



RCS GLOBAL
Making Sure.

13 March 2017

Dear Acting Chairman Michael S. Piwowar,

RCS Global is one of the world's leading responsible raw materials supply chain audit and advisory groups. Our directors – Harrison Mitchell and Nicholas Garrett were two of the first people to write on conflict minerals in the DRC in 2008, publishing the first supply chain investigation providing evidence of the link between the global electronics industry's supply chains and militarized mining in North Kivu in the Financial Times and – publishing "Trading Conflict for Development" for the UK Department for International Development and "Beyond Conflict" for the World Bank, both in 2009.

Over the past 10 years we have worked extensively on conflict minerals all along the supply chain - upstream in the DRC conducting audits or reviews, midstream with smelters and manufacturers in China and downstream, helping companies develop strategy and responses to DF1502.

While we were initially skeptical of the potential impact of DF1502 on conflict dynamics in the region, which are subject to broader geopolitical events, looking back its clear that the rule has dramatically increased transparency in mineral supply chains and in doing so provided much needed insight into the structures which enable extreme poverty, child- and forced labor and human rights abuse, including conflict.

This transparency, which is in place all the way from SEC issuers to mine sites in the DRC, is not total or perfect, but it achieves two important strategic objectives:

- It prevents large scale abuses occurring as companies are required and enabled to be more aware of risks in their supply chain and act upon their discovery.
- It acts as an enabling agent for positive interventions in the supply chain such as minimum good practice standards for extraction and trade, fairer pricing, and better market access for good suppliers.

To put this another way – in order for an industry to enact any positive change at a mine site or smelter, it first has to know who that miner or smelter is.

One key question the SEC is deliberating is - what does the future look like if DF1502 is repealed?

It's certainly true that some industries are likely to stop meeting DF1502 obligations, but for others, such as the electronics sector the genie is out of the bottle and responsible sourcing commitments are slowly but surely becoming the norm, rather than the exception. Indeed, while a number of companies have

provided submissions to the SEC referring to the cost of compliance, the cost of non-compliance also needs to be pointed out. These include loss of brand reputation, including through supply chain activism and press coverage as is evident in the cobalt sector presently, legal challenges, and an inability to meet demands of an increasingly sophisticated and aware group of investors and consumers.

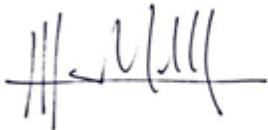
This is not just our opinion. A recent survey we conducted of 20 global leaders in responsible sourcing from the private, public and non-profit sector confirmed that pressure from governments, civil society, investors and consumers will both ensure companies continue efforts to source responsibly and will require them to adapt and respond to new challenges in their supply chains.

In summary, liability for SEC issuers will not end simply because a rule is repealed, but the rule can provide issuers with clarity on what their activities should be as well as promote transparency in the whole supply chain. Looking forward, the SEC might wish to provide greater freedom for companies to adopt approaches best suited to their circumstance – so long as these remain within the framework of the internationally recognized OECD Due Diligence Guidance, which is applicable to all minerals and metals globally and has been accepted by the market as the go to good practice guideline in the responsible sourcing context. Approaches compliant with this framework, can and should also be validated as compliant by a qualified auditor and the efforts involved in companies' approaches should be made public.

This approach would enable companies to adopt measures appropriate to their circumstance, be accountable to a qualified third party and the public, while at the same time supporting the supply chain transparency crucial for the responsible sourcing of raw materials.

We wish you the best in your deliberations.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Harrison Mitchell', written over a horizontal line.

Harrison Mitchell

A handwritten signature in blue ink, appearing to read 'Dr. Nicholas Garrett', written over a horizontal line.

Dr. Nicholas Garrett

Directors, RCS Global

www.rcsglobal.com