AEROSPACE INDUSTRIES ASSOCIATION

Conflict Minerals FAQ

BACKGROUND

1. **What are conflict minerals?**
   "Conflict Minerals" is the term used to describe certain minerals such as gold, wolframite, casserite, columbite-tantalite and their derivative metals, which include tin, tungsten and tantalum that are sourced from mines under the control of violent forces in the Democratic Republic of Congo (DRC) or the surrounding countries.

2. **What laws and Rules govern conflict minerals?**
   On July 16, 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was primarily designed to address financial reform and regulation for U.S. corporations. Section 1502 of this new law directed the U.S. Securities and Exchange Commission (the "SEC") to establish Rules requiring public companies ("issuers") that file quarterly and annual financial statements with the SEC to provide an annual disclosure (Form SD) as to the source of certain materials designated as "conflict minerals" in their products. The SEC adopted new Rules (the "Rule"), as required by the Frank Dodd Act, on August 22, 2012.

   The new Rule provides that issuers must file their initial SEC-mandated conflict minerals disclosures by May 31, 2014. For the first reporting period the Rule exempts any conflict minerals that are "outside the supply chain" prior to January 31, 2013. Conflict minerals are "outside the supply chain" if they have been smelted or fully refined or, if they have not been smelted or fully refined, they are outside the Covered Countries. Disclosures will be required every May 31st thereafter, and will cover products manufactured in the prior calendar year.

3. **What is the purpose of this new legislation and these SEC Rules?**
   Congress included this provision in the Dodd-Frank Act in an effort to further the humanitarian goal of ending violent conflict in the Democratic Republic of the Congo (the "DRC") and the adjoining region. This conflict has been partially financed by the trade of certain minerals, known as "conflict minerals," in the DRC and in adjoining countries, which include Angola,

Burundi, Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia (the "Covered Countries").

Congress chose to use the U.S. securities laws disclosure requirements to promote the exercise of due diligence on the source of conflict minerals in supply chains, and to persuade companies to procure conflict minerals from sources that do not finance or benefit armed groups in the Covered Countries.

4. **Are there any exceptions to the SEC Rule?**
The SEC provides a temporary transition period for two years for all issuers and four years for smaller reporting companies. During this period, issuers may describe their products as "DRC conflict undeterminable" if they are unable to determine that their minerals meet the statutory definition of "DRC conflict free" in certain instances. A smaller reporting company is defined by the SEC as a company with less than $75 million of public equity float or revenues less than $50 million, if float cannot be calculated.

5. **Can I just file as "undeterminable" and still be considered compliant?**
Some issuers will not be able to readily determine the origin of their conflict minerals in the Rule's initial years. Accordingly, for a temporary period of two years (four years for smaller reporting companies), the Rule permits issuers to describe products containing conflict minerals as "DRC conflict undeterminable". However, this determination can only be made after the issuer exercises due diligence on the source and chain of custody of its conflict materials. An issuer that concludes that its conflict minerals are "DRC conflict undeterminable" during the temporary period must still include a Conflict Minerals Report as an exhibit to Form SD. In that report, the issuer must describe the due diligence efforts it has undertaken; steps it has taken or will take, if any, since the prior calendar year to mitigate the risk that its conflict minerals benefit armed groups, including any steps to improve its due diligence; facilities used to process the conflict minerals, if known; and efforts to determine the mine or location of origin with the greatest possible specificity, if applicable. These disclosure requirements often preclude an issuer from simply deciding to file as "undeterminable" without expending some level of due diligence.

6. **Are there special Rules for government contractors?**
There are no special Rules for any industry delineated in the final Rule.

7. **What are cassiterite, coltan, and wolframite? Why do some articles talk about metals and not minerals?**
Before they are processed later down the supply chain into metals tin, tantalum, and tungsten are often referred to in their mineral ore form.
    - Tin ore = cassiterite
    - Tantalum ore = coltan or columbite-tantalite
    - Tungsten ore = wolframite

The mineral ores are what make up the metals tin, tantalum, and tungsten. The name changes once they are smelted and/or chemically processed by refining companies. To be consistent,

we refer to them as "conflict minerals" because it is the mineral ores that help to fuel violence in the eastern Congo.

8. **Why did the SEC identify gold, cassiterite, coltan, and wolframite? Are they considered dangerous or subject to contamination?**
   These four minerals were selected not because of their physical characteristics, but because of where they are principally mined. Proceeds from the mining of these minerals in the Democratic Republic of Congo and nine adjoining countries (the conflict area) are believed to be used by armed groups who are subjecting workers and indigenous people to serious human rights abuses. It has nothing to do with toxicity, or danger.

9. **Should we expect the scope of conflict minerals to be expanded in the future?**
   The conflict minerals and covered countries in the Rule align with those identified by the US State Department (available on the State Department website). If the State Department modifies its list of conflict minerals or covered countries, the SEC Rule automatically follows suit.

10. **What is the acronym 3TG?**
    The three T's are the derivative elements known as Tin, Tantalum, and Tungsten. "G" stands for the element: gold.

11. **What are the common uses of 3TG?**

Metal	Common applications
Tin	• Solders for joining pipes and circuits • Tin plating of steel • Alloys (bronze, brass, pewter) • PVCs
Tantalum	• Capacitors (in most electronics) • Carbide tools • Jet engine components
Tungsten	• Metal wires, electrodes, electrical contacts • Heating and welding applications
Gold	• Jewelry • Electric plating and IC wiring

12. **Is this report only for one year or is it an on-going requirement?**
    This is an on-going requirement each year until the Dodd-Frank Act is amended or the SEC Rules are changed.

13. **Do similar Rules exist in other countries?**
    Improving transparency and reducing the risk of contributing to human rights abuses and conflicts are issues that have gained traction globally over the past few years. Some other countries or government bodies such as the European Union, Canada, and Australia, as well as

certain states and municipalities in the U.S., are taking steps to address concerns about conflict minerals. Some of these are only in the proposal stage, while others have passed legislation. However, no other country has passed a Rule quite like the SEC's conflict minerals Rule.

14. **What is the penalty for non-compliance?**
Per Title XV of the Dodd-Frank Bill, annual compliance is compelled via section 18 that addresses liability. Accordingly, those responsible (issuers) for annual compliance with conducting due diligence in support of filing an annual report are afforded cause in court to sue anyone that has knowingly provided false or misleading statements with respect to material facts to issuers, or otherwise not acted in good faith. Outside of the legal implications of not complying, issuers may also face pressure from human rights activists, non-governmental organizations, consumer or other market forces to prove they are conflict free. Issuers may encounter various responses, the most serious of which may be the loss of business and removal from their customer's approved vendor/supplier list.

15. **Is it illegal to procure conflict minerals from DRC region, or it is just a disclosure requirement?**
No, it is not illegal. In fact, the Rule is not intended to discourage the purchase conflict minerals from the DRC or adjoining countries. It is meant to provide transparency to stakeholders regarding whether the products they purchase are conflict free.

16. **What is the OECD?**
The Organization for Economic Co-Operation and Development (OECD) is an international organization dedicated to the promotion of policies that improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common social and environmental problems.

17. **Are there alternative sources of these minerals besides eastern Congo?**
Yes. The percentages of the global supply of the 3TG coming from Congo is relatively small, from one percent to 12 percent, depending on the specific mineral. Tantalum is temporarily much higher, at approximately 30 percent, because the largest supplier of tantalum, Australia, recently suspended production. Major alternative sources of these minerals include:
    - **Tin**: China, Indonesia, Peru, Bolivia, Brazil
    - **Tantalum**: Australia, Brazil, Canada
    - **Tungsten**: China, Russia, Canada
    - **Gold**: South Africa, Australia, the United States, China

The Rule does not call for a ban or boycott of Congolese minerals it instead encourages conflict-free mineral supplies from the Congo through the development of tracing and auditing practices.

