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Global Witness Conflict Minerals Update – February 2012

SEC to publish rules accompanying Conflict Minerals provision

Global Witness is calling on the SEC to publish strong rules to implement the Conflict Minerals provision of the U.S. Dodd-Frank Act. [Section 1502 of the Dodd-Frank Act](#), the provision relating to conflict minerals, is a disclosure requirement that obliges companies to undertake supply chain due diligence on any minerals sourced from the Democratic Republic of Congo (DRC) or neighbouring countries. Companies must report on the measures they have taken.

Global Witness is calling for the SEC to publish strong rules that do not contain a delay or phase-in period and that incorporate internationally agreed due diligence standards as published in 2010 by the Organisation for Economic Cooperation and Development (OECD). Publication of the rules to accompany Section 1502 has been delayed since last April. This long wait has caused uncertainty within industry. Although some companies have begun taking steps ahead of the rules' publication, others have stated that without final rules, they are unsure of the law's requirements. Further delays risk undermining progress on industry-wide supply chain due diligence initiatives. The SEC should publish the rules immediately to provide the clarity required by industry to begin undertaking due diligence and ensure their purchases are not doing harm.

Green Research publishes cost benefit analysis of Dodd Frank Conflict Minerals provision

In a new report published last week, U.S.-based consultancy Green Research found that compliance with Section 1502 could generate a wide range of benefits for companies and that costs to meet the law's requirements are manageable. Green Research, which surveyed major companies affected by Section 1502 in different industry sectors, estimates that while costs will vary depending on the size and complexity of supply chains, they will represent approximately 0.00004 percent of annual revenues for large companies in their first year of reporting. Smaller companies should be able to meet their reporting obligations for less than the cost of a full-time employee in their first reporting year, with costs declining over time. The full Green Research report is available [here](#).

OECD publishes due diligence guidance for gold supply chains

The Organisation for Economic Cooperation and Development (OECD) published detailed guidance on supply chain due diligence for gold from conflict affected and high risk areas on 3rd February. The 'Gold Supplement', finalised after nine months of consultation with a working group comprising governments, NGOs and companies, provides guidance for companies all along the gold supply chain and forms an integral part of the OECD *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. The OECD published similar guidance for tin, tantalum and tungsten supply chains in 2010. The Gold Supplement is available on the OECD website [here](#).

EU takes step towards conflict-free supply chains

A 27 January European Union [Trade and Development Communication](#) included a commitment to improving supply chain transparency across the EU, a move that will help prevent natural resource-fuelled conflict. The Communication also stated that the EU will advocate greater use of the due diligence standards published last year by the Organisation for Economic Cooperation and Development (OECD). Global Witness' press release about the Communication is available [here](#).

The United Nations Group of Experts on the DRC published [this article](#) welcoming the Communication. The Experts highlighted cases where supply chain due diligence is already working in the DRC. They encouraged the European Commission to introduce regulation so that EU companies and consumers can ensure that their purchases are promoting better governance and economic development in eastern DRC, rather than fuelling war.

Survey of eastern DRC mining communities identifies insecurity as major source of poverty

A joint report by three NGOs contains case studies of four mining communities in South Kivu, examining the impact of the current industry response to Section 1502 of the Dodd Frank Act. The study found that 71 percent of respondents reported insecurity as the main reason for sustained or increased poverty in their communities over the past two years. Attacks by armed groups prevent communities from accessing their fields and from accessing local markets (to buy and sell). This has a negative impact on both household income and on immediate access to foodstuffs. The English translation of the report is attached.

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Author cites the following:

Schatsky, David. "The Costs and Benefits of Dodd-Frank Section 1502 (Green Research)." *Dodd-Frank Section 1502*. 4 Feb. 2012. Web. 29 Feb. 2012. <<http://section1502.com/2012/02/04/the-costs-and-benefits-of-dodd-frank-section-1502-green-research/>>.

"Draft Gold Supplement to the Due Diligence Guidance." *OECD.org*. Web. 29 Feb. 2012. <http://www.oecd.org/document/60/0,3746,en_2649_34889_49137660_1_1_1_1,00.html>.

"Trade, Growth and Development: Tailoring Trade and Investment Policy for Those Countries Most in Need." European Commission, 27 Jan. 2012. Web. 29 Feb. 2012. <http://trade.ec.europa.eu/doclib/docs/2012/january/tradoc_148992.EN.pdf>.

Robarts, Fred, and Gregory Mthembu-Salter. "Congo: Due Diligence Can Help Efforts to End Resource-fuelled Conflict." *Africanarguments.org*. 15 Feb. 2012. Web. 29 Feb. 2012. <<http://africanarguments.org/2012/02/15/congo-due-diligence-can-help-efforts-to-end-resource-fuelled-conflict-%E2%80%93-by-fred-robarts-and-gregory-mthembu-salter/>>.

Global Witness. *EU Takes Step towards Conflict-free Supply Chains*. *GlobalWitness.org*. 27 Jan. 2012. Web. 29 Feb. 2012. <<http://www.globalwitness.org/library/eu-takes-step-towards-conflict-free-supply-chains>>.