The Benefits of Outsourcing your Conflict Minerals Compliance Process

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Product compliance and sustainability solutions

Today's Presenter

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Dan Hertzberg
Director US Sales, iPoint

iPoint

in business
since

2001

11
locations worldwide

111
employees
and growing

97 %
customer
renewal
rate

new customers
per month

> 500

39,000+
customers

from
90
countries
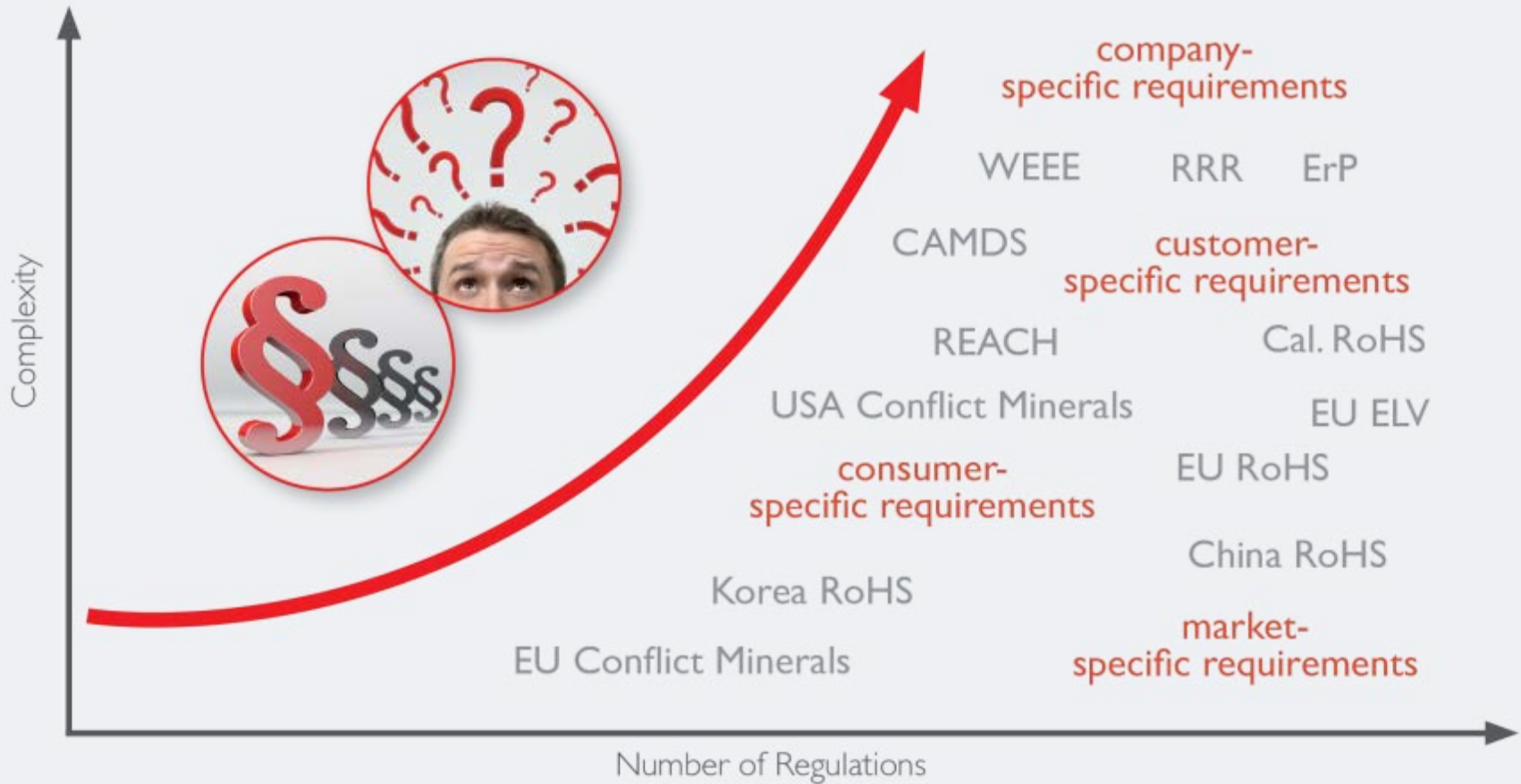
250
leading global
manufacturers

impacting
100 mio.
products

iPoint is a software and services company focused on
product & process compliance & sustainability.

Product Regulatory Landscape

Continuous growth of international laws and stakeholder requirements

US Conflict Minerals Rule is driving new legislation and expanded visibility

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EU Conflict Minerals

On June 15th, the EU agreed on a framework to stop the financing of armed groups through trade in conflict minerals, after negotiations between the Commission, Council and Parliament.

Approach will build upon the OECD Due Diligence Guidance for responsible mineral sourcing.

