Intel's Efforts to Achieve a "Conflict Free" Supply Chain

White Paper

EXECUTIVE SUMMARY

"Conflict minerals"[1] originating from the Democratic Republic of the Congo (DRC) and adjoining countries are sometimes mined and sold, under the control of armed groups, to finance conflict and violence. Some of these conflict minerals can make their way into the supply chains of both industrial and consumer products, including those in the electronics industry. Intel was one of the first companies to address the issue of conflict minerals in its supply chain, and we have worked diligently to put the systems and processes in place to enable us to reasonably conclude that the tantalum, tin, tungsten and gold in our products do not finance or benefit armed groups in the region while continuing to support legitimate mineral sourcing.

We acquire and use conflict minerals from sources worldwide, and our desire is not to eliminate those originating in the DRC and adjoining countries; however, we want the products we purchase from our suppliers to be "DRC conflict free." [2] Intel was the first electronics company to publish goals related to manufacturing products from conflict free[3] sources. Specifically, we met our published goals to manufacture microprocessors with tantalum sourced from conflict free supply chains in 2012 and to manufacture the world's first commercially available microprocessor that is DRC conflict free for all four metals in 2013.

Intel has worked extensively on the conflict minerals issue for over five years. Below is a summary of some of our milestones and accomplishments:

- Conducted our first conflict minerals supply chain survey in 2009.
- Since 2009, visited over 85 smelters and refiners in 21 countries with the goal of providing education on conflict minerals, collecting country of origin information of the conflict minerals in our supply chain, and encouraging participation in the Conflict-Free Smelter Program (CFSP); an initiative organized by the Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI).
- Established and then co-led the EICC and GeSI Extractives Working Group through 2013.
- Conducted on the ground reviews of the minerals trade in the DRC in 2010 and 2013.

1 "Conflict minerals", as defined by Securities and Exchange Commission (SEC) rules, is a broad term which means columbite-tantalite (coltan), cassiterite, gold, wolframite, or their derivatives which are limited to tantalum, tin or tungsten, regardless of whether these minerals finance conflict in the Democratic Republic of the Congo (DRC) or adjoining countries.

2 "DRC conflict free" is defined by SEC rules to mean products that do not contain conflict minerals that directly or indirectly finance or benefit armed groups in the DRC or adjoining countries.

3 We use the term "conflict free" in a broader sense to refer to suppliers, supply chains, smelters and refiners whose sources of conflict minerals did not or do not directly or indirectly finance or benefit armed groups in the DRC or adjoining countries.

- Supported in-region mining efforts by participating in the "Solutions for Hope" pilot to obtain tantalum from conflict free sources in the DRC and the Public-Private Alliance for Responsible Minerals Trade.
- Demonstrated our commitment to continuing action on this issue by signing a multi-stakeholder statement called the "Challenge to the Conflict Mineral Rule" in 2012.
- Announced in January 2014 that Intel accomplished its goal of manufacturing microprocessors that are DRC conflict free for tantalum, tin, tungsten, and gold.
- Completed our first SEC conflict minerals related filing with the SEC in May 2014 which described our due diligence program and product conclusions including that our Client Microprocessor and Chipset products are DRC conflict free.

Driving Accountability in the Supply Chain

The electronics supply chain is deep and wide—with multiple layers of suppliers located in multiple countries. This supply chain model has led to incredible efficiency and the ability to produce high-quality computers and consumer electronics at exceptional price points. However, this same highly decentralized, ultra-efficient supply chain makes it extremely difficult to trace the source of minerals used in products.

In pursuit of understanding our complex supply chain and developing one that is conflict free, Intel first asked our suppliers in 2009 to complete a survey on the origin of minerals for the tantalum, tin, tungsten and gold used in their products and components supplied to Intel. The purpose of this survey was to understand three items: (1) whether our suppliers had implemented conflict free sourcing policies; (2) whether our suppliers had the ability to trace the minerals they used back to the source; and (3) whether they could identify the smelters and refiners that process the minerals in their own supply chain.