APPLICABILITY AND SCOPING

18. **We do not file reports with the SEC. Is my company affected by the conflict minerals Rules? Probably, yes.** The disclosure requirements are aimed at issuers, but in order for those SEC filers to make those disclosures, they will need information from the companies who supply them with materials and/or components. Therefore, even if your company is not a private and/or does not file reports with the SEC, **as long as you are a direct or indirect supplier to a company that files certain reports with the SEC, you may be asked to provide information regarding the uses and sources of conflict minerals in your products**.

19. **What are the thresholds that one has to start reporting the presence of Conflict Minerals?**
There is no minimum or de minimus content threshold for reporting.

20. **Is the packaging of a product covered under the Rule?**
No. The packaging or container sold with a product is not considered to be part of the product. Once the consumer starts to use a product, the packaging is generally discarded. This conclusion is true even if a product's package or container is necessary to preserve the usability of that product up to and following the product's purchase.

21. **Do we have to declare items that are used in the production of goods?**
No. The Rule only applies to the final product that contain tin, tantalum, tungsten or gold, and where production processes require integration of 3TG is (e.g. etching or smelting of an alloy to make the product) or functionality (contained within a component within the product) of the product.

22. **Beyond tools and equipment as described in the Rule, how does it apply to products a company purchases for internal purpose or for the manufacture of the product, i.e., office supplies or network and computer equipment?**
Supplies and equipment acquired for use for internal purposes are not within scope. The Rule also excludes from scope physical tools or machines used to manufacture products. This concept extends to things like power lines used to provide electricity to the manufacturing floor, or computers used to design the product, which are indirectly used in manufacturing. In addition, the SEC clarified that it does not consider an issuer that only services, maintains, or repairs a product containing conflict minerals to be a "manufacturer" for purposes of this Rule.

23. **Do European or other non-U.S. foreign companies have to comply, when selling to an issuer?**
It is a filing requirement for companies meeting SEC requirements as described in traded on a U.S. stock exchange (for example New York Stock Exchange).

24. **Do foreign operations of U.S.-owned companies have to comply**
There is no importation requirement on disclosure. The conflict minerals requirements apply to U.S. public companies. Accordingly, if you sell to a company traded on a U.S. stock exchange, you will likely be asked for a conflict minerals disclosure form.

25. **Our company received components containing conflict minerals in the 2013 calendar year, but our products containing those components will not be finished until sometime during the 2014 calendar year. For which period are we required to report these conflict minerals?**
The conflict minerals reporting obligation with respect to a product is determined by the period in which the manufacture of the product is completed, regardless of whether the company manufactures the product or contracts to have the product manufactured. In this case, the company must provide its required conflict minerals information for the 2014 calendar year.

26. **Our company licenses our intellectual property to third parties that manufacture products. Are we required to comply with the Rule for such products?**
Generally, a licensor should not have a reporting obligation under the Conflict Minerals Rules with respect to products of the licensee. However, the more similar a license arrangement is to contract to manufacture products, the more likely it would be that the licensor would have a conflict minerals disclosure obligation with respect to the licensed products. To the extent that the license gives the licensor influence on the manufacture of a product, or if the license fees are based on the net income of the licensee, rather than on sales of the licensed products, the licensor may be considered to be contracting to manufacture the product and in such case would likely be subject to the Conflict Minerals Rules.

27. **Our company assembles products from components manufactured by third parties. Does assembly of a product constitute "manufacturing" for purposes of the Conflict Minerals Rules?**
Yes. Companies that manufacture products through assembly are subject to the Conflict Minerals Rules.

28. **Our company has some products that are manufactured by joint ventures or investees that we do not control. Do we have a conflict minerals reporting obligation with respect to these products?**
The Rule release does not specifically address this question; however the SEC issued additional guidance on May 30, 2013 that stated "an issuer must determine the origin of conflict minerals, and make any required disclosures regarding conflict minerals, for itself and all of its consolidated subsidiaries."

