

EXFO INC.

FORM SD (Specialized Disclosure Report)

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Telephone 418-683-0211
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Symbol EXFO
SIC Code 3825 - Instruments for Measuring and Testing of Electricity and Electrical Signals
Industry Industrial Machinery & Equipment
Sector Industrials
Fiscal Year 08/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM SD
SPECIALIZED DISCLOSURE REPORT**

EXFO Inc.
(Exact name of the registrant as specified in its charter)

Canada
(State or other jurisdiction of
incorporation or organization)

000-30895
(Commission File Number)

98-0131231
(IRS Employer Identification No.)

400 Godin Avenue, Quebec, Quebec, Canada
(Address of principal executive offices)

G1M 2K2
(Postal code)

Benoit Ringuette, 418-683-0211

(Name and telephone number, including area code, of the person to contact in connection with this report.)

Check the appropriate box to indicate the rule pursuant to which this form is being filed, and provide the period to which the information in this form applies:

Rule 13p-1 under the Securities Exchange Act (17 CFR 240.13p-1) for the reporting period from January 1 to December 31, 2016.

Section 1 — Conflict Minerals Disclosure

Item 1.01 Conflict Minerals Disclosure and Report

Conflict Minerals Disclosure

The Conflict Minerals Report for the calendar year ended December 31, 2016 is filed herewith as Exhibit 1.01 and incorporated herein by reference. The Conflict Minerals Report is also publicly available on EXFO Inc.'s Internet website at <http://investors.exfo.com/sec.cfm>.

Section 2 — Exhibits

Item 2.01 Exhibits

Exhibit 1.01

Conflict Minerals Report

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the duly authorized undersigned.

EXFO Inc.

(Registrant)

/s/ Luc Gagnon

By: Luc Gagnon, Vice-President, Manufacturing Operations and
Global Services

May 26, 2017

(Date)

EXFO Inc.
Conflict Minerals Report
For The Year Ended December 31, 2016

This is the Conflict Minerals Report ("CMR") of EXFO Inc. ("EXFO" or the "Company") for the reporting period from January 1 to December 31, 2016 in accordance with Rule 13p-1 under the Securities Exchange Act of 1934, as amended (17 CFR 240.13p-1) (the "Rule").

INTRODUCTION

EXFO is a leading provider of next-generation test, service assurance and end-to-end quality of experience solutions for mobile and fixed network operators and equipment manufacturers in the global telecommunications industry.

EXFO has determined that tantalum, tin, tungsten and gold ("3TG"), which are classified as Conflict Minerals (as defined in Form SD), are essential to the functionality of certain of EXFO's products and believes 3TG are found within the electronic components of EXFO products, supplied by its numerous electronics-related suppliers. These components consist of chip sets, semi-conductors, active and passive components, connectors and batteries. Other related electronics suppliers provide EXFO with computers and printed circuit boards, which EXFO also believes contains 3TG. The other components of EXFO's products from other suppliers consist of plastic injection components, sheet metal, machined aluminum and steel components. EXFO believes that these other components do not contain 3TG.

As 3TG are necessary in the functionality of certain EXFO products, and in response to the implementation guidelines published by the Securities and Exchange Commission, effective January 9, 2013, EXFO implemented its Policy Regarding Conflict Minerals (the "Policy"). The Policy supports EXFO's values and its commitment to sourcing materials from environmentally and socially responsible suppliers. Not only is it EXFO's Policy to not purchase from known-conflict sources, such as the Democratic Republic of Congo and adjoining countries ("Covered Countries"), EXFO expects suppliers and manufacturers to abide by the same standards. EXFO's Policy is communicated to all suppliers through the Company's website at <http://investors.exfo.com/governance.cfm>, the suppliers' websites accessed through EXFO, and within agreements with its suppliers. EXFO considers it a priority to ensure that all approved suppliers are aware of the Company's Policy, standards and values regarding the sourcing of Conflict Minerals from known-conflict sources, and the expectation that EXFO holds each supplier to the same high standards.

