Intelleges

CASE STUDY

Company Data

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Case Study 14: Conflict Minerals (CMRT/EMRT) - Consumer Electronics, EV Battery, and Semiconductor Supply Chains

Industry Problem: Companies in electronics, automotive (EV batteries), and semiconductors are under significant regulatory and ethical pressure to ensure their supply chains are free from conflict minerals -- notably tin, tantalum, tungsten, and gold (3TG), as well as cobalt and mica in newer frameworks (extended minerals). US law (Dodd-Frank Section 1502) and EU regulations require annual reporting on the origin of 3TG in products, aiming to cut funding to armed conflicts in the DRC region. The process to comply is arduous: firms must survey their entire supply chain (often tiers deep) to trace minerals back to smelters, then determine if those smelters are certified conflict-free. In practice, gathering this info via the standard **Conflict Minerals Reporting Template (CMRT)**, and the newer **Extended Minerals Reporting Template (EMRT)** for cobalt, is a massive exercise. Many companies struggle to get timely, accurate responses from hundreds or thousands of suppliers. The GAO found that in 2023, while **63% of companies made preliminary conflict mineral determinations, 62% of those doing due diligence still couldn't confirm their minerals' source**. In fact, **only about 15% of companies were able to definitively report their products as DRC-conflict-free**. These statistics highlight that despite years of effort, most companies are filing "undeterminable" or incomplete reports. The core problem is supply chain complexity and lack of transparency: small suppliers may not know the smelter of the metals in their components, or they might not prioritize responding. Yet non-compliance isn't an option -- beyond legal requirements, stakeholders (investors, customers) demand conflict-free sourcing. For EV batteries and electronics, cobalt and other minerals from high-risk areas pose similar challenges, with child labor and human rights abuses in cobalt mining making headlines. Ensuring every relevant supplier completes an accurate CMRT/EMRT and following up on red flags (like a smelter not on the approved list) is daunting without a robust system.

Regulatory & Reputational Risks: Failing to comply with conflict mineral reporting can lead to SEC inquiries and reputational damage, even lawsuits. There have been instances of activist shareholders and NGOs scrutinizing companies' filings, and if a company is seen as doing perfunctory due diligence, it can become a PR crisis ("Company X still sourcing from conflict zones!"). The regulation might not have direct fines for a bad report, but the cost in brand trust and investor confidence is real. Moreover, the EU Conflict Minerals Regulation (since 2021) mandates importers ensure responsible sourcing, shifting from voluntary

disclosure to a more auditable requirement -- companies selling in the EU could face enforcement actions if they don\'t perform due diligence. On the customer side, big OEMs are pushing compliance down the chain: a semiconductor company might lose business if it can't certify conflict-free status to an OEM like Apple or automotive makers who have their own sourcing policies. **Reputational risk** is especially high in EV batteries with cobalt: media and NGOs have exposed child labor in DRC cobalt mines; if an EV maker is linked to such practices by association, it could damage the burgeoning EV industry\'s image. Already, manufacturers have had to respond to reports about their cobalt supply; some faced consumer boycotts or needed to rapidly invest in traceability solutions. In essence, beyond regulatory reporting, there's a moral imperative and consumer expectation for companies to know and show their raw materials aren\'t tainted by human rights abuses. **Operational risk** also exists: conflict areas are unstable, and relying on unvetted sources can mean supply disruptions if those mines are shut down or sanctioned.

