

## Why GAO Did This Study

Armed groups in eastern DRC continue to commit severe human rights abuses and profit from the exploitation of minerals, according to the United Nations. Congress included a provision in the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act that, among other things, directed SEC to promulgate disclosure and reporting regulations regarding the use of conflict minerals from the DRC and adjoining countries. The act also directed State and USAID to develop a strategy to address the linkages among human rights abuses, armed groups, the mining of conflict minerals, and commercial products.

This report examines (1) company disclosures filed with SEC for the first time in 2014 in response to the SEC conflict minerals disclosure rule; and (2) State and USAID actions related to the U.S. conflict minerals strategy in the DRC region. This report also includes information on sexual violence in the DRC and three adjoining countries. GAO reviewed and analyzed relevant documents and data and interviewed officials from relevant U.S. agencies and nongovernmental, industry, and international organizations; and analyzed a random sample of company disclosures from the SEC database that was sufficiently large to produce estimates for all companies that filed. GAO also traveled to the DRC, Rwanda, and Burundi to conduct field work.

## What GAO Recommends

GAO is not making any recommendations.

View [GAO-15-561](#). For more information, contact Kimberly Gianopoulos at (202) 512-8612 or [GianopoulosK@gao.gov](mailto:GianopoulosK@gao.gov).

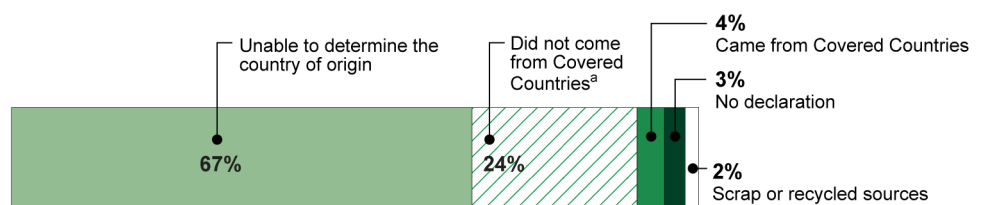
# SEC CONFLICT MINERALS RULE

## Initial Disclosures Indicate Most Companies Were Unable to Determine the Source of Their Conflict Minerals

### What GAO Found

According to a generalizable sample GAO reviewed, company disclosures filed with the Securities and Exchange Commission (SEC) for the first time in 2014 in response to the SEC conflict minerals disclosure rule indicated that most companies were unable to determine the source of their conflict minerals. Companies that filed disclosures used one or more of the four “conflict minerals”—tantalum, tin, tungsten, and gold—determined by the Secretary of State to be financing conflict in the Democratic Republic of the Congo (DRC) or adjoining countries. Most companies were based in the United States (87 percent). Almost all of the companies (99 percent) reported performing country-of-origin inquiries for conflict minerals used. Companies GAO spoke to cited difficulty obtaining necessary information from suppliers because of delays and other challenges in communication. Most of the companies (94 percent) reported exercising due diligence on the source and chain of custody of conflict minerals used. However, most (67 percent) were unable to determine whether those minerals came from the DRC or adjoining countries (Covered Countries), and none could determine whether the minerals financed or benefited armed groups in those countries. Companies that disclosed that conflict minerals in their products came from covered countries (4 percent) indicated that they are or will be taking action to address the risks associated with the use and source of conflict minerals in their supply chains. For example, one company indicated that it would notify suppliers that it intends to cease doing business with suppliers who continue to source conflict minerals from smelters that are not certified as conflict-free.

Types of Company Declarations Reported in Response to the SEC Conflict Minerals Disclosure Rule in 2014



Source: GAO. | GAO-15-561

<sup>a</sup>Covered Countries: Angola, Burundi, Central African Republic, the Democratic Republic of the Congo, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia.

Department of State (State) and U.S. Agency for International Development (USAID) officials reported taking actions to implement the U.S. conflict minerals strategy, but a difficult operating environment complicates this implementation. The agencies reported supporting a range of initiatives including validation of conflict-free mine sites and strengthening traceability mechanisms that minimize the risk that minerals that have been exploited by illegal armed groups will enter the supply chain. