

Materials Compliance Important Regulations

This quick guide shall provide an overview of key Materials Compliance regulations that apply to our business, namely Conflict Minerals, REACH, and RoHS.

1. CONFLICT MINERALS REGULATIONS

Dodd Frank Act (US)

Since 2010, US-listed corporations have had to comply with the Dodd-Frank Act (Wall Street Reform and Consumer Protection Act). This imposes **duties of disclosure and notification** on such US-listed corporations in the event that they use certain commodities known as conflict minerals that are extracted, mined or produced from within the **Democratic Republic of Congo or adjoining states**. This can indirectly give cause for concern for European companies operating as suppliers to US-listed corporations. Each year, US-listed corporations must disclose, on a "name and shame" basis, whether conflict minerals from the states indicated above are needed for the manufacture or functional integrity of products. The conflict materials that fall under this requirement are **known as the 3TGs**:

- Tin (Cassiterite)
- Tantalum (Coltan)
- Tungsten (Wolframite)
- Gold

However, such commodities are only regarded as "conflict minerals" if their production and sale help to provide finance or other means of support to armed groups in DR Congo or neighboring states. If conflict minerals are required for the manufacture or functional integrity of products, more extensive notification duties apply to US-listed corporations (e.g. relating to the measures implemented to comply with their duty of care within the supply chain).

EU Directive 2017/821

On 1 January 2021 a new law will come into full force across the EU – the Conflict Minerals Regulation. It aims to help stem the trade in the four minerals mentioned above – tin, tantalum, tungsten and gold - which **sometimes finance armed conflict or are mined using forced labor**. The most affected regions include West Africa, Central Africa and some regions in South America and East Asia.

When conflict minerals enter the supply chain – either **as a raw material or a metal** – the money from the sale goes to armed groups or criminals. This source of income helps perpetuate armed conflict, violence and human rights abuses, often in weak or unstable countries.

EU Directive 2017/821 (cont'd.)

The regulation will apply directly to EU-based importers of tin, tantalum, tungsten and gold, whether these are in the form of mineral ores, concentrates or processed metals. The regulation requires importers to follow **a five-step due diligence** framework which the Organisation for Economic Co-operation and Development (OECD) has laid out.

These steps require an importer to:

- establish strong company management systems
- identify and assess risk in the supply chain
- design and implement a strategy to respond to identified risks
- carry out an independent third-party audit of supply chain due diligence
- report annually on supply chain due diligence

2. REACH

REACH stands for Registration, Evaluation and Authorisation of Chemicals. The REACH Regulation (EC No. 1907/2006) is a European Union (EU) chemicals regulation governing the manufacture, import and placement on the market, management and handling of chemicals in the EU and the EFTA countries of Iceland, Liechtenstein and Norway.

In principle, REACH applies to all chemical substances - **those used in industrial processes but also those found in everyday products** such as cleaning products, paints, clothing, furniture and electrical appliances. The regulation **affects most companies throughout the EU.**

The aim of the regulation is to safeguard human health and the environment.

At the core of the Regulation is the obligation to register all substances manufactured in or imported into the EU with the European Chemicals Agency (ECHA); the requirement that these substances be assessed by the Member States of the EU, and the provision of more extensive control over certain dangerous substances. Substances classified as dangerous are limited to certain applications or subjected to a new European licensing process.

To ensure compliance and transparency, it is necessary to **investigate all components and materials listed in the bill of materials.**

There are three important categories for substances:

- **Substances of Very High Concern** (the so-called Candidate List)
currently 174 substances
e.g., BPA, Cadmium (some use already restricted, see below)
- Substances for **Approved Use(r)** (Annex XIV, the so-called Authorisation List)
currently 43 substances
e.g., red lead
- **Restricted/Forbidden** Substances (Annex XVII)
currently 65 substances
e.g., some use of cadmium (paint and varnishes) and chromium VI (plating)

3. RoHS

The **RoHS** directive (Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment) currently restricts ten substances in electrical and electronic equipment (EEE) in the European Union (EU).

Whereas an EU Regulation is enforced centrally in all European countries, an EU Directive defines minimum requirements for local legislation. Thus, **each Member of the EU has its own RoHS law**. For example, in Germany this is the "Elektro- und Elektronikgeräte-Stoff-Verordnung (ElektroStoffV)".

The RoHS directive aims in contributing to the protection of human health and the environment, including the environmentally sound recovery and disposal of waste EEE.

A **CE Declaration of Conformity is a prerequisite to sell electronic products** in the EU. Compliance to RoHS needs to be achieved in order to obtain a CE Declaration of Conformity.

Transparency on dormakaba EEE products by investigating all components and materials of the bill of materials with regard to the outlined hazardous substances is required.

Since July 2017 certain EAD products already need to comply with the RoHS directive. For all other dormakaba electronic products the deadline is July 2019.

After this deadline non-complying products are not allowed to sell in the EU.

The following substances are currently subject to limitations based on permissible maximum concentrations, in weight percent, in homogeneous materials:

- Lead (Pb) 0.1%
- Mercury (Hg) 0.1%
- Cadmium (Cd) 0.01%
- Hexavalent chromium (Cr6+) 0.1%
- Polybrominated biphenyls (PBB) 0.1%
- Polybrominated diphenyl ether (PBDE) 0.1%

and as of July 2019:

- Bis(2-ethylhexyl) phthalate (DEHP) 0.1%
- Butyl benzyl phthalate (BBP) 0.1%
- Dibutyl phthalate (DBP) 0.1%
- Diisobutyl phthalate (DIBP) 0.1%