright people, the Big 4 firms genuinely do have that manpower in spades.

"Thankfully this didn't take up too much of my personal time, since I handle a bunch of regulatory issues," Smith told me. "The ones who really did the work were our supply-chain team; for every four- or five-hour meeting I sat through, I know they were sitting through three or four more. They were just indispensable to this whole process."

Smith also realized that the company's other difficult problem was IT: namely, how much money to spend on IT dedicated to managing conflict-minerals compliance. "Right now it's going to be something cheap and easy, to get compliance running," he said. "We know we'll need to do something more long-term within two years. We can't keep imposing on our suppliers like this."

And with that bit of casual wisdom from Smith, we come to the deeper, much more intractable headache for compliance officers.

Compliance pressures that hit your third parties are proliferating so rapidly—anti-corruption, conflict minerals, data security, human trafficking, offshore tax havens—that they now exceed your ability to manage them all well, or in any systematic fashion. The result: you keep pestering your third parties one regulation at a time, to the point where they get compliance fatigue and don't want to cooperate with you. As Smith put it when we spoke, "It's a big ask we're imposing on them, and we need to find a way to ease that up."

Good luck with that. In theory, getting ahead of the problem should not be too hard. These regulations (and more) all ask different questions of your third parties, but the fundamental process of asking for information and verifying its accuracy is the same. You should be able to deploy software that allows you to do those things. Indeed, I have no doubt that any number of vendors reading these words will breathlessly tell me that their very product is perfect for the job.

In practice, the world operates quite differently. Regulations aren't always clear (see: Volcker Rule), and many immediately get mired in court challenges anyway. Software products *aren't* easy to scope and implement, despite what vendors might say. And above all, the sheer time commitment to install a strong, flexible IT system that works well with your third parties is a multi-year commitment. Persuading CIOs and boards to make that sort of commitment is a tall order, one that borders on hopeless. Companies never want to make strategic shifts without a clear upside on revenue—and right now, effective compliance still doesn't have one.

So at the Compliance Week 2014 conference this month, our man Smith is going to give an excellent presentation (one among many) about his approach to conflict-minerals compliance. It really does sound like a logical, systematic way to address one of the big compliance challenges facing companies today. At the end, however, if you ask him how his company might leverage its success here with other compliance burdens to come, you'll get an answer something like this.

"We need to simplify what we ask of our suppliers," Smith told me. "This is all getting to be too much for them or anyone else, and we need something that works."

We'll look at that problem at Compliance Week 2014 too, but somehow I suspect it will remain on the agenda for years to come. ■

SEC Issues Form for Conflict Minerals Disclosures

By Joe Mont

The Securities and Exchange Commission released its long-awaited Form SD earlier this year, a specialized disclosure form for reporting conflict mineral rule compliance and, once it re-proposes a rule vacated by a successful legal challenge, payments made by oil, gas, and mining companies to governments.

The conflict minerals rule was issued by the SEC in August 2012, as required by the Dodd-Frank Act. It requires companies to disclose information each calendar year on the source of tantalum, tin, gold, and tungsten, minerals that have funded violent conflict in the Democratic Republic of the Congo and adjoining countries. Companies must conduct a "reasonable" country-of-origin inquiry to determine if the minerals originated from the covered countries; track and document the source and chain of custody; and include findings in a public report.

Among the requirements on Form SD:

- Providing description of the measures a registrant took to exercise due diligence on the source and chain of custody of conflict minerals.
- Filing a statement that the registrant has obtained an independent private sector audit of the Conflict Minerals Report.
- A registrant that manufactures products, or contracts for products to be manufactured, that are "DRC conflict undeterminable," must disclose the steps taken to mitigate the risk that its necessary conflict minerals benefit armed groups.
- If a nationally or internationally recognized due diligence framework becomes available for the necessary conflict mineral prior to June 30, registrants must use that framework in the subsequent calendar year. If guidance does not become available until after that date, registrants are not required to use that framework until the second calendar year after it becomes available.
- During the first two calendar years following Nov. 13, 2012, for all registrants, and the first four calendar years for smaller reporting companies, they will not be required to submit an audit report of its Conflict Minerals Report for any products that are "DRC conflict undeterminable." Subsequently, undeterminable minerals must be described as not conflict-free.
- A registrant that acquires control over a company that manufactures, or contracts to manufacture, products with conflict minerals necessary to their functionality or production, and not previously obligated to provide a disclosure report, will be permitted to delay reporting on the products manufactured by the acquired company until the end of the first reporting calendar year that begins no sooner than eight months after the effective date of the acquisition.

The new Form SD, as it pertains to conflict minerals, must be filed on the SEC's EDGAR online database, no later than May 31 after the end of the issuer's most recent calendar year. ■

New Rules Won't End With Conflict Minerals

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ulate what's fashionable and what will get those mandating the regulation's votes. It's naïve to try and predict the future, but with a program that gives companies insight into products' material composition, they can rapidly adjust to any new regulation that is passed."

"We are seeing a lot of customers dealing with conflict minerals and having to look deeper into their supply chains than they ever had to before," says Matt Thorn, co-founder and chief operating officer at Source Intelligence, a software provider that offers a conflict minerals platform.

Traditional audits may not be adequate for assessing global supply risks. "When you are talking about human rights and factory conditions, an audit may not catch issues," he says. "It is just not feasible. You can't audit every factory and supplier if you have thousands of them."

The benefit for companies as they slog through conflict minerals due diligence is that they can adapt their work to other potential causes, Valtonen says.

"Are you going to buy a new technology solution for all upcoming legislation?" he asks. "I don't think that makes any sense." Instead, especially larger companies, should look to maintain a broader compliance perspective, and conflict minerals demands "should be seen as part of the bigger change in the regulatory environment."

Doing just what is necessary to meet regulatory demands and deadlines isn't enough. "It's a pretty simple task to send your suppliers a questionnaire," Thorn says. "But consequences can go unseen if you are only looking at a point of supply or treating this as a pure supply chain tool. Think about solutions that can integrate into other parts of your business. Start small, but think big." ■

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