Our initial survey results demonstrated great variance in the amount of information suppliers knew about the minerals used in their supply chains. This finding convinced us that the most effective way to eliminate conflict minerals from the electronics supply chain was to implement a validation process at the smelter and refiner level, where ore is converted to ingots, bullion and other conflict mineral containing derivatives. The smelter or refiner is a key point in the supply chain for determining the source of tantalum, tin, tungsten and gold contained in materials supplied to Intel. Partnering with the smelter and refiner facilities is important because once a mineral is processed into a metal, it's difficult to know what country or mine the metal originated from. Consequently Intel conducted its first on-site conflict minerals smelter review in 2009. This was the first review ever done in the electronics industry for conflict minerals, and was the catalyst for development of the Conflict-Free Smelter Program (CFSP), an innovative industry audit program designed to validate smelters' and refiners' sourcing practices.

As of December 2013, Intel had visited and conducted reviews at 86 smelter and refiners in 21 countries (Australia, Austria, Belgium, Bolivia, Canada, Chile, China, Germany, Hong Kong, Indonesia, Japan, Malaysia, Norway, Peru, Poland, South Africa, South Korea, Switzerland, Taiwan, Thailand, and the United States).

Encouraging Industry-Wide Action

Many industries use tantalum, tin, tungsten or gold in their products including, e.g.: aerospace, automotive, jewelry, information technology, and consumer electronics. Intel and other members in our industry quickly realized that we would need to work across many industries to tackle this complex problem. Intel has initiated multiple efforts to collaborate both within our own industry and with others on the conflict minerals issue. We have co-chaired the EICC and GeSI Extractives Working Group through 2013, which led to the creation of the Conflict-Free Sourcing Initiative (CFSI), a joint initiative of more than 180 companies from seven different industries. CFSI provides tools and resources that support responsible mineral sourcing, including the CFSP's validation audit of smelters and refiners.

Over the past five years, Intel has assisted in convening a number of well-attended industry meetings on conflict minerals. In 2009, we co-chaired the first electronics industry supply chain meeting for tin in Vancouver, Canada. Since then, we have sponsored or co-sponsored a "call to action meeting" in San Francisco; a meeting on tantalum at our facility in Chandler, Arizona; a meeting with the gold industry in Denver, Colorado; and a multi-stakeholder meeting in Philadelphia, Pennsylvania. Additionally, EICC, GeSI, and CFSI have hosted 13 conflict minerals supply chain workshops to educate others on the conflict minerals topic.

To increase our direct knowledge on this important issue, Intel sent a representative to the eastern DRC in 2010 and 2013, as part of a delegation from the U.S. We found that speaking with the various stakeholders involved in the minerals trade in the DRC was invaluable to our understanding of both the challenges and opportunities in that region.

Traceability in the Supply Chain

Through our industry meetings and forums we acquired a great deal of information and gained insight regarding traceability in our supply chain. Our multiple on-site smelter and refiner facility reviews have also enabled us to understand the unique operating characteristics of individual smelters and refiners, and determine the current gaps in their ability to trace the source of ore to countries and mines of origin. For example, some facilities had documentation indicating the country that mineral ore was shipped from, but not on the country where the ore was originally mined. This is a critical issue because minerals (especially gold) can be smuggled into other countries, making traceability even more challenging.

We also learned that the infrastructure needed to trace the source of materials in our supply chain did not exist, and concluded that a process to audit and validate smelters and refiners would be needed. To address this challenge, EICC and GeSI member companies formed the Extractives Working Group. The smelter and refiner reviews conducted by Intel laid the groundwork for the EICC and GeSI to develop and implement a process for independent third-party audits of smelters and refiners—the Conflict-Free Smelter Program. Through the CFSP validation process, which is voluntary, an independent third party audits the procurement and processing activities of a smelter or refiner to determine if sufficient documentation exists to demonstrate with reasonable confidence that the minerals the facility processes originate from conflict free sources.