29. **Our company acquired another company that manufactures or contracts to manufacture products containing conflict minerals. How does the Rule apply to the newly acquired entity?**
The Conflict Minerals Rules provide a phase-in period when an SEC reporting company acquires another company that manufactures or contracts to manufacture products containing conflict minerals, when the acquired company did not previously have a conflict minerals reporting obligation. The Rules allow the acquiring company to delay the initial conflict minerals reporting period with respect to such products until the first calendar year beginning no sooner than eight months after the effective date of the acquisition.

30. **Can I just file as "undeterminable" and still be considered compliant?**
Some issuers will not be able to readily determine the origin of their conflict minerals in the Rule's initial years. Accordingly, for a temporary period of two years (four years for smaller reporting companies), the Rule permits issuers to describe products containing conflict

minerals as “DRC conflict undeterminable”. However, this determination can only be made after the issuer exercises due diligence on the source and chain of custody of its conflict materials. An issuer that concludes that its conflict minerals are "DRC conflict undeterminable" during the temporary period must still include a Conflict Minerals Report as an exhibit to Form SD. In that report, the issuer must describe the due diligence efforts it has undertaken; steps it has taken or will take, if any, since the prior calendar year to mitigate the risk that its conflict minerals benefit armed groups, including any steps to improve its due diligence; facilities used to process the conflict minerals, if known; and efforts to determine the mine or location of origin with the greatest possible specificity, if applicable. These disclosure requirements often preclude an issuer from simply deciding to file as "undeterminable" without expending some level of due diligence.

31. **Do we have to maintain records documenting our company’s compliance with the Conflict Minerals Rules?**
    The Conflict Minerals Rules do not require that a company maintain reviewable business records supporting its conclusions from its reasonable country of origin inquiry or due diligence. Companies should consider following a document retention policy of retaining such records for at least five to eight years, to ensure that documents are retained for a period at least until applicable statutes of limitations expire.

32. **What will be required of companies that do not use conflict minerals n order to evidence that the Rule does not apply to them.**
    The Rule does not expressly require issuers to retain reviewable business records related to their efforts, but it does say that "...maintenance of appropriate records may be useful in demonstrating compliance with the final Rule, and may be required by any nationally or internationally recognized due diligence framework applied by an issuer".

REASONABLE COUNTRY OF ORIGIN INQUIRY (RCOI)

33. **What is a “reasonable country of origin inquiry”?**
    While the Conflict Minerals Rules do not prescribe what steps are necessary to satisfy the reasonable country of origin inquiry requirement, they do provide general standards for the reasonable country of origin inquiry. The inquiry must be reasonably designed to determine whether the company’s conflict minerals either:
    - Did originate in the Covered Countries or
    - Did come from recycled or scrap sources.

    Further, the inquiry must be performed in good faith. As part of their "good faith" inquiry process, companies should apply reasonable skepticism and judgment when assessing statements from suppliers and be aware of any red flags that could be counter indicative to the suppliers' statements, such as the pricing of materials, location of the supplier, purity/quality of materials used for products, etc.

34. **Are recycled metals exempt?**
    Yes. Fully recycled metals are exempt and would represent a reasonable outcome of an RCOI

35. **What standard of inquiry is required to determine whether our company is subject to the Conflict Minerals Rules?**

The Conflict Minerals Rules do not prescribe a standard of inquiry that a company must satisfy in order to determine whether it manufactures or contracts to manufacture products that contain conflict minerals. Like other SEC reporting requirements, companies are expected to act in good faith and use reasonable efforts to put in place a process reasonably designed to provide assurance that the company is in compliance with the Conflict Minerals Rules. Common methods currently being deployed include surveys, flowdown clauses, etc.

The Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI) have prepared a template which has been adopted by the EICC and can be used by other companies which is available at:

http://www.conflictfreesmelter.org/ConflictMineralsReportingTemplateDashboard.htm

36. **For companies that collect data from their first tier suppliers using the EICC/GeSI Conflict Minerals template, is this considered a "reasonable country of inquiry" under the law?**
The final Rules explicitly state: “The steps necessary to constitute a reasonable country of origin inquiry depend on the available infrastructure at a given time. " At this time, pending further guidance, we believe the EICC/GeSI Conflict Minerals template satisfies the “reasonable” threshold. However, we recommend issuers do as much as cost feasible to independently validate the statements disclosed by sub tier suppliers via the EICC/GeSI form.

37. **If we don't need representation from all suppliers for RCOI per the Rules, how many representations do I need?**
There is no simple answer to this question – it's a matter of judgment for each issuer. The standards are focused on reasonable design and good faith effort. The Rule provides high-level guidance indicating that the RCOI should include an understanding of the issuer's supplier/sub-supplier population, a framework or process for evaluating responses from suppliers, and sufficient knowledge of the issuer's supply chain to be able to identify potential red flags in suppliers' responses. The exact steps and workload you implement will be dictated by your unique business model and your corporation's risk tolerance.

38. **Do you have to conduct your RCOI on a product by product basis? Or can you conduct your RCOI at a higher level (e.g., product line)?**
The scope of the Rule extends to products where conflict minerals are necessary to the functionality or production of the product manufactured or contracted to be manufactured. Given, we interpret this to mean that while the material or necessary product requires its own RCOI and must be reported, we see no guidance that says the products cannot be organized in a final report by the higher level product line they support.

39. **Is there any provision in the Rules to address suppliers that do not provide the requested information?**
The SEC recognizes that this Rule is dependent on cooperation by a company's suppliers, but there are no penalties should a supplier not provide requested information to their customers. However, given the broad applicability of the Rule, we expect that more suppliers will increase their awareness of the requirements and move toward compliance in this area.

40. **If my supplier says all conflict minerals originated from recycled or scrap materials, what should I do next?**
In the event the issuer reasonably believes that its conflict minerals came from recycled or scrap sources that issuer would be required to file Form SD describing this conclusion and results of the reasonable country of origin inquiry performed, but would not be required to proceed to due diligence.

41. **Do we need to obtain an updated declaration from suppliers at the end of the year to determine whether there were any further changes to the sourcing of the 3TG?**
In process of discussing with the SEC

DUE DILIGENCE

42. **What is considered acceptable due diligence?**
What is considered 'acceptable' will likely evolve over time as supply chain custody and reporting mechanisms mature. Given the recent release of the Rule, there is not a lot of clarity yet about the SEC's expectations in this regard. However, at a minimum, issuers will need to develop and document due diligence procedures customized to their particular facts and circumstances in order to make an assertion that is capable of being audited. The OECD guidance recommends five key steps to establish a due diligence program regarding sourcing of conflict minerals.

43. **Can we rely on a conflict-free smelter certification or the CFS program?**
Conflict-free smelter certification programs are in their infancy. As they evolve, and they are subjected to additional scrutiny, the answer to this question will become clearer. However, at this point in time, both issuers and their auditors should exercise professional skepticism and evaluation procedures when relying on such third party audits (such as the reputation of the firm performing the audit, the time period covered by the audit, etc.).

44. **Must suppliers be audited for due diligence on conflict minerals?**
No. The Rule does not require that suppliers be audited. The only audit required by the SEC is the audit of a company's annual conflict minerals report.

REPORTING

45. What is required if the outcome of our conflict minerals due diligence is:

a) We determine that our conflict minerals either did not originate in the Covered Countries or did come from recycled or scrap sources.

The company is required to file only a Form SD that:

- Discloses the company's conclusion
- Briefly describes the reasonable country of origin inquiry and the due diligence (if applicable) that the company exercised
- Briefly describes the results of the country of origin inquiry and due diligence (if applicable) to demonstrate why the company believes that the conflict minerals did not originate in the Covered Countries or came from recycled or scrap sources

No Conflict Minerals Report or independent audit is required.

b) We are unable to determine the source of our conflict minerals.

