

GAO Highlights

Highlights of [GAO-13-689](#), a report to congressional committees

Why GAO Did This Study

The eastern part of the DRC has experienced recurring conflicts involving armed groups that have resulted in severe human rights abuses. In addition, armed groups have profited from the exploitation of minerals. In 2010, Congress enacted Section 1502(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act to address the exploitation of conflict minerals, which include tin, tantalum, tungsten, and gold, and the extreme levels of violence in the DRC. As required by Section 1502(b), the SEC issued a rule in August 2012 that requires companies to disclose their use of conflict minerals and the origin of those minerals. The act requires GAO to report on the rule's effectiveness, among other issues, beginning in 2012 and annually thereafter.

Initial company disclosure reports to SEC that would enable GAO to assess the effectiveness of the rule will not be due until May 2014. This report describes, among other issues, (1) factors that may impact whether SEC's rule denies armed groups in the DRC benefits from conflict minerals and (2) information about companies that use conflict minerals and are not required to report to SEC under the rule.

GAO reviewed and analyzed documents and interviewed representatives from SEC, the Department of State, the U.S. Agency for International Development, industry associations, NGOs, consulting firms, and international organizations. GAO also analyzed smelter and refiner information. This report does not contain recommendations.

View [GAO-13-689](#). For more information, contact Lawrence L. Evans, Jr. at (202) 512-4802 or evansl@gao.gov.

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SEC CONFLICT MINERALS RULE

Information on Responsible Sourcing and Companies Affected

What GAO Found

Stakeholder-developed initiatives may facilitate companies' compliance with the Securities and Exchange Commission's (SEC) final conflict minerals rule, but other factors may affect the rule's impact on reducing benefits to armed groups in the Democratic Republic of the Congo (DRC) and neighboring countries. Agency and industry officials as well as representatives from international organizations and nongovernmental organizations (NGO) stated that adoption of the rule as well as stakeholder-developed initiatives—which include the development of guidance documents, audit protocols, and in-region sourcing of conflict minerals—can support companies' efforts to conduct due diligence and to identify and responsibly source conflict minerals. For example, officials GAO interviewed explained that the Conflict-Free Smelter Program enables suppliers to source conflict minerals from smelters (companies that refine the ore of the conflict minerals into metals) that have been certified by an independent third-party auditor as obtaining their minerals from sources that did not benefit armed groups. However, officials GAO interviewed cited constraining factors such as lack of security, lack of infrastructure, and lack of capacity in the DRC that could affect the ability to expand on efforts to achieve conflict-free sourcing of minerals from eastern DRC and thereby potentially contribute to armed groups' benefiting from the conflict minerals trade. For example, officials GAO interviewed noted that there is a lack of infrastructure in place that would enable companies to set up or expand operations in the DRC. Limited transportation and poor roads in eastern DRC also make it difficult to get to mine sites. Moreover, according to officials, the remoteness of mines also makes it difficult for DRC officials to validate mines and ensure that the mines have not been compromised by illegal armed groups.

Companies that are not required to file disclosures under SEC's conflict minerals rule may be affected by the rule. These companies may supply components or parts that contain conflict minerals to companies that report to SEC under the rule, many of which could be original equipment manufacturers and component parts manufacturers. Estimates provided by public commentators responding to the rule indicate that roughly 280,000 suppliers could provide products to roughly 6,000 companies that report to the SEC under the rule and may be asked to provide information on their use of conflict minerals and the origin of the minerals as part of the rule's due diligence requirements. GAO found little available aggregated information about companies that do not report to SEC under the rule. However, GAO found that for smelters and refiners there is some aggregated information, such as the types of conflict minerals they use and their location. For example, GAO found that over half of the 278 smelters and refiners of conflict minerals it identified were located in Asia, many processed tin, and most did not have a conflict minerals policy publicly available.