



Conflict Minerals Reporting Regulations: Who is Covered?

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About BSR

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SEC Conflict Minerals Reporting Rules

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, which are open for comment until the end of January 2011.

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 topic. There is still some uncertainty about exactly what will be covered by the final rules, due out in April, 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 products to 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 of 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](#)

- » **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.
- » **Food, beverage, and agriculture:** Canned goods may have a tin coating to prevent corrosion.
- » **Information and communications technology:** Tin solder and tantalum capacitors are heavily used in electronics.
- » **Jewelry:** This is the leading use for gold, and the industry sometimes uses other target minerals.
- » **Medical:** Various medical devices, from surgical and dental instruments to prostheses and X-ray machines, can contain these minerals.
- » **Mining:** Tin, tantalum, tungsten, and gold ores and processed materials are all reportable.
- » **Transport and 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 affected indirectly: 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:

- » January 31, 2011: SEC closes the comment period on draft rules.
- » April 2011: SEC issues final conflict minerals reporting rules.
- » April/May 2012: First company conflict minerals reports issued. Companies will be required to report on the first full fiscal year following the issue of the final SEC reporting rules.