WHITE PAPER

Intel's Efforts to Achieve a "Conflict Free" Supply Chain

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EXECUTIVE SUMMARY

Intel takes very seriously the allegations that metals (gold, tantalum, tin, and tungsten) mined in the Democratic Republic of the Congo (DRC) might be used in the electronics supply chain, and that profits from the sale of these metals may be fueling human rights atrocities in the eastern region of the DRC.

The issue of conflict minerals from the DRC used in the electronics and other industries is extremely complex, and resolution will require the commitment and cooperation of businesses, governments, development agencies, and non-governmental organizations (NGOs). We expect our suppliers to source only materials from environmentally and socially responsible suppliers. However, due to the complexities of the metals supply chain, we are currently unable to verify the origin of all of the metals used in our products.

Despite these challenges, we continue to work diligently to put the systems and processes in place that will enable us, with a high degree of confidence, to declare that our supply chains are conflict-free. Our efforts on conflict minerals are focused in three main areas: (1) driving accountability and ownership within our own supply chain through smelter reviews and validation audits; (2) partnering with key industry associations, including the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI); and (3) working with both governments and NGOs to support in-region sourcing.

In our effort to achieve a conflict-free supply chain, we have taken the following actions:

- Completed on-site reviews of over 40 smelters in many countries, representing all four conflict minerals.
- Conducted an on-the-ground review of the extractives and minerals trade in the DRC.
- Participating in the "Solutions for Hope" pilot with AVX to source "conflict free" tantalum from DRC.
- Partnering with the US Department of State and US Agency for International Development to establish the Public-Private Alliance for Responsible Minerals Trade
- Developed tantalum, tin tungsten and gold smelter audit protocols as co-chair of the EICC working group.
- Intel in partnership with the EICC & GeSI has identified six smelters that are compliant to the Conflict-Free Smelter assessment program protocol. More smelters are being added to the compliance list - see latest information at: www.conflictfreesmelter.org

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Driving Accountability in the Supply Chain

The electronics industry supply chain is deep and wide—with multiple layers of suppliers located in multiple countries. This supply chain model has led to incredible efficiency and the ability to produce high quality computers and consumer electronics at an exceptional price point. However, this same highly decentralized, ultra-efficient supply chain makes it very difficult to trace back the source of metals used in products or parts.

In pursuit of a conflict-free supply chain, in 2009 Intel directed our suppliers to complete a survey on the origin of metals used in their supply chain. The purpose of this survey was to understand three items: (1) whether our supply base had implemented a conflict-free sourcing policy; (2) did our suppliers have the ability to trace the metals they used back to mine of origin; and (3) could they identify the smelters that were used to refine the metals in their specific supply chain.

Our survey results demonstrated there was great variance in the amount of information suppliers knew about the metals used in their supply chains. This finding made it clear to us that the most effective method to eliminate conflict metals from the electronics supply chain was to implement a verification system at the smelters. Consequently, in 2009 Intel conducted our first on-site conflict-metals smelter review. This was the first review ever done in the electronics industry for conflict-metals, and later other companies would join with us in these smelter reviews. As of October 2011 Intel has conducted 41 smelter reviews in many countries (Australia, Bolivia, Canada, China, Germany, Indonesia, Japan, Malaysia, Norway, Peru, Switzerland, Thailand, and the U.S.), and we plan to continue these reviews to prepare smelters for conflict-free audits.

The smelter reviews referenced above, laid the groundwork for the EICC & GeSI to develop and implement a process for independent third-party smelter audits. At the end of 2010, the EICC completed two independent, 3rd party smelter audits, and additional audits are continually being added. As these audits are completed, those smelters that successfully pass the audit requirements are being shared with EICC & GeSI members and the public. Our hope in making this information publically-available is to recognize those smelters who are processing conflict-free minerals and to provide sourcing options for those companies that want to obtain conflict-free metals for their products and customers.

Encouraging Industry-Wide Action

Industries that may use gold, tantalum, tin, or tungsten in their products include: aerospace, automotive, medical instruments, information technology, and consumer electronics just to name a few; these products are ubiquitous in our modern lifestyle. Intel and other members in the electronics industry quickly realized that we would need to work together as an industry and with others outside our industry to tackle this complex problem. Intel has initiated multiple efforts to collaborate within our industry and with others on conflict metals. Intel currently co-chairs the EICC & GeSI Extractives Working Group.

Intel hosted the first industry-wide, electronics supply chain meeting on tantalum at our facility in Chandler, Arizona. Over 35 members attended the conference including original equipment manufacturers, smelters, trading companies, and mining companies. Similarly, in 2009, Intel co-chaired the first supply chain meeting for tin in Vancouver, Canada where over 75 members attended the event, and Intel co-sponsored a multi-industry "call to action" meeting on conflict minerals in San Francisco, California, with industry partners and Business for Social Responsibility. The latest two Intel co-chaired EICC and GeSI supply chain workshops in 2011, in Washington, DC and Brussels Belgium attracted more than 200 and 150 participants, respectively from industry, NGO, Government and Consultant entities.

In 2010, Intel sent a staff representative to the Eastern DRC as part of a small delegation from the U.S. to learn more about conflict minerals in the DRC. Intel found that speaking with the different stakeholders involved in the minerals

trade in the DRC was invaluable to our understanding of both the challenges and opportunities in that region.

In March 2011, Intel convened a "Responsible Gold Sourcing Summit" with leading companies and associations from the gold and jewelry industry. The purpose of the summit, hosted at the offices of Newmont Mining, was for electronics companies to share their latest initiatives to acquire responsibly-sourced minerals throughout the supply chain, particularly for tin and tantalum. Gold mining and jewelry companies shared the knowledge and expertise gained in their effort to establish a responsibly-sourced gold supply chain. Attendees at the meeting included multi-national gold mining and refining companies, large and small jewelry retail and manufacturing chains, and representatives from the World Gold Council and Responsible Jewelry Council.