During a temporary period (calendar years 2013 and 2014, or calendar years 2013 through 2016 for smaller reporting companies), a company may describe its products as "DRC conflict undeterminable" if, based on the company's due diligence, it is unable to determine:

- That its conflict minerals did not originate in the Covered Countries,
- That its conflict minerals that did originate in the Covered Countries did not directly or indirectly finance or benefit armed groups, or
- That its conflict minerals came from recycled or scrap sources.

In addition to the Form SD, a Conflict Minerals Report is required, but no independent audit is required.

- The Conflict Minerals Report must include, among other disclosures, a description of the steps the company has taken or will take, if any, since the end of the period covered in its most recent prior Conflict Minerals Report to mitigate the risk that its necessary conflict minerals benefit armed groups, including any steps to improve its due diligence.

c) We determine that our conflict minerals originated in the covered countries, did not come from recycled or scrap sources, and we can conclude whether they came from sources that supported armed groups.

- The company is required to file a Form SD and a Conflict Minerals Report that includes a description of the measures the company has taken to exercise due diligence.
- Unless the company's products are "DRC conflict free", the Conflict Minerals Report must also include a description of:
    - The facilities used to process those conflict minerals (i.e., the smelter or refinery),
    - The country of origin of those conflict minerals,
    - The efforts to determine the mine or location of origin with the greatest possible specificity, and
    - The products that are not "DRC conflict free"

- A certified independent private sector audit is required.

46. Who should sign the Form SD?

The report must be signed on behalf of the registrant by an executive officer, but does not require it to be the CEO or CFO.

47. Are any disclosures required in our 10Q and 10K?

No disclosures are required in the 10Q or 10K. It is a separate filing with the SEC due on May 31 of each year for the previous calendar year. The May 31 filing date is the same for all companies regardless of their annual fiscal year.

INDEPENDENT PRIVATE SECTOR AUDIT

48. What is an independent private sector audit? Who can perform the audit?

- The objective of the independent private sector audit is to express an opinion as to:
  - Whether the design of the company's due diligence framework as set forth in its Conflict Minerals Report is in conformity with, in all material respects, the criteria set forth in the nationally or internationally recognized due diligence framework used by the company, and
  - Whether the company's description of the due diligence measures it performed as set forth in its Conflict Minerals Report is consistent with the due diligence process that the company undertook.
- The SEC final rule states that the Conflict Minerals Report must be audited by an independent private sector auditor. However, the engagement to perform the conflict minerals audit would be considered a "non-audit service" subject to the pre-approval requirements of Sarbanes-Oxley Regulation on Non-Audit Services by Independent Accountants (Rule 2-01(c)(7) of Regulation S-X).
- If a company uses an independent consultant to assist the company in conducting its conflict minerals due diligence and preparing its Conflict Minerals Report, we have not been able to determine yet if the company may or must use a different firm to perform the independent audit of the Conflict Minerals Report.

49. Do the results of our inquiry to our suppliers have to be audited?

Only SEC filers who make a definitive disclosure with the SEC that their products are "DRC Conflict Free" or "Not DRC Conflict Free" are required to obtain a third-party audit in the first two years (four years for smaller reporting companies). After that, all companies must obtain a third-party audit. However, the audit's objectives are very specific (see previous question). The required audit is not designed to verify the content of the disclosure or the company's conflict-free/not conflict-free conclusion, and need not necessarily be conducted by a certified public accountant.

The standard for the adequacy of due diligence in a third-party audit must be measured in the context of an accepted due diligence framework. Currently, the only accepted such framework was designed by the Organization for Economic Cooperation ("OECD").

More information about the OECD framework may be obtained at:

- http://www.oecd.org/daf/internationalinvestment/guidelinesformultinationalenterprises/46740847.pdf
- http://www.oecd.org/daf/internationalinvestment/guidelinesformultinationalenterprises/GoldSupplement.pdf (gold supplement).