



Conflict Minerals Reporting Regulations: Who is Covered?

Marshall Chase, Manager, Advisory Services
January 2011

About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

SEC Conflict Minerals Reporting Rules Issued

The U.S. Securities and Exchange Commission (SEC) released draft [conflict minerals reporting rules](#) in December 2010 that have significant implications for a range of corporate sustainability issues, from supply chain monitoring and transparency to integrated reporting and responsible investing. In the short term, however, many people are simply focused on understanding and commenting on these rules.

Types of Companies Included

It has come as a surprise to some companies that they might be covered by these rules, which require companies that issue U.S. securities to publicly disclose their efforts to determine whether their products use tin, tantalum, tungsten or gold from the Democratic Republic of the Congo or an adjoining country. (For more background on the reason behind the focus on these “conflict minerals” from the region, see BSR’s [report](#) on the subject.) There is still some uncertainty about exactly what will be covered by final rules, due out in late 2011, but the current draft covers the following:

- » Companies whose products intentionally include any amount of tin, tantalum, tungsten or gold (or their ores). This includes a range of goods, from electronics goods and aircraft turbines.
- » Companies whose products use these metals in production processes, but not in the product itself. Glass window panes, for example, are commonly produced using molten tin.
- » Companies that contract for and have any influence over the manufacturing of such products; for example, U.S. cell phone service providers.
- » Companies that sell generic goods under their own brands which contain these minerals, such as department or grocery stores with private label brands.
- » Extractives companies that mine or process these minerals.
- » Companies that are uncertain about the origin of the minerals in their products.
- » Non-U.S. companies that manufacture such products and are listed on U.S. stock exchanges.

Industries Affected

Companies in a wide range of areas will have to review their supply chains and may have to report on their products. Here is a sampling of uses for the target metals, by industry:

Conflict Minerals Resources:

[SEC Draft Regulations](#)

[Multi-Stakeholder Recommendations to SEC](#)

[OECD Due Diligence Guidance for Minerals Supply Chains](#)

[Conflict Minerals Background Report](#)

[BSR Conference Conflict Minerals Session Summary](#)

- » Information and Communications Technology: Tin solder and tantalum capacitors are heavily used in electronics
- » Food, Beverage & Agriculture: Canned goods may have a tin coating to prevent corrosion
- » Jewelry: This is the leading use for gold, and the industry sometimes uses other target minerals
- » Consumer Products: Sporting equipment (golf clubs, hiking gear, bicycles and others) sometimes contains tungsten components, and metallic gold yarns may be in clothing, among other possible uses
- » Energy: Tungsten and tantalum are used in power plant turbines, while tin is used in solar panels
- » Mining: Tin, tantalum, tungsten and gold ores and processed materials are all reportable
- » Medical: Various medical devices, from surgical and dental instruments to prostheses and X-ray machines, can contain these minerals
- » Transport & Logistics: Auto, aircraft and other transportation industry manufacturers can use these minerals in electronics, engine components and elsewhere

This is by no means a comprehensive list, but demonstrates the breadth of the potential impact of these rules. In addition, other industries are likely to be indirectly affected: financial services companies, for example, should be aware of how the conflict minerals rules might affect investments in companies or commodities.

Next Steps

The timeline for the SEC rules is likely to progress as follows:

- » August-December 2011: SEC issues final conflict minerals reporting rules.
- » August-December 2012: First company conflict minerals reports issued. Companies will be required to report on the first full fiscal year following the issue of final SEC reporting rules.