

# A Luxury Fashion Accessories Manufacturer Streamlines Compliance with Conflict Minerals



SOLUTION

**LP** LOCKPATH®  
INTEGRATED RISK MANAGEMENT

EP NE PT RR LP

HIGHLIGHTS



COMPANY

Luxury Fashion  
Accessories  
Manufacturer and Retailer



CHALLENGE

Comply with Dodd-Frank  
Section 1502 and similar  
international regulations



SOLUTION

Compliance and  
Audit Management



RESULTS

\$3.7 million in approx.  
annual savings. Distribute  
RCOI Survey in minutes, not  
weeks. 6-12 months in time  
savings using platform

## Managing Compliance & Audits with Lockpath



Centralize policies, procedures and regulations in one interconnected database



Assess suppliers using streamlined questionnaires and automation



Manage internal controls with the ability to identify duplicate and ineffective controls



Investigate, document and manage risks, compliance violations and incidents



Prove compliance with a defensible record showing who, when, how and why



Define audit scope, including tasks, schedule and assign stakeholders



Streamline collaboration and documentation required for internal/external audits

## GRC Platform Saves the Company From Incurring Millions in Compliance & Audit Costs

Companies that source raw materials around the world to manufacture products may be unaware of or disregard the materials country of origin. It is a concern when minerals are mined in war-torn regions with profits going to fund warring factions.

Additionally, companies are often removed from mineral sourcing as suppliers typically manage that process. Given a company may work with hundreds or thousands of suppliers, it is difficult to know which, if any, are sourcing conflict minerals.

Dodd-Frank Section 1502 addresses the issue of minerals mined in areas of the world under heavy conflict from armies and militias such as the Democratic Republic of Congo in Central Africa. There is a sizeable global market for these minerals, as they are used in consumer electronics, as well as dyes, fasteners, accessories and other manufactured goods. Section 1502 requires public companies to disclose annually whether these conflict minerals exist in their supply chains. If so, companies must report on due diligence efforts and conduct a private sector audit.

For a luxury fashion accessories manufacturer and retailer with over 1,000 suppliers around the world, meeting compliance and audit requirements mandated by Section 1502 would cost around \$3.5 million annually and take six to 12 months to complete.

The challenge for the manufacturer/retailer is two-fold: one, compliance and audit challenges with meeting 1502 requirements. Two, public pressure on organizations for transparency.

## NAVEX Global's GRC platform for Dodd-Frank 1502 compliance

The manufacturer and retailer selected NAVEX Global's governance, risk management, compliance (GRC) platform, Lockpath, to bring efficiency and cost savings to its Dodd-Frank 1502 compliance effort. The company's conflict minerals compliance program was up and running in just six weeks.

One of the major 1502 compliance challenges is sending, receiving and scoring the Reasonable Country of Origin Inquiry (RCOI) survey to suppliers on their use of conflict minerals. The company's compliance team was able to use Lockpath to bulk distribute a multilingual assessment to 1,000 suppliers in minutes. Completed assessments were received and automatically scored in Lockpath, which avails the team more time for risk strategy. Applying a manual assessment process to the RCOI survey, along with data collection and supplier analyses, would have cost the fashion retailer \$3.5 million annually.



## Integrated Risk Management

Integrated Risk Management (IRM) is the collection of practices and processes that offer businesses a comprehensive view of how they identify, assess and prioritize risk throughout their organization. Lockpath, a GRC and Integrated Risk Management solution from NAVEX Global, equips users and business leaders to manage risk from the endpoint to the enterprise.

Lockpath's integrated risk management capabilities address eight business use cases:

- » Compliance and policy management
- » Vendor risk management
- » IT risk management
- » Continuous monitoring
- » Business continuity management
- » Operational risk management
- » Audit management
- » Health and safety management

### Remediate findings and disclose in SEC report

After answers on supplier assessments are scored, any findings are singled out for remediation while high-risk suppliers are assessed more frequently. Lockpath enables the company the flexibility to establish the threshold for risk beyond compliance requirements.

In its SEC report disclosing conflict minerals in the supply chain, the manufacturer and retailer can leverage Lockpath's capabilities to report on suppliers. In that year, the company concluded that only one smelter was identified as sourcing from conflict regions. Further investigation determined the smelter was certified as a Conflict-Free Smelter.

For reports to company management, Lockpath users can create custom reports detailing baselines, risk metrics, comparative benchmarks and more. Access to real-time data leads to data-driven decisions.

### Making audits efficient

Per the SEC Report, the manufacturer and retailer must include documentation that an independent private sector audit was conducted. Often, external audits can disrupt workflows, causing employees to spend hours collecting resources in preparation.

With Lockpath, audits are streamlined and efficient. All documents are centrally located, making them easy to find and present to external auditors. Ultimately, this reduces time and expenses with a company audit.

## Results: Lower Compliance Costs & Time Savings

The manufacturer and retailer was on track to spend millions on complying with Dodd-Frank Section 1502 and even despite the high cost, the timetable for compliance, six to 12 months, would result in a never-ending compliance cycle. The company chose a different path – Lockpath.

Using Lockpath, the fashion manufacturer/retailer saves up to \$3.7 million in annual compliance costs. Instead of taking months, the entire process is streamlined and efficient. Activities like distributing the RCOI survey can be accomplished in minutes, not weeks. In addition to saving time and regulatory costs, Lockpath helped the luxury brand avoid impacts to supply chain, bottom line implications, and harm to their internationally known brand.

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### ABOUT NAVEX GLOBAL

NAVEX Global is the worldwide leader in integrated risk and compliance management software and services. Trusted by more than 14,500 customers, our solutions help organizations manage risk, address complex regulatory compliance requirements and foster an ethical, highly productive workplace culture. For more information, visit [www.navexglobal.com](http://www.navexglobal.com).