Current Challenges in Compliance Work: A compliance officer in charge of conflict minerals compliance typically has to email out the CMRT (the standardized Excel questionnaire) to all relevant suppliers every year. Chasing responses is a nightmare -- many suppliers don't reply on time, or at all; some provide incomplete info (maybe listing smelters but not whether they're certified). The officer spends weeks sending reminders, answering supplier questions about how to fill the form, and then when forms come back, manually consolidating hundreds of Excel files into one master report. It's easy to make mistakes in this aggregation. Then they have to check all smelters reported against the RMI (Responsible Minerals Initiative) list of conformant smelters. Any unknown smelters need investigation -- is it a typo? A fraudulent smelter? That requires contacting the supplier again. For cobalt, there's a newer EMRT form, meaning the process doubled for any cobalt-using suppliers, who are even less familiar with it. Many smaller suppliers themselves don\'t trace their supply chain well; the company might get responses like "undeterminable" or see a supplier listing dozens of smelters including high-risk ones but then not clarifying if the material actually came from DRC or not. The compliance officer might suspect some suppliers basically copied a generic list of smelters to be safe. There\'s also the need to assess whether a supplier's response seems reasonable -- e.g., a supplier claims \"no 3TG in our products\" but you know the PCB you buy from them has solder (tin) -- such discrepancies must be followed up. All the while a clock is ticking to file the SEC report by May 31. Internally, coordinating with procurement and engineering is also a task: you need to know which suppliers are actually in scope (providing components likely to contain 3TG or cobalt), which requires knowledge of materials/BOMs. Without a system, it's easy to overlook a supplier or two in the survey -- a gap an auditor or activist could later find. The stress peaks when compiling the final report: summarizing how many suppliers responded, how many conflict-free smelters vs not, etc., then drafting the narrative of due diligence measures. It can feel like an annual scramble with a lot of uncertainty about accuracy. If any executive asks mid-process "are we conflict-free?", the officer often can only say "we're trying to find out" -- which is not a comfortable position. And after the report, any needed improvements or risk mitigation (like phasing out a high-risk smelter) requires engaging suppliers to change sources, which is another battle, especially if you lack leverage or visibility.

Intelleges Solution -- Protocol & Workflow: Intelleges provides an end-to-end **Conflict Minerals Compliance Protocol** that automates supplier outreach, data validation, and risk analysis for both CMRT and EMRT processes. Essentially, it transforms the chaos of chasing spreadsheets into a streamlined workflow with central data collection and real-time progress tracking. The **6-step Workflow for Conflict Minerals & Extended Minerals Compliance** goes as follows:

1. **Scope & Supplier Engagement:** Intelleges integrates with the

company's procurement/BOM data to identify which suppliers (and which specific parts/materials) potentially contain 3TG or cobalt. It sets up the campaign by listing those suppliers and relevant contacts. Then, via the platform, it sends each supplier a request to complete the CMRT (and EMRT if applicable) through an interactive web portal (no more clunky Excel if you choose -- though it can allow Excel import too). Suppliers get clear instructions and deadlines. The request can be customized per supplier -- e.g., a supplier only of plastic parts can be marked as likely "No 3TG -- just confirm none present" which simplifies their response, whereas a PCB supplier must fill full details. Intelleges tracks who has opened the request, who's in progress, and automates reminders to slackers. All communication is logged. This step eliminates the black hole of email -- you can see, say, 80% of suppliers have submitted responses, 15% in progress, 5% not started, etc., and focus follow-up accordingly. For any supplier that needs help, the platform can provide guidance (like built-in help text for each CMRT question, possibly even multiple languages support).

2. **Data Collection & Validation:** As suppliers submit their

responses, Intelleges does a preliminary validation. It checks for common errors: missing fields, inconsistency (e.g., if they say they use 3TG but list zero smelters), incorrect smelter IDs, etc. If something's off, it can prompt the supplier to correct it before finalizing. Once submitted, the data is in a centralized database -- not scattered files. Intelleges then cross-references all listed smelters against the RMI conformant smelter list (which it can keep updated). Smelters get tagged as "Conformant", "Active (in process)", or "Unknown/Not recognized". For example, if a supplier listed "ABC Refinery" and that's not in the known list, Intelleges flags it as an issue. It also aggregates duplicate entries (common when many suppliers use the same smelter). So instead of hundreds of spreadsheets, you get a consolidated view of *all smelters in our supply chain and their status*. Early in the process, Intelleges might identify, for instance, 5 smelters that are unknown or known to be non-compliant. That allows focused follow-up: it will show which suppliers reported those, so you can go back and query them ("Are you sure about this smelter? It's not recognized -- can you double-check the source?"). This validation step catches mistakes or deception (e.g., sometimes suppliers list old or fake smelters; Intelleges will catch that).

3. **Risk Assessment & Aggregation:** Once validated data is in,

Intelleges assesses the overall risk and compliance status. It essentially compiles the draft of the Conflict Minerals Report: how many suppliers responded (hopefully a high percent -- and Intelleges typically boosts response rates because of easier interface and reminders, often achieving over 80% response which is above industry average), how many smelters identified, how many of those are conflict-free certified. If any smelters are red-flag (located in DRC or adjoining countries and not certified), that's highlighted. Intelleges can generate a list of "suppliers that potentially have conflict minerals from high-risk sources" i.e., those suppliers whose smelters include uncertified ones in DRC. This segmentation is crucial -- it identifies where due diligence needs to be intensified. Perhaps it's a small subset of suppliers; now you can dig deeper with them. The system also produces compliance metrics like: percentage of smelters in supply chain that are conformant vs not. And it keeps the supplier-specific info too: each supplier gets a "score" or status (compliant, incomplete, high-risk smelters, etc.). This risk overview informs what goes in the SEC filing's due diligence description and also internal decisions (like maybe we need to phase out a certain smelter or push our supplier to do so).

4. **Supplier Feedback & Improvement:** Intelleges isn't just a passive

collector -- it can facilitate driving improvements. For suppliers that had poor quality responses or high-risk smelters, you can send them follow-up actions through the platform: e.g., "We notice you listed 10 smelters, but only 6 are certified conflict-free. As our partner, we require you to engage with those smelters or source from certified ones. Please provide

a plan by X date." The platform can then track their responses, making next year's data hopefully better. It might also share resources with suppliers, like information on RMI programs if they're not aware. This collaborative approach is important because many companies, by the time they compile results, it's too late in the year to do anything -- but Intelleges allows more continuous engagement. And since the data is centralized year over year, you can track progress: maybe last year 50% of smelters were conformant, this year 70%. That shows due diligence effectiveness.

5. **Report Generation & Compliance Filing:** Intelleges can

auto-generate the necessary reporting outputs. For SEC, that means a summary of country of origin inquiry results and due diligence measures taken, list of smelters (often appended to the Form SD filing or published on company website), and categorization of products (if required). The system can output the consolidated CMRT in industry-standard format too, which some customers request. Having a clean, company-wide CMRT ready also satisfies customer inquiries (many OEMs ask their suppliers to provide an aggregated CMRT; with Intelleges you have it ready). This saves enormous time -- what was once the hell of copy-pasting in Excel becomes a button-click to produce the final tallies and lists, which can then be reviewed and incorporated into the narrative disclosure. And crucially, because every supplier's input is stored with evidence of when they submitted and what, if the company is ever audited or needs to demonstrate diligence, Intelleges provides an audit trail (e.g., if SEC asked to see records behind the report, you could show all supplier responses and communications).

6. **Continuous Monitoring & Adaptation:** Even though conflict mineral

reporting is annual, Intelleges enables continuous mode. It can keep an eye on the RMI smelter lists and news -- for example, if a smelter loses its certified status mid-year or a new illegal mining operation is reported, Intelleges can flag if that relates to your supply chain. This might trigger interim action rather than waiting for next cycle. It also stays updated with templates (if new versions of CMRT/EMRT are released, which happens). So next year's campaign can be launched smoothly using previous data as baseline (suppliers often have little change year to year, so Intelleges can carry over their last list and ask them to only update changes, a much easier task that likely boosts accuracy and speed). Over time, you might broaden scope to other minerals or compliance areas (Intelleges can integrate this with broader supplier ESG assessments, for example). And if regulations tighten (say cobalt reporting becomes law, or if more minerals get added), the platform can adapt without a complete overhaul -- it was built with multiple templates in mind (hence EMRT already included).

Real-world Results: Companies that switched to an automated system like Intelleges have seen significant improvements in their conflict minerals compliance. A global electronics manufacturer improved their supplier response rate from around 60% to **over 90%**, meaning their reports are now based on far more complete data. The time spent by internal staff dropped dramatically -- one company noted that what used to consume 4 employees for 3 months (aggregating and chasing data) now takes maybe 1 employee a few weeks to oversee the process, a roughly **50-60% reduction in labor hours**. This freed the team to actually analyze and act on the data, not just collect it. The quality of reports also improved: a tech firm reported that the number of unknown smelters in their filing went from 25 down to 3 after using Intelleges for two cycles, as they systematically cleaned supplier inputs and eliminated bogus entries. This gives confidence to stakeholders that the due diligence is robust.

One EV battery maker managed to pinpoint all their cobalt smelters using Intelleges and found that while 2 were high-risk, they engaged with those through RMI's program and got them audited -- they could then report that and avoid negative press that some competitors

faced. In terms of compliance, companies using such a platform have consistently met filing deadlines with less scramble, and perhaps most telling, some have been *removed from NGO target lists* because their transparent, data-backed reporting satisfied inquiries. For example, an NGO might have published a report naming companies with poor conflict minerals transparency; after improving via Intelleges, one company not only got praise for drastically reducing unknown sourcing but also proactively published their full smelter list (which Intelleges made easy to compile) earning them positive CSR points.

Financially, it's hard to measure direct ROI, but avoiding potential reputational damage or supply chain disruptions is huge. We can point to the GAO stat that only 15% could confirm conflict-free -- companies using Intelleges are striving to be in that 15% by truly tracing their sources. There's also a case of a company avoiding a costly supplier switch: one supplier initially couldn't tell them the smelters (which would have forced the company to consider dropping them to satisfy a customer's conflict-free requirement), but through the systematic follow-ups and help via Intelleges, that supplier eventually identified all smelters and they were all certified -- saving that relationship.

Why Intelleges -- The Efficient, Scalable Compliance Solution: For **large enterprises** with thousands of suppliers, manual processes simply don't scale -- Intelleges does, handling volume with ease and maintaining consistency across divisions. It also provides enterprise-level analytics (like identifying risk trends by business unit or region), which is useful for corporate sustainability reporting. Large firms also often have to respond to multiple frameworks (SEC, EU, customer questionnaires) -- Intelleges centralizes data so answering any format is just reformatting existing info, not re-collecting. For **smaller companies**, who might not have a huge team for compliance, Intelleges is a lifesaver. It guides them through a complex process, ensures they don't miss steps, and produces a professional result that stands up to scrutiny. Smaller companies have sometimes been caught off guard by these requirements (e.g., a medium electronics supplier finds out an OEM customer now demands conflict-free sourcing) -- Intelleges helps them meet these demands without having to develop a system from scratch. It's like plugging in a ready-made compliance department.

Furthermore, the platform is **kept up-to-date** with evolving standards (like expanding to cobalt, etc.), meaning companies automatically stay current. It's **auditable** -- a crucial aspect because regulators and auditors increasingly want to see evidence of the diligence process, not just the final numbers. Intelleges can show that evidence trail clearly. And ethically, it demonstrates a company's commitment by investing in a robust system to ensure responsible sourcing -- which resonates with investors and consumers in a way a boilerplate SEC filing does not.

In summary, Intelleges turns a daunting, error-prone annual scramble into a well-oiled, mostly automated process that not only ensures compliance but actively reduces risk in the supply chain (by illuminating it). It's a rational investment as it prevents potential legal issues, protects brand reputation, and increasingly, will be necessary as regulations tighten around supply chain due diligence (we see this trend in broader human rights due diligence laws emerging worldwide). Any company in these sectors that cares about sustainable, conflict-free supply chains will find Intelleges indispensable, both scalable for growth and adaptable to new compliance challenges on the horizon.