The collaboration between the various sectors was facilitated by RESOLVE, an organization that works to support critical policy initiatives. The attendees agreed to continue to work together as they take steps towards developing a responsible gold supply chain, and they will be reaching out to other related industries and stakeholders as part of this effort.

Traceability in the Supply Chain

Through our industry meetings and forums we have learned a great deal of information and gained insight regarding traceability in our supply chain. We also gathered invaluable knowledge from our multiple on-site smelter reviews conducted around the world, which help us understand the unique operating characteristics of each smelter and determine the current gaps in their ability to trace the source of ore from specific mines and countries.

For example, some smelters had documentation indicating the country that a mineral was shipped from, but not documentation on the actual country where the ore was originally mined. This is a critical issue because metals (especially gold), can be smuggled into other countries making traceability even more difficult.

We also learned that the infrastructure needed to trace 100% of our materials did not exist and it was clear that an audit protocol and smelter validation process would need to be created. Consequently, a sub-working group out of the EICC and GeSI extractives effort was formed to address this challenge.

Due to the unique characteristics associated with each individual conflict metal in the supply chain, the group determined that is would be more feasible to tackle one material at a time and then move onto other metals. As a result of this effort, in 2010 the industry group created the first ever tantalum smelter audit protocol. The group has selected three independent auditing firms to conduct the tantalum audits and smelter validation audits. In 2011 the industry group released the initial versions on the gold, tungsten and tin smelter audit protocols.

Unintended Consequences

Because there are currently no traceability and certification schemes to track ore from legitimate sources of material in the DRC, companies pursuing actions to achieve a conflict-free supply chain may drive down demand for all minerals coming out of Central Africa and inadvertently hurt those legitimate miners in the region.

Intel has multiple efforts underway to mitigate such unintended consequences. For example in October 2011, Intel in partnership with the US State Department, the U.S. Agency for International Development, and other companies, announced the establishment of the Public-Private Alliance for Responsible Minerals Trade (PPA). The PPA has three objectives which are: First, to assist with the development of pilot supply chain systems that will allow businesses to source minerals from mines that have been audited and certified to be 'conflict-free.' Second to provide a platform for coordination amongst government, industry, and civil society actors seeking to support conflict-free sourcing from the DRC. Finally, the PPA will establish a website designed to serve as a resource for companies seeking information regarding how to responsibly source minerals from the DRC.

In addition to the PPA effort, Intel is participating in a pilot project with AVX to source, "conflict free" tantalum from the Democratic Republic of the Congo (DRC). This project, called, "Solutions for Hope" is intended to create a process that can deliver conflict-free tantalum that meets OECD due-diligence guidance for responsible supply chains of minerals from conflict-affected areas.

These recent initiatives build on earlier work of EICC and GeSI to find a traceability/certification program that could be used in the DRC. In 2010, EICC and GeSI reviewed several programs and the industry group decided to support the iTSCI plan put forward by ITRI. Intel contributed $30,000 to support ITRI in the pilot phase of a traceability program. We continue our quest to find a responsible in-region sourcing solution as part of our overall effort to achieve conflict-free supply chains.

Government Participation

Intel believes that an effective solution to address this issue will involve coordinated efforts by governments, industry and NGOs. Intel has met with representatives from the U.S. Government and Organisation for Economic Co-operation and Development (OECD) on the topic of conflict minerals. Intel supports the OECD due diligence guidance for responsible supply chains of minerals, and Intel and the EICC and GeSI have shared the industry's smelter audit approach with the OECD and a number of U.S. government agencies. Intel is also participating in the Public-Private Alliance for Responsible Minerals Trade with the U.S. Department of State and the U.S. Agency for International Development.

The U.S. Congress included provisions to address conflict minerals in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. While Intel's efforts on this issue pre-dates this legislative action, we support fair and timely rules and we believe that the SEC regulatory process has been helpful in bringing others to the table and maintaining broad momentum on this important issue. As the rulemaking process moves forward, we will continue to focus our energy and efforts as we always have - on implementing the systems and processes that will enable us to achieve a "conflict-free" supply chain. We have made good progress and we will continue to work with our business partners, governments and NGOs to find solutions. This issue is too important to wait.

Summary

From the time we became aware of the potential for conflict-metals from the DRC to enter our supply chain, we have responded to this issue with a sense of urgency and resolve. We have approached this issue like we would address other significant business challenges at Intel.

We first collected as much information about the situation as we could; not relying solely on our own knowledge but seeking the insight and experience from other groups and organizations with expertise in this area. We communicated with our suppliers and we expressed our sense of urgency on this issue and our expectations for them. We met with industry peers and governmental officials, traveled thousands of miles around the globe including to the DRC, and visited multiple smelters to help us determine the best path forward. We determined that the most effective and efficient method for reducing the potential for conflict-metals to enter our supply chain was to focus on the smelters where the ore is processed.

Consequently, we and other EICC members have agreed to develop a smelter validation process, the Conflict-Free Smelter assessment program. The smelter validation audits are continuing, and we and others believe this process will be an important step on the path towards a conflict-free supply chain.

We also continue our efforts to find ways to source conflict-free minerals from the DRC. We are hopeful that the recently announced Solutions for Hope Project and the Public Private Alliance for Responsible Minerals Trade will support the economic livelihood of those involved in legitimate trade in the DRC and adjoining countries.

We welcome feedback on our approach and disclosure at: www.intel.com/about/corporateresponsibility/contactus

For more information, visit **www.intel.com/about/corporateresponsibility/contactus**

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