#### News Release

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**FOR IMMEDIATE RELEASE**

**Automotive Companies Respond to SEC Conflict Minerals Rule as First Deadline Approaches, Says PwC Report**

***Auto Manufacturers that Develop Comprehensive Strategy for Compliance and Manage Related Risk May Have an Opportunity to Optimize Supply Chain Logistics and Efficiencies***

**DETROIT, September 5, 2013 –** Automotive manufacturers and suppliers are facing near-term compliance deadlines as conflict minerals reporting requirements put into law Section 1502 of the Dodd-Frank Act. The rule requires public companies to publicly disclose whether the sourcing of conflict minerals in their products benefited armed groups responsible for human rights violations. Some businesses view the rule as a compliance exercise, while others view it as an opportunity to strengthen their supply chains and brands.

According to a recent PwC survey, *“*[*Conflict minerals survey*](http://www.pwc.com/us/en/cfodirect/issues/regulations/conflict-minerals-preparedness-survey.jhtml)*,”* 42 percent of respondents have started to develop or already have an agreed-upon conflict minerals policy, while one-third of respondents have not yet discussed developing one. Thirty-one (31) percent of respondents indicated that one of the greatest challenges to achieving conflict minerals compliance will be obtaining accurate and complete information from relevant suppliers. In addition, 33 percent of respondents are willing to consider opportunities to enhance supply chain in the process of compliance, mostly provided that the incremental costs are low.

"Automotive companies will expect their suppliers to provide information about the source of their conflict minerals,” said Aaron Sikora, automotive partner, PwC US. " Some companies expect their suppliers to certify that their products are conflict-free. This information will help the automotive companies comply with the conflict minerals rules. Automotive companies that view conflict minerals as a strategic opportunity to enhance supply chain logistics and find efficiencies throughout the intricate network of suppliers will likely benefit in the long run.”

Numerous components of a vehicle can contain conflict minerals: brake pads, fuel tanks, on-board electronics, radiators and batteries. Auto manufacturers should perform due diligence to identify the source and chain of custody for tantalum, tin, tungsten or gold (or 3TG) minerals by the May 31, 2014 first filing deadline. To comply, automakers should review their current supply chain process to evaluate each product and determine the extent of reporting requirements, which can be complex and involve significant time and resources. Where conflict minerals are found throughout the process, OEMs will likely have to take the necessary measures for full disclosure while also moving efficiently to engage with suppliers to identify the sources of the conflict minerals within those products. This can also mean product configuration, renegotiating price agreements with suppliers, and potentially changing suppliers in order to be conflict-free.

Although this compliance requirement may be intensive and cumbersome, OEMs have the opportunity to drive value, to create a more sustainable supply chain process, consolidate their supplier base, and further optimize logistics. In addition, complying with these regulations can result in marketing opportunities; automotive manufacturers can leverage their conflict-free status as a brand differentiator, giving them competitive advantage in the industry.

**About Dodd-Frank Act Section 1502 Conflict Minerals Rule**

On August 22, 2012, the Security & Exchange Commission (SEC) adopted the conflict minerals rule mandated by the Dodd-Frank Act to require companies to publicly disclose their use of conflict minerals that originated in the Democratic Republic of Congo (DRC) or adjoining countries. The regulatory reform law directed the SEC to issue rules requiring certain companies to disclose their use of conflict minerals that include tantalum, tin, tungsten or gold (or 3TG), if those minerals are “necessary to the functionality or production of a product” manufactured by those companies. Companies are required to provide this disclosure on a new form called Form SD, to be filed with the SEC. The rule compels corporate disclosures around whether the conflict minerals used in a company’s products originated in the covered countries, and whether the conflict minerals are “conflict-free” or not. Under the final rule, issuers are required to file for the same period — a calendar year — regardless of when their fiscal year ends. Companies will file their first specialized disclosure report on May 31, 2014 (for the 2013 calendar year) and annually on May 31 every year thereafter.1

For more details about conflict minerals, download the September issue of PwC’s Analyst Note at: [www.autofacts.com](http://www.autofacts.com) or download the Autofacts App for iPhone or iPad via iTunes. Other resources include:

* *10 Minutes on conflict minerals*
* *Conflict minerals survey*

1 SEC press release and other publicly available materials.

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PwC's global automotive practice leverages its extensive experience in the industry to help companies solve complex business challenges with efficiency and quality. One of PwC's global automotive practice's key competitive advantages is Autofacts®, a team of automotive industry specialists dedicated to on-going analysis of sector trends. Autofacts provides our team of more than 4,800 automotive professionals and our clients with data and analysis to assess implications make recommendations, and support decisions to compete in the global marketplace.

**About Autofacts®**

Autofacts is a key strategic asset of PwC’s global automotive practice. Autofacts provides on-going auto industry analysis our clients use to shape business strategy, assess implications and support a variety of operational decisions. The Autofacts team also draws from the strengths of PwC’s marketing, sales and financial services groups to support other key areas of automotive companies’ functions. Since 1985, our market-tested approach, diverse service offerings and dedication to client service have made Autofacts a trusted advisor throughout the industry. For more information, visit [www.autofacts.com](http://www.autofacts.com).

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