Due to the unique characteristics and complexities associated with each of the four conflict minerals, the working group determined that it would be most feasible to address one mineral at a time. In 2010, the working group created the first tantalum smelter audit protocol, and then selected three independent auditing firms to conduct the tantalum smelter validation audits. In 2011, under the leadership of Intel and with the cooperation of many within the EICC and GeSI industry groups, the CFSP released the audit protocols for smelters and refiners that process gold, tin, and tungsten. These audit protocols are now in place and serve as a core component of the CFSP validation audit for smelters and refiners. To increase the accuracy and efficiency of the CFSP audit procedures, Intel collaborated with metal-specific industry associations, such as the Tantalum-Niobium International Study Center (TIC), International Tin Research Institute (ITRI), London Bullion Market Association (LMBA), Responsible Jewelry Council (RJC), International Tungsten Industry Association (ITIA) and Tungsten Industry Conflict Minerals Council (TI-CMC).

Since 2010, smelters and refiners that successfully comply with the audit requirements are listed on the publicly available CFSP Compliant Smelter and Refiner Lists. As of May 20, 2014, the CFSP web site has listed 87 compliant smelters and refiners across four different mineral categories (43 gold, 28 tantalum, 13 tin, and 3 tungsten). More facilities are being added as facilities complete the rigorous auditing process. The goals of making this information public is to be transparent, to recognize smelters and refiners that process conflict minerals that do not finance or benefit armed groups in the DRC and adjoining countries, and to provide new options for companies that want to obtain such minerals from conflict free sources for their products and customers.

Achieving our Goals to Manufacture Products from Conflict Free Sources

In February 2012, before the publication of the final U.S. Securities and Exchange Commission's rule on conflict minerals, Intel set a public goal to manufacture the world's first commercially available microprocessor that is DRC conflict free for tantalum, tin, tungsten, and gold in 2013. At the time we set this goal, we did not know whether it was achievable, but we used the goal to push ourselves and to drive action.

On January 6, 2014 at the Consumer Electronics Show in Las Vegas, Nevada, Intel Chief Executive Officer Brian Krzanich announced that Intel had achieved its goal, and he celebrated that milestone by encouraging other companies and industries to join Intel in a collective effort to obtain the minerals from conflict free sources.

We achieved this milestone by focusing our efforts in two primary areas:

(1) **Identification**: We examined our supply chain and worked with our suppliers to determine those materials that contributed tantalum, tin, tungsten, and/or gold to our products. For products that contain at least one of these metals, we conducted a supply chain survey and requested identification of the smelters or refiners supplying the metal. We partnered up and down the supply chain to resolve unclear or missing information, and conducted our own examination of the results to check that the supply chain correctly identified smelters and refiners. We contacted numerous smelters and refiners directly—visiting more than 85 of them in 21 countries—to obtain sourcing information and to request their participation in the CFSP or another independent third party audit program.

(2) **Validation**: The majority of smelters and refiners were validated through the CFSP, the London Bullion Market Association's Responsible Gold Programme, or the Responsible Jewellery Council Chain-of-Custody Certification program. Alternatively, Intel staff conducted facility visits and worked directly with smelters and refiners to conduct a "reasonable country of origin inquiry" to determine the sources of incoming raw materials, including ore, partially processed materials such as concentrates, and recycled and scraps materials. During such visits, Intel staff conducted due diligence and directly observed and examined the types of documentation a CFSP auditor would review to draw reasonable conclusions on the country of origin of the minerals processed at the smelter or refiner. We encouraged all smelters and refiners that we visited to also participate in an independent third party audit program.

Unintended Consequences

Currently, limited self-sustaining mineral traceability schemes are available to track ore from legitimate sources of material in the DRC. As a result, companies working to undertake due diligence in their supply chain may unintentionally drive down demand for all minerals coming from the Great Lakes Region in Central Africa by working to secure sources outside the region. This well-intended action can inadvertently hurt the economic opportunities for artisanal and other legitimate miners operating in that region.

Intel is working to help mitigate such unintended consequences. In late 2011, Intel, in partnership with the U.S. State Department, the U.S. Agency for International Development, and other companies, announced the establishment of the Public-Private Alliance for Responsible Minerals Trade (PPA). The PPA provides funding and coordination support to organizations working within the region to develop verifiable conflict free supply chains; align chain-of-custody programs and practices; encourage responsible sourcing from the region; promote transparency; and bolster in-region civil society and governmental capacity.