Technical details and final adoption in the coming months.

Closer Analysis of Suspect Smelters

NGOs and other organizations continue to expose companies whose programs are using suspect smelters.

Conflict Minerals reporting has led to trade exposure of SEC filers, indirectly through their supply chains, to countries or individuals against which the U.S. has issued sanctions. Examples - Sudan Gold Refinery (CID002567), Gold from DPRK.

What Does This Mean For Companies?

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More regulations = greater risk of non-compliance

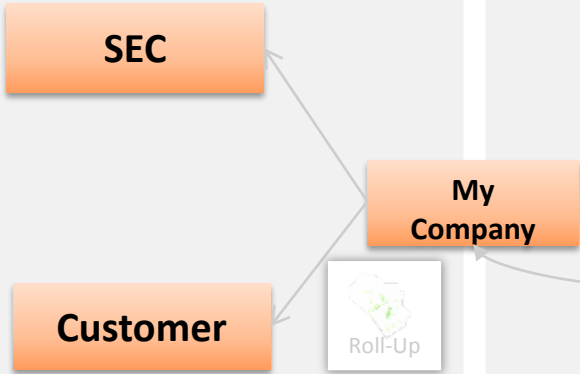More reliance on the supply chain for data

Need to manage and store data
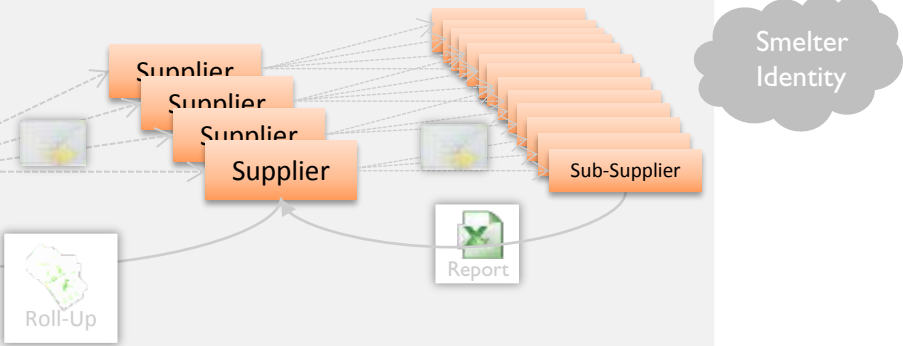
Stay current on new regulations and regulatory changes

Support increasing customer demand for reporting

Conflict Minerals Process

Use Data to Drive Towards Conflict Free Supply Chain

Acquire Data

SEC

My Company

Customer

Roll-Up

Roll-Up

Supplier
Supplier
Supplier
Supplier

Sub-Supplier

Report

Smelter Identity

Observations

- Many companies view compliance as a cost of doing business vs a competitive differentiator

- Business process tends to be reactive vs proactive

- Limited resources/budget

- Compliance is an "add-on" responsibility vs. a dedicated role

  - Insufficient time to develop expertise

  - Resources will move on to different responsibilities

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- These ad-hoc programs are difficult to monitor and scale

- Data collection and reporting cycles start and stop causing interruptions and distractions relative to core tasks

- Data collection is executed without educating suppliers
  - Why are they doing this?
  - What is expected of them?
  - What happens if they don't respond?
  - How can they get help completing this task?

- Data are inconsistent and difficult to manage and analyze
  - Spreadsheets, PDF's, "islands of information" scattered across the company
  - No ability for suppliers to receive immediate feedback on their submissions

- Inaccurate results

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1. Compliance is an add on task, and not the core job of those assigned to manage it and not the core competency of companies

2. Resources work part time as needed, frequent starts and stops, tasks are considered a distraction

3. Business process is ad hoc – reactive vs systematic, and not representative of best practices

4. Limited resources generally means a lack of process automation and data management tools

5. Process is ineffective and costly

So How Can Outsourcing Help?

Experience = Lessons learned can be leveraged

Support = Helping both you and your suppliers

Methods = Applying an approach that's proven and time tested

Tools = Ensures efficiency and provides a reliable and repeatable process for suppliers

Software Tools Are Key

- Primary means of communication between internal resources and outsourcing partner

- Centralized data and eliminating data "islands" minimizes non value added activities

- Allows for easy monitoring of program goals and progress

- Provides reports that can easily be accessed for management reporting

- Ensures a due diligence process can easily be audited if needed

- Continuity of data and process if compliance staff/resources are internalized later

Benefits of Outsourcing

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Adding proven people, processes, and tools will help save time and money

- Allows internal staff to focus on core responsibilities while handing off compliance business processes to experts

- Provides economies of scale to reduce process costs

- Process and technical expertise in combination with best in class tools have a positive impact on your company's compliance process. Quality is assured as vendors compete based on the quality they deliver

