

Conflict Minerals: A Bloody Sourcing Risk



Future-Proofing Your Supply Chain

Blood diamonds may get Hollywood attention, but the sourcing of lesser-known natural resources, known as conflict minerals, fuel civil wars in the Democratic Republic of Congo and Uganda.

Conflict minerals - including tin, tantalum, tungsten and gold, among others – are core components in many high-tech products consumers use every day – smartphones, MP3 players, automobiles, medical devices and laptops.

Risky Business: Failing to Act

It's becoming increasingly important for organisations to account for their supply chains' sustainability and ethics.

Back in 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act came into effect in the US, and a lot of companies realised the need to act proactively to prepare themselves for the ruling.

Whilst no one knew how the Dodd-Frank Act would play out – some had speculated it could be a disclosure regulation, compliance requirement or government restriction – most electronics manufacturers and retailers agreed on one thing: the implications would have a big impact on how they manage their supply chains.

The potential risks of not preparing are severe :

- **Products wouldn't make it to their customers.** Are any of your strategic suppliers sourcing from conflict zones? The worst-case scenario is having to take production away from a high-volume supplier and rushing to find another source to make up for the lost supply. If you can't find a viable alternative at a reasonable cost, product availability or margins will suffer.

- **Revenue shrinks.** According to the non-profit organisation, Enough Project, rising consumer and corporate interest in the issue has cut the amount of trade and money provided to insurgents. As the issue becomes more mainstream, consumers could divert spending away from companies associated with conflict minerals. Manufacturers and suppliers will feel the trickle-down effect.
- **Drain on supply chain resources.** Do you have tier one, two and three supplier visibility? Reporting will be a major element of this legislation. Without proper supplier data or a flexible reporting system in place, your team will invest major resources on tactical research and data collection.

Early Preparation Mitigates Risk

Many companies, including Apple, Ford, GE, Intel and Motorola are getting out in front of the issue.

It was widely appreciated that the Dodd-Frank Ruling would have a major impact on the way companies operate, and if they weren't prepared – could hurt production. Early planning is especially crucial for global, complex supply chains.

By partnering with supply management software provider, BravoSolution, companies can focus on three primary areas:

- Collecting supplier data to see which suppliers or products are connected to conflict zones
- Creating a system to optimise and analyse supplier data to inform quick, actionable sourcing decisions
- Automating reporting to meet possible future requirements from governmental legislation.

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Efficiency, of course, can't be sacrificed. BravoSolution's sourcing and supplier value management technology makes the supplier research and data analysis process simple and effective. This helps to ensure that companies can meet and report on any regulations imposed by governmental legislation.

Protecting Your Supply Chain

With the Dodd-Frank Ruling, organisations must take stock of their supply chain. Outside the US, any similar electronics organisation would also benefit from scrutinising their suppliers and sources. Here are three actionable steps to begin the process:

- 1. Start with data collection.** Supplier research is the first step. The goal is to better understand which sources of supply are at risk today, and where the risk will be in the future. Survey your suppliers, leveraging three primary questions:
 - Do you provide our company with any products manufactured with tin, tantalum, tungsten, gold or any other conflict minerals?
 - If you provide these minerals, what geographic regions do they come from?
 - Are your minerals at risk of supporting conflict? How?

Make sure the data is collected in a flexible system that enables you to sort and select suppliers based on various legislated scenarios.

- 2. Contractually obligate suppliers.** Put the onus on your suppliers and contractually obligate them to ensure their products don't include materials acquired from conflict zones. This includes tier-2, 3 and 4 suppliers.
- 3. Leverage technology to optimise reporting.** In the case of the Dodd-Frank ruling, companies need to "report the products manufactured or contracted to be manufactured that are not 'DRC conflict free,' 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 with the greatest possible specificity."

Even outside the US, best-practice suggests companies need a

flexible tool that can quickly optimise and report on supplier involvement.

Conflict Sourcing: What's Next?

Regardless of how the ruling plays out, the task of compliance will not be easy, considering most manufacturers do not fully control the manufacturing of all components that go into their products. The issue is even more challenging for companies with vast product lines and multiple, multi-layered supply chains.

To be successful, organisations need flexible data collection, optimisation, contract management and reporting technologies. More important, though, is having a team that's experienced in the nuances of supplier research and global sourcing, with advisory capabilities to help guide a company through the implementation process.

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