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# KAPP ALLOY & WIRE, INC.'S STATEMENT ON CONFLICT MINERALS

## Overview of the Conflict Minerals Issue

The Democratic Republic of the Congo ("DRC") is a Central African country with vast mineral wealth, including reserves of cassiterite (tin), columbite-tantalite (aka coltan – source of tantalum), wolframite (tungsten) and gold. For many years, armed groups have fought to control mines within the DRC; those armed groups have been cited for committing violent crimes against locals, including murder, rape and forced labor. Armed groups controlling mines smuggle minerals out of the DRC and the proceeds are used to further finance conflict and perpetuate criminal behavior; hence, cassiterite, coltan, wolframite and gold are considered conflict minerals.

The elements tantalum, tin, tungsten and gold are metals used in many manufactured goods across many industries, including the aerospace, appliances, automotive, electronics, jewelry, medical and tool & die industries. About 25% of all tantalum<sup>1</sup> and about 8% of the gold supply<sup>2</sup> is used in electronic and electrical products. Similarly, about 36% of the global tin supply is used in electronic solders<sup>3</sup>. A small portion of the world's tungsten supply is used in electronic products as counter weights in cell phone vibrator bobs and in the manufacture of integrated circuits. The Dodd-Frank Wall Street Reform and Consumer Protection Act, passed into law in July 2010, contains requirements that U.S. companies report to the Securities and Exchange Commission ("SEC") on the origin of conflict minerals or their derivatives and show due diligence if conflict minerals are sourced from the DRC or an adjoining country. The goal of the act is to cut direct and indirect funding of armed groups engaged in conflict and human rights abuses.

The SEC published regulations implementing Dodd-Frank Section 1502 on August 22, 2012; the first reports to the SEC are due May 31, 2014 for the calendar year ending December 31, 2013. If a large company cannot be sure of the origin of its conflict mineral derivatives used in its products during the first two reporting years (four years for smaller companies), it may report that the products are DRC conflict undeterminable.

## Definitions Related to Conflict Minerals Adopted by Kapp Alloy & Wire, Inc.

### Conflict Mineral

(A) columbite-tantalite (coltan), cassiterite, gold, wolframite, or their derivatives; or (B) any other mineral or its derivatives determined by the Secretary of State to be financing conflict in the Democratic Republic of the Congo or an adjoining country<sup>4</sup>. Per the SEC 1502 regulations, conflict minerals are necessary to the functionality or production of a product, but must be contained in the end product in order to be considered a conflict mineral under the rules (so tools used to manufacture parts are not included in the scope of products covered by the SEC regulations).

### DRC Conflict Mineral Free

DRC Conflict Mineral Free materials do not contain conflict minerals that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country<sup>5</sup>. This term also applies to materials determined to be processed from scrap and/or recycled material. Materials that were already incorporated into products or were already within the supply chain as of December 31, 2012 will not be subject to inquiry or reporting rules (The first reporting period covered by the new SEC rules is January 1, 2013 – December 31, 2013).

### Armed Group

Armed Group means an armed group that is identified as perpetrators of serious human rights abuses in the annual Country Reports on Human Rights Practices under sections 116(d) and 502B(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2151n(d) and 2304(b)) relating to the Democratic Republic of the Congo or an adjoining country<sup>6</sup>

## **Kapp Alloy & Wire, Inc.'s Approach to Conflict Minerals**

Suppliers to Kapp Alloy & Wire, Inc. must develop policies toward preventing the use of conflict minerals or derivative metals sourced from mines controlled by armed groups in all items to be supplied to Kapp Alloy & Wire, Inc. In addition, all suppliers to Kapp Alloy & Wire, Inc. must document their efforts to determine the source of any conflict minerals or derivatives and provide Kapp Alloy & Wire, Inc. with evidence of the origin of the metals tantalum, tin, tungsten and gold in products to be supplied to Kapp Alloy & Wire, Inc. Any smelters producing tantalum, tin, tungsten or gold metals subsequently used in Kapp Alloy & Wire, Inc. products are requested to seek and obtain certification through the EICC/GeSI Conflict Free Smelter (CFS) program. When there are an adequate number of CFS smelters/refiners available for sourcing, Kapp Alloy & Wire, Inc. will require sourcing from CFS certified smelters.

Kapp Alloy & Wire, Inc. encourages its suppliers to responsibly source conflict minerals and derivative metals from the Democratic Republic of Congo (DRC) and neighboring countries in order to prevent an embargo and associated worsening of economic conditions and human suffering.

## **Status of Kapp Alloy & Wire, Inc.'s Due Diligence to Prevent Use of Conflict Minerals**

**(Date of last revision: 19 December 2012)**

Kapp Alloy & Wire, Inc. ("KAPP") has taken the following steps toward determining the sources of 3TG within the supply chains of all its products:

### **Enter into simple contracts**

KAPP has in place a Global Procurement Policy internally distributed to all procurement members. This policy contains provision of verifying the origin/source information of materials to confirm that they are not obtained through illegal mining.