- Eliminates staff frustrations related to stops and starts

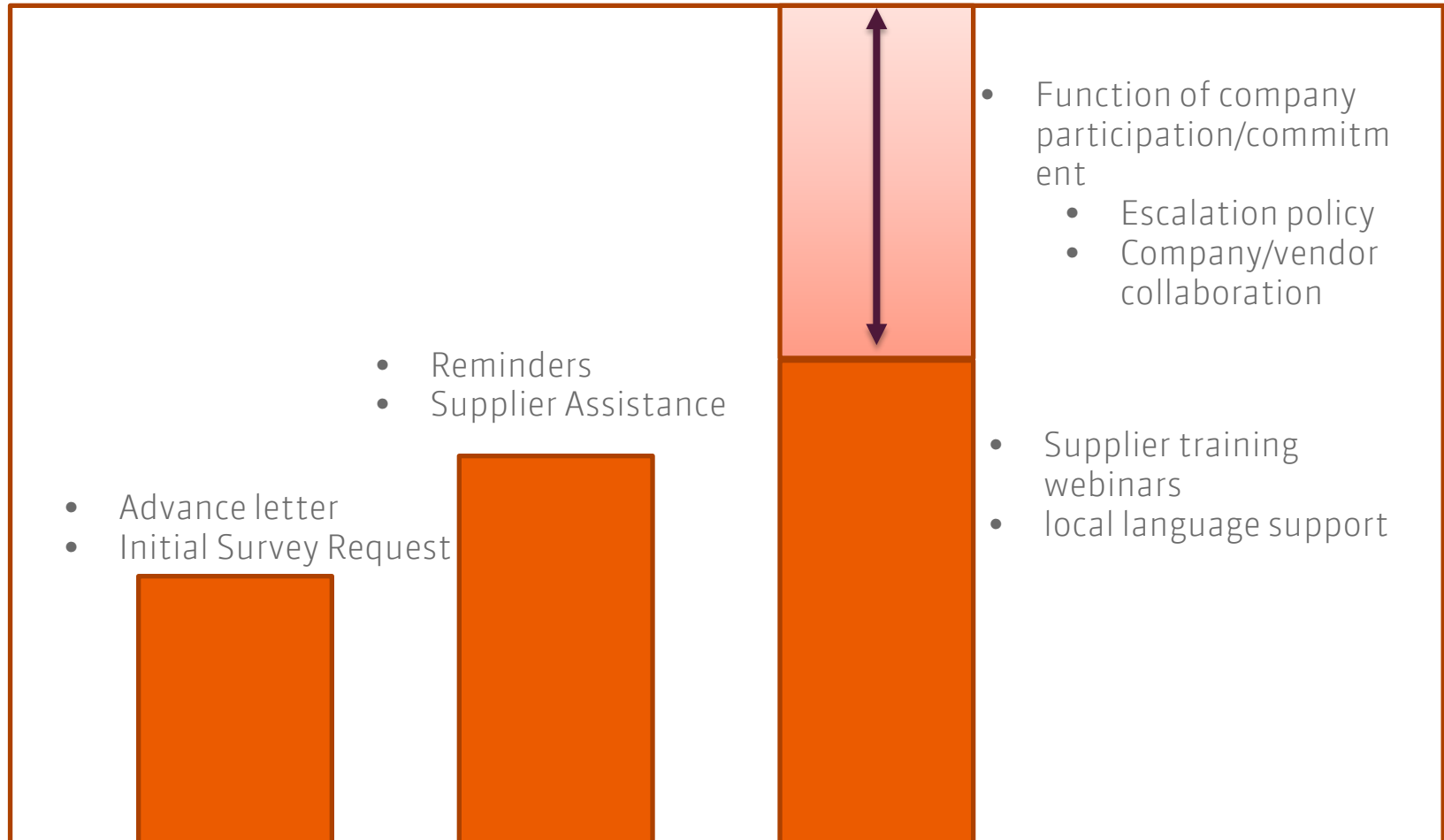- Provides a path for internal staff to take over the program later if desired

Customer Examples

Customer Examples

Customer	Outsourcing Benefits Realized
Fortune 500 Building Materials Manufacturer	• Streamlined survey effort by focusing on in-scope suppliers; from 2700 to 100 • Eliminated need for 55 part time resources across the company • Software tool managed detailed transaction history reducing cost of due diligence • Collected surveys from 100% of suppliers
Mid size Electronics Manufacturer	• Software tool allowed teams to be more efficient and organized; preventing duplication of efforts • Reduced effort by several thousand hours across 10-15 resources in the US and Asia Pacific

Customer Examples

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Customer	Outsourcing Benefits Realized
Global Manufacturer of Tooling and Specialty Materials	• Completely unmanageable process – procurement resources available only on an "as needed" basis • Outsourcing provided needed expertise to define and implement a systematic and repeatable process to survey and report • Reduced internal resource effort by 2/3
Fortune 500 Medical Device Manufacturer	• End of year acquisition doubled their supply base, which put reporting timeline at risk. • Outsourcing resulted in supplier survey response of 60% over a 6 week period (500 supplier responses) and upwards of 80% complete at reporting time.