In addition, Intel is participating in a project to obtain tantalum from conflict free sources in the DRC. This project, called, "Solutions for Hope" is providing tantalum from the DRC that we believe meets the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the "OECD Guidance"). Intel also supports a similar program for tin called the Conflict Free Tin Initiative (CFTI), which was launched in 2012, and several smelters in our supply chain that utilize the iTSCi program for responsible in-region sourcing. Our Conflict Minerals Sourcing Policy summarizes our quest to find responsible in-region sourcing solutions as part of our overall effort to achieve a conflict free supply chain.

Government Participation

Intel believes that an effective solution to the complex issue of conflict minerals will require coordinated efforts by governments, industry, and NGOs. Intel has met with representatives from the U.S. government the European Commission and other international governments on the topic of conflict minerals and to share the industry's approach of auditing smelters and refiners. Intel supports the OECD Guidance and participates in the Forum on Responsible Mineral Supply Chains organized by the OECD, International Conference on the Great Lakes Region and United Nations Group of Experts.

The U.S. Congress included provisions to address conflict minerals in the Dodd-Frank Act, and the SEC followed with disclosure regulations for public companies in the U.S.; however, Intel's efforts on this issue pre-date this action. Intel has supported fair and timely rules, and we believe the SEC regulatory process has been helpful in bringing others to the table and maintaining broad momentum on this important issue.

In late 2012, the National Association of Manufacturers, the U.S. Chamber of Commerce, and the Business Roundtable filed a petition for judicial review of the SEC conflict minerals disclosure regulations. Intel is a member of these trade associations; however, the positions of these trade organizations don't always align with Intel's positions. Consequently, Intel signed onto a multi-stakeholder statement regarding the "Challenge to the Conflict Mineral Rule," to demonstrate our unwavering commitment to this issue. The statement urged stakeholders to continue the important work underway to address the critical issue of transparency in the minerals supply chains. In May 2014, Intel submitted its first conflict minerals filing to the SEC, describing our due diligence program and our Client Microprocessor and Chipset products as DRC conflict free.

We will continue to focus our energy and efforts as we always have—on putting in place systems and due diligence measures that will enable us to reasonably assure that products and components supplied to us are DRC conflict free. Such actions support Intel's goal to use tantalum, tin, tungsten, and gold in our products that do not finance or benefit armed groups in the DRC and adjoining countries while continuing to support responsible mineral sourcing from in the region. We have made excellent progress to date, but our work on the issue continues with business partners, governments, and NGOs. Intel has always believed this issue is too important too important to wait. Our journey in pursuit of conflict free is far from complete.

Summary

From the time we became aware of the potential for conflict minerals from the DRC to enter our supply chain, we have responded with a sense of urgency and resolve. We have approached this issue in the same manner as we address other significant business challenges at Intel. We first collected as much information about the situation as we could, not relying solely on our own knowledge, but also seeking insight and experience from other stakeholders and organizations with expertise in this area. We communicated with our suppliers and expressed our sense of urgency on this issue and our expectations. We met with industry peers and governmental officials, and traveled hundreds of thousands of miles around the globe to visit numerous smelters and refiners in our relentless pursuit of a conflict free supply chain.

We determined that the most effective and efficient method for reducing the potential for conflict minerals to enter our supply chain was to focus on the facilities where the ore is processed and refined. Intel and other EICC/GeSI Extractives Working Group members developed a smelter and refiner validation process, called the Conflict Free Smelter Program. Smelter and refiner validation audits are ongoing, and new smelters and refiners are regularly being added to the public list of validated conflict free facilities. We believe this process will be instrumental in helping others to achieve their goal of obtaining tin, tungsten, tantalum and gold from conflict-free sources.

As a result of our efforts, in January 2014 we announced an important industry milestone: Intel accomplished its goal to manufacture microprocessors that are DRC conflict free for tantalum, tin, tungsten, and gold. We made this announcement at the Consumer Electronics Show—the world's largest electronics conference—because we want others to join us in this important effort. We will continue our work to validate and establish conflict free supply chains for Intel and our industry, and will provide updates on our efforts. This issue is not fully resolved, and will take ongoing vigilance. We welcome your feedback on our approach and disclosure at:
www.intel.com/about/corporateresponsibility/contactus

For more information, visit www.intel.com/conflictfree

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