AIA Regulatory Alert:
Conflict Minerals Reporting Requirements

This email is to inform you that the Securities and Exchange Commission adopted the Conflict Minerals Final Rule on Wednesday August 22, 2012 in a 3-2 party line vote.

All publicly-traded companies will now need to implement a system which allows them to determine the origin of "conflict minerals" (tin, tantalum, tungsten or gold) in the products that they manufacture or contract to manufacture. Additionally, companies that supply products to publicly-traded companies may need to implement systems which allow supply chain transparency with regard to conflict minerals. Over the next several months, the AIA will work with industry leaders on the development of uniform compliance mechanisms, but it is important that companies take steps now to anticipate compliance with this complex supply chain regulation.

Under the Final Rule, all issuers are required to file for the same period — a calendar year — regardless of when their fiscal year ends. Companies will file their first Form SD on or before May 31, 2014 (for the 2013 calendar year) and annually prior to May 31st every year thereafter.

The Final Rule requires a company to provide disclosures about the origin of the conflict minerals contained in their products on the new Form SD to be formally filed with the SEC.

Important Highlights of the Final Rule

The following are some of the important highlights of the Final Rule that are critical to our industry:

- The Final Rule applies to a company that uses "conflict minerals" described as tantalum, tin, gold or tungsten if:
  - The company files reports with the SEC under the Exchange Act.
  - The minerals are "necessary to the functionality or production" of a product manufactured or contracted to be manufactured by the company.
- The Final Rule does not have a de minimis exception for products with small percentages of conflict minerals.
- A company is considered to be "contracting to manufacture" a product if it has some actual influence over the manufacturing of that product.
- A company is not deemed to have influence over the manufacturing if it merely:
  - Affixes its brand, marks, logo, or label to a generic product manufactured by a third party.
  - Services, maintains, or repairs a product manufactured by a third party.
  - Specifies or negotiates contractual terms with a manufacturer that does not directly relate to the manufacturing of the product.
- Conflict minerals which were mined and transported out of the covered countries prior to January 31, 2013 are considered outside the supply chain and are exempt.
- After determining that their products contain conflict minerals, public companies must perform a "Reasonable Country of Origin Inquiry" designed to reasonably determine whether any of its conflict minerals originated from a covered country (Democratic Republic of the Congo [DRC] plus the nine surrounding countries) or are from scrap/recycled materials; the Inquiry must be conducted in good faith.

- If a public company is unable to determine the origin of the conflict minerals necessary to the functionality or production of its products, or has reason to believe that they may have originated from the covered countries, they must undertake due diligence that conforms to a nationally or internationally recognized due diligence framework, such as the due diligence guidance approved by the Organization for Economic Cooperation and Development (OECD), to ascertain the origin and chain of custody of the conflict minerals.
- Once due diligence has been performed and it is determined that minerals come from the Covered Countries, a public company must file a Conflict Minerals Report as an exhibit to their Form SD disclosure. A Form SD would be filed without a Conflict Minerals Report if after a Reasonable Country of Origin Inquiry it is determined the minerals are not from the Covered Countries, or are considered scrap or recycled. The Form SD must also be posted on the company website.
- A public company must also file a Form SD and post on the company website if a company determines that its products are "DRC conflict free" – the minerals did not come from a covered country or finance or benefit armed groups, as well as Not "DRC Conflict Free," both subject to independent audit.
- Conflict Minerals Reports must be audited by an independent third party auditor.
- There are special rules governing the due diligence and Conflict Minerals Report for minerals from recycled or scrap sources. If a company's conflict minerals are derived from recycled or scrap sources rather than from mined sources, the company's products containing such minerals are considered "DRC conflict free."

Supporting Information and Contacts

To learn more about all of the compliance requirements defined in the "Conflict Minerals Final Rule," please consult the SEC website at http://www.sec.gov/rules/final.shtml.

To review the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" visit: http://www.oecd.org/dataoecd/62/30/46740847.pdf. If you have questions, please contact Kirsten Koepsel, Director, Legal Affairs & Tax, Aerospace Industries Association at kirsten.koepsel@aia-aerospace.org and 703.358.1044.