Supplier Responsiveness Observations

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- Advance letter
- Initial Survey Request

- Reminders
- Supplier Assistance

- Function of company participation/commitment
  - Escalation policy
  - Company/vendor collaboration

- Supplier training webinars
- local language support

Summary

Outsourcing Addresses Key Complliance Process Challenges

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Without Outsourcing

- Compliance is an add on task, and not the core job of individuals and not the core competency of companies

- Resources work as needed, frequent starts and stops, viewed as a distraction

- Business processes are ad hoc - tend not to be based on best practices

- Limited resources means a lack of best-in-class automation and data management tools

- Process is ineffective and costly

With Outsourcing

- Internal staff can focus on core responsibilities while handing off compliance business processes to experts

- Eliminates staff frustrations related to starts and stops

- Process expertise coupled with best in class software tools have a positive impact on your company's business process including supplier responsiveness. Vendors drive best practices as a competitive differentiator

- Provides economies of scale to reduce process costs

- Provides a path for internal staff to take over the program later if desired

What to look for in an outsourcing partner?

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- Avoid downstream surprises. Know what you're getting.
  - Take advantage of consulting workshops, vendor expertise, and references.

- Assure performance
  - Service level agreements

- Flexibility to scale up and down
  - Vendor should have a broad offering and skill set. Accommodate changes that call for expanding or contracting user base, new acquisitions, suppliers, parts, regulations, and requirements

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- Industry Leadership and Collaboration
  - Our staff who understand the required processes and regulations to build and run a successful program

- Experience
  - Operational know-how with proven record of success
  - References

- Right tools and technology
  - Rich functionality with automation to reduce errors, ensure quality, and maximize efficiency

- Scalability
  - Breadth of offering
  - Adaptable to change

Call to Action
Does Outsourcing make sense for my company?

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- Where's the pain?

- What does the process cost today?

- What are the best practices and how does my company's process compare?

- What options are available?

  - Full "Turn-Key" solution

  - Software solution

Questions?

Thank You

iPoint worldwide

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Germany

iPoint-systems gmbh
Reutlingen, Headquarters
Ludwig-Erhard-Straße 58
72760 Reutlingen
Tel. +49.7121.14489-60
Fax +49.7121.14489-89
info@ipoint-systems.de

Dortmund
Windgatt 21
58730 Fröndenberg
Tel. +49.2377.7862-07
Fax +49.2377.7862-09
info@ipoint-systems.de

Munich
Therese-Giehse-Platz 6
82110 Germering
Tel. +49.89.800.6588-18
Fax +49.89.800.6588-20
info.muc@ipoint-systems.de

Austria

KERP
Kompetenzzentrum
Elektronik & Umwelt
Member of iPoint Group
Ignaz-Köck-Straße 10/
Top 3.04 Tech 21
1210 Vienna
Tel. +43.1.2720370-10
Fax +43.1.2720370-11
office@kerp.at

USA

iPoint Inc.
Ann Arbor
255 East Liberty, Suite 287
Ann Arbor, MI 48104
Tel. +1.248-282-4085
Fax +1.248-886-9121
info@ipointinc.com

United Kingdom

iPoint Ltd.
Manchester
Unit 10135
PO Box 4336
Manchester, M61 0BW
Tel. +44.1204.819051
Fax +44.1942.859199
info@ipoint-systems.com

South Korea

iPoint Korea
1029-8 Boeun bldg 3F
Yeongtong 1-dong
Yeongtong-gu Suwon-si
Gyeonggi-do
Tel. +82 31-203-4570
info-korea@ipoint-systems.com

Sweden

iPoint-systems AB
Växjö
Framtidsvägen 16
SE-351 96 Växjö
Tel. +46 (70) 6405489
info@ipoint-systems.se

Japan

iPoint Japan Co Ltd
Tokyo
Oak Minami-Azabu Building 2F
3-19-23 Minami-Azabu, Minato-ku
Tokyo, Japan 106-0047
Phone +81 3 4580 1273
info-japan@ipoint-systems.com

France

iPoint-systems gmbh
Paris
Tel. + 33.609.144643
info@ipoint-systems.com

China

iPoint Software and Information
Technology (Shanghai) Ltd.
爱鹏软件信息技术（上海）有限公司
Shanghai
Room No. 331, Catering Part 2,
3F Huadu Building,
Zhangyang Road 828 – 838,
Pudong New District
Shanghai, China
info@ipoint-systems.com

ipoint-systems.com

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