As manufacturers take care to wash traces of so-called Conflict Minerals out of their supply chains, many citizens of the Democratic Republic of Congo have been deprived the opportunity to live a better life by mining the precious ores beneath their feet.

A small but growing group of major electronics OEMs and suppliers, together with the Dutch government, are working on a plan to ensure certain mines under the protection of the national army are certifiably "conflict-free." One of those suppliers is **Alpha Metals.**

CIRCUITS ASSEMBLY editor in chief Mike Buetow spoke by phone with Alpha vice president of global marketing & corporate development Bruce Moloznik about the new initiative.

CA: What can you tell me about the Conflict-Free Tin Initiative?
BM: We are in fact part of that. We have been talking to people about the issue and going forward with what is hopefully a unified approach. In fact, we are involved in a lot of groups on conflict minerals issue: the GeSI-EICC (auditor certification scheme), the CFS (The Conflict-Free Smelter Program), and the reporting template, where suppliers can identify where they get their tin from. Let me clarify a few things about this, by the way. Conflict minerals are the minerals that tin, tantalum, tungsten and gold as a category are derived from. Conflict tin refers explicitly to tin from an illegal mine. The SEC rules cover any public company that uses tantalum, tin, tungsten or gold.

The concern, and the reason this pilot is being put in place, is, one thing: Will this work?

CA: How did Alpha get involved in the CFTI?
BM: We've been involved from early on in the pilot program, which was over a year ago. We drafted our policy and implemented it at the beginning of 2012. We strongly believe we have been offering conflict-free minerals since we became aware of the issue, but we ask all our suppliers to warrant they are not trading in conflict tin. Now that there are laws in place, there is a specified increase in due diligence required.

A lot of companies, in doing their audits, are looking at what their suppliers have done
The actual SEC SD (Supplier Declaration) is one page. If you find out your tin comes from the Congo, there's a whole additional level of due diligence you have to do. The easiest thing for suppliers to do is to avoid it. But these minerals are the only assets the Congo has. The worst thing is the unintended consequence of a soft boycott on tin.

CA: When will the program begin?

BM: Our focus now is to get the first proof of concept through. There are many potential areas of cost increase involved throughout the supply chain. If all of the tin we needed to buy could be purchased conflict-free starting Jan 1st, this could be a smooth transition. But, I think this is going to be like lead-free, where companies will slowly transition and only then when forced to from the top of the supply chain. The addition, recycled material being allowed without the requirement of the original country mine of origin, was critical for the law to be implemented. This was based on the pervasive use of recycled material in our industry. The reporting period begins Jan. 1, 2013, and the only businesses that have to do this are US public companies, but, for example, for Asian companies that sell to public companies, the US company's due diligence will rely on their supplier's due diligence; who actually purchases the tin-containing material.

If yours is a smaller US company, and none of your goods are sold into public companies, you won't be affected.

There are certain European companies that will piggyback on this law. Europe won't be insulated, but it will be voluntary. By the end of 2013, these companies will have to put together all this due diligence to prove what they did to keep conflict tin from their supply chain. Not all smelters will be certified as of Jan. 1, and some may never get certified. Every solder supplier recycles material to some extent. Just as with wave soldering, any time you melt solder in the production process, it oxidizes and forms dross. It is a standard practice in our industry to recycle that dross and recover the good metal. You can't get all of (the raw material) back, but you can get much of it.

CA: How is mine security handled for the Pilot?
BM: The smelter is the supplier that buys directly from the mines and is transparent about having bought from the DRC. This partner smelter is in the process of getting their Conflict Free Smelter certification. ITRI is a key player in putting this pilot together on the ground. They are involved with others in the "bagging and tagging" cassiterite with a seal that indicates that Source Mine of the material is a conflict-free mine. That bag's contents will be transferred to a consolidator and will be sold to the smelter and be smelted with other conflict-free tin. Alpha will buy this certified conflict-free tin, and we will not cross-contaminate it with other mainstream sources – to make conflict free finished goods Some of our customers have indicated a strong desire for Certified Conflict-Free Material from the DRC to ensure an unintended boycott of DRC minerals does not occur.

CA: Will Alpha take any additional steps to ensure the minerals are legitimate?
BM: Because we're one of the largest, if not *the* largest, recycler of soft solder in North America, we are in the process of getting the Conflict Free Smelter certification. The potential issue is the additional costs that will be incurred within our industry regarding these new levels of due diligence.

Right now, audits could be one-time events. For people who buy from the DRC area, there could always be a higher level of due diligence required. It may be that people prefer to buy from the Congo so they don't hurt the people there. In that case, demand could exceed capacity, and supplier might need to charge more. Every smelter got a new bill this year that

they didn't have before. Also, there are additional costs from building third-party traceability systems. But, for the pilot, all participants have agreed not to pass through any cost increases for the pilot program to the end user.

CA: Why was the South Kivu mine selected? It is considered to be more secure and stable than others in the DRC?
BM: I'd suggest that you speak with Kay Nimmo of ITRI. She's been there multiple times and understands it a lot more on the ground. I can say, though, what they don't want to do is to run the pilot, have all the reporters leave, and all goes back to how it was. They really want to make it sustainable. My guess is they picked a mine that is stable and can go forward with. But, we definitely support this concept, and do not want to see an unintended boycott come to fruition. We have some important customers that are also involved.

CA: Does it make economic sense today to buy conflict minerals?
BM: It is unclear right now what will happen to price. When you buy metals, you buy at the LME (price), plus traders' fees, shipping and freight. We've already seen recent changes in premium levels even before the conflict minerals issue, which indicates the delivered price of tin might go up. Then there are new labels, new part numbers, segregation of inventory and multiple material streams. The OEMs that are very active in the GeSI-EICC don't want that to be case, but wishing you don't have a drought won't make it rain. We're going to have to demonstrate the value customers are getting. Even if every smelter in the world could suddenly on Jan. 1 provide conflict-free tin, Alpha will still need new labels, new traceability IT systems, and have other costs that will increase our cost base in an already extremely price competitive environment.

Ed.: For more on the Conflict-Free Tin Initiative, click here .

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