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By email: jerry.meyers@intel.com

2nd March, 2011

Dear Jerry,

Thank you for sending the first draft tin smelter audit protocols on 11th February.

Firstly we confirm that ITRI fully supports the objectives of the US conflict minerals legislation and intends to work co-operatively with the EICC and GeSI, as well as other tin sector associations, to achieve compliance. However, having discussed the specifics of the proposed audit process with ITRI members, we are very concerned that the scope of the audit seems to have extended beyond what may be considered necessary in relation to the requirements of that legislation.

We wish to raise a number of high level concerns regarding the process since the audit protocols, as drafted, are seen to represent an unreasonable burden on the tin production industry. This could unfortunately limit potential smelter participation in the CFS validation programme which would not be an ideal outcome for either the upstream or downstream industry sectors.

The following are key issues of concern;

1. We believe it is not appropriate to finalise audit methodology so close to, but before the publication of the final rules of SEC. While it is of course possible to use what we currently understand about possible SEC rules, together with what we already know about the UN and OECD guidance to develop a draft, we would wait until the SEC rules are known to definitively agree audit scope and protocols.
2. In general, we would like to ensure that a reasonable level of certainty on mineral source is provided to you, while minimising burden and cost, and removing any major loopholes in the audit process; if the process is not seen to be credible it will be difficult to obtain a suitable level of acceptance among the metal production sector. The risk based 'red flag' approach of OECD is key to this discussion and should be considered as the baseline consideration in audit protocols.
3. We do not agree with the classification system proposed (i.e. Class 1, 2 or 3) for individual countries or regions, nor the level of risk deemed to apply to each. For example, we cannot understand what approach has been used to determine that Rwanda and the Canary Islands pose the same level (2) high risk. Also, it is difficult to understand why some tin production countries which are not adjoining or near to the DRC have been included in Class 2 while countries such as India, which are known to process African cassiterite, are not included at all.

We are of the opinion that it is only necessary to define two Classes; Class 2 as DRC and the adjoining countries, subject to SEC reporting, and Class 1 as all other countries.

4. We have come to understand that tin producers are individually expected to pay the costs of the audits, although those costs are unspecified. Further information on the potential range of costs, as well as the envisaged frequency of audits is required so that producers can complete an assessment of the benefits of participation in the CFS validation programme. Greater clarity on these matters, as well as the exact procedures that will be used, would go some way to encourage producer participation in the audits. It will also be necessary to discuss who within the supply chain will be responsible for those costs.
5. Metal producers feel it is important to understand what responsibilities other members of the supply chain will be accountable for, in particular solder manufacturers who hold a position within the chain where many materials may find a point of entry. We also wish to consider whether those direct customers may in fact be more suitable conduits for the smelter audit system. Please can you provide further information on these matters.
6. The proposed audit dates and periods to which they relate are also of concern. It is unreasonable to expect producers to commit to audits for which the standards and requirements are not yet known. Furthermore, the audit should relate to the current and future operations (post the conflict minerals 'rules' coming into effect) rather than past events for which auditable data may not be available and for which there can be no corrective action or waiver. Clear standards need to be made available and agreed before the start of the audit period, and that start date will need to be fully considered in order to obtain support from the major producers. We believe that the final SEC rule release date, expected to be in April 2011, is the appropriate start date for the first audit period.
7. ITRI members are also concerned over the indiscriminate embargo effect on an artisanal tin production area and the likely impacts of the short timeline apparently being provided for those local businesses to comply with traceability and due diligence by 1st April 2011. Some reconsideration of this date will be necessary, hopefully in light of possible phase-in or transition times allowed by SEC, and in light of the progressive improvement objectives enshrined in the OECD guidance. We would hope that the timelines of all initiatives and expectations will be aligned.
8. We would also suggest that one cross-industry auditor should be appointed. In order for the process to be effective, and therefore obtain participation, it will be necessary to compare and add input/output figures across the industry and apply a common standard of audit; this cannot be easily achieved through use of a variety of individual auditors.
9. It will also be key to ensure the support or tolerance of the relevant producer Governments in this process so that the authority of the auditor to inspect, in some cases enterprises with Government shareholding, is confirmed. Perhaps you can provide some information on any efforts that have been made in this regard and the progress of discussions. This is of particular importance for the Chinese market which, as you know, represents more than half the tin in solder use worldwide.
10. In general, since there are many concerns over the high burden of the proposed audit, we need to ensure that the protocol will address the essential components of the main voluntary or regulatory frameworks;
 - a) UN guidance
 - b) SEC rules
 - c) OECD guidance

Perhaps you can provide a summary on how the CFS validation process satisfies the specific expectations of each of these in terms of both the risk assessment and improvement planning step, as well as final auditing.

Looking in more detail through the documents there are likely to be a number of technical and/or practical issues relating to establishing the data required. We will separately provide information on these issues so that we may discuss a practical way forward. It is unfortunate that this first draft of the tin audit protocols more closely resembles the equivalent tantalum documents, rather than the suggested protocols for tin that we prepared for, and provided to you in August last year. Some of the same changes we suggested at that time will need to be incorporated.

We reiterate that we remain fully in support of the aims of such an audit process to reduce the risk of conflict mineral entering the supply chain, but the protocols will need very careful consideration in order to avoid a simple diversion of such mineral from one use sector to another which will result in untenable disruption to commodity markets, supply/demand balance and pricing; something that is negative for both producers and users alike.

I understand that solder manufacturers are not yet fully conversant with the audit system or how it will affect their future purchasing decisions. We do recommend that they are also consulted on some of these issues, through both the IPC SVPC and the Chinese electronic materials association (solder branch) CEMTSB.

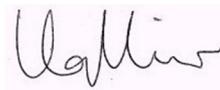
We look forward to further discussions and confirm that both ITRI and our member companies are keen to provide whatever other information or assistance you may require.

Yours sincerely,



David Bishop
Managing Director

and



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