Within this CMR, EXFO will explain its reasonable country of origin inquiry to determine whether Conflict Minerals used in EXFO's products originated in the Covered Countries or from scrap or recycled sources, illustrate its evaluation and due diligence process of its use of Conflict Minerals that are necessary to the functionality of its products, the findings from the due diligence performed and the steps EXFO has taken to mitigate the risk that its Conflict Minerals originated from the Covered Countries and financed and benefited armed groups in the Covered Countries. EXFO will also describe the steps necessary in order to improve and evolve its due diligence process on Conflict Minerals to better enable the Company to analyze the source and chain of custody of the Conflict Minerals used.

REASONABLE COUNTRY OF ORIGIN INQUIRY

EXFO has completed a Reasonable Country of Origin Inquiry ("RCOI") in which all suppliers that supplied parts or materials which may contain 3TG and were necessary to the functionality or production of the products we manufactured in calendar year 2016 were surveyed. While a majority of those surveyed provide responses, responses were not received from all suppliers. Given the size and complexity of EXFO and its products, the RCOI of the Conflict Minerals used in its products is an ongoing process that involves constant contact with its suppliers over the course of the calendar year.

DUE DILIGENCE

EXFO and its affiliates aim for the highest standards of ethical conduct and integrity in all areas of their activities. Although mineral mining and smelting are several steps away from EXFO's final product, EXFO considers it of utmost importance to implement a due diligence process to successfully analyze the source and chain of custody of the Conflict Minerals, and mitigate the risk of any Conflict Minerals contained in its products originating from the Covered Countries. EXFO utilized supply chain management tools to help facilitate product analysis, risk mitigation, and supplier management, which EXFO believes to be critical aspects of its Conflict Minerals due diligence process. EXFO inquires into the source of Conflict Minerals through the Company's supply chain with an eye toward any special circumstances that may require further investigation.

Design of Due Diligence

With the objective of determining whether the Conflict Minerals used in EXFO's products originated in a Covered Country and financed or benefitted an armed group in the Covered Country, the due diligence completed by EXFO conforms to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Second Edition).

Due Diligence Measures Performed

Due to the size of EXFO, the complexity of its products, and the ever evolving supply chain, the evaluation and due diligence measures performed were carefully constructed in phases in order to thoroughly determine the source and chain of custody of the Conflict Minerals used. EXFO established an inventory of the Conflict Minerals it uses, the source of those Conflict Minerals, and in which products the Conflict Minerals are considered necessary to the functionality of its products. In order to identify and assess the risk in its supply chain, EXFO prioritized its due diligence on those electronics-related suppliers whom it believes to be providing components that contain 3TG. In addition, in order to conduct its due diligence process as accurately as possible, EXFO also evaluated all other suppliers, including mechanical and packaging. While prioritizing those electronics-related suppliers, EXFO also reviewed all existing agreements with all suppliers. EXFO began by surveying all suppliers (the "Survey") to determine the RCOI of Conflict Minerals, using the Electronics Industry Citizenship Coalition ("EICC") Standard Conflict Minerals reporting format, and the Conflict-free Sourcing Initiative ("CFSI"). The Survey was developed to facilitate the disclosure by suppliers of the origin of its Conflict Minerals to EXFO. As part of the review of the Surveys, EXFO cross-checked named smelters against the list of known smelters using the Conflict-Free Smelter list launched by the EICC (www.conflictreesmelter.org). A conflict-free designation by a recognized industry group, although not required to be provided by each supplier, is encouraged and welcomed by EXFO. In addition, all suppliers are also required to submit a declaration stating they have provided true and complete information and any changes to such information will be brought to the immediate attention of EXFO.

In addition to the information gathered from each supplier from the Survey required by EXFO, public information by each supplier in EXFO's supply chain was searched and documented. Such information includes Conflict Mineral policies, Covered Countries conflict-free designations from recognized industry groups, and other certifications and statements made by the supplier in reference to Conflict Minerals.

In an effort by EXFO to analyze the source and chain of custody of Conflict Minerals described above, the Company has implemented a process to measure, mitigate and manage future risks identified in its supply chain. Considering the importance and complexity of this challenge throughout EXFO with respect to the sourcing of Conflict Minerals, the Company established sponsorship and supporting teams. EXFO assembled an internal management team to operate and support EXFO's supply chain due diligence. The team is led by EXFO's Senior Manager of Corporate Purchasing. This team communicates information on a regular basis to EXFO's Director of Corporate Purchasing, Vice-President, Manufacturing Operation and Customer Service, and General Counsel and Corporate Secretary. EXFO will continue to focus its due diligence activities by adapting to and staying up to date with any legal challenges due to the evolving Conflict Minerals guidance, by communicating with EXFO's General Counsel and Corporate Secretary, and leveraging industry associations, such as the CFSI and the Conflict-Free Smelter program launched by the Global e-Sustainability Initiative ("GeSI"), as well as external advisors when necessary. Risk assessment of EXFO's supply chain will be conducted on a continuous basis and will constantly evolve. EXFO will continue to prioritize maintaining an up-to-date supplier inventory based on relevancy to the compliance efforts, as well as the analysis of the quality and existence of supplier responses in order to align resources to manage critical relationships.

Results

As part of the RCOI and due diligence process, in 2016, EXFO surveyed (using the Survey) and carefully analyzed the source of the Conflict Minerals from 881 suppliers. While EXFO was able to obtain all answers to its Survey on 392 suppliers and determine that those suppliers do not use Conflict Minerals sourced from a Covered Country, EXFO was unable to determine for the remaining 489 suppliers whether or not they use Conflict Minerals sourced from a Covered Country. However, out of the remaining 489 suppliers for which EXFO was not able to determine whether or not they use Conflict Minerals sourced from a Covered Country, 258 suppliers still provided partial information by partially completing the Survey. While only partial, the information collected from these 258 suppliers did not give us any reason to believe that they are sourcing Conflict Minerals from a Covered Country.

EXFO is not able to fully determine whether minerals in its products originated in the Covered Countries or financed or benefited armed groups in those countries.

Steps to be Taken to Mitigate Risk

Ongoing efforts are being conducted to obtain full responses to the Survey. These efforts consist of constant follow-ups with each supplier by EXFO's Senior Manager of R&D Purchasing, thorough risk assessments of each supplier to determine the source of the Conflict Minerals, as well as a prioritized list to align these suppliers based on urgency with EXFO's compliance efforts, which consist of prioritizing those electronics-related suppliers. EXFO considers it a priority to constantly evolve and analyze the due diligence process in order to determine the facilities used to process these Conflict Minerals, and the location of its source origin. Each named smelter will continue to be cross-checked against the list of known smelters as well as the Conflict-Free Smelter list launched by the GeSI in partnership with the EICC. EXFO will continue inquiries into the source of the Conflict Minerals with these suppliers in good faith and with caution to not disregard any special circumstance that may require further investigation.

DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

This Conflict Minerals Report contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, and we intend that such forward-looking statements be subject to the safe harbors created thereby. Forward-looking statements are statements other than historical information or statements of current condition. Words such as may, expect, believe, plan, anticipate, intend, could, estimate, continue, or similar expressions or the negative of such expressions are intended to identify forward-looking statements. In addition, any statement that refers to expectations, projections or other characterizations of future events and circumstances are considered forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in forward-looking statements due to various factors including, but not limited to, macroeconomic uncertainty as well as capital spending and network deployment levels in the telecommunications industry (including our ability to quickly adapt cost structures with anticipated levels of business and our ability to manage inventory levels with market demand); future economic, competitive, financial and market conditions; consolidation in the global telecommunications test and service assurance industry and increased competition among vendors; capacity to adapt our future product offering to future technological changes; limited visibility with regards to timing and nature of customer orders; longer sales cycles for complex systems involving customers' acceptances delaying revenue recognition; fluctuating exchange rates; concentration of sales; timely release and market acceptance of our new products and other upcoming products; our ability to successfully expand international operations; our ability to successfully integrate businesses that we acquire; and the retention of key technical and management personnel. Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict and many of which are beyond our control. Other risk factors that may affect our future performance and operations are detailed in our Annual Report, on Form 20-F, and our other filings with the U.S. Securities and Exchange Commission and the Canadian securities commissions. We believe that the expectations reflected in the forward-looking statements are reasonable based on information currently available to us, but we cannot assure that the expectations will prove to have been correct. Accordingly, you should not place undue reliance on these forward-looking statements. These statements speak only as of the date of this document. Unless required by law or applicable regulations, we undertake no obligation to revise or update any of them to reflect events or circumstances that occur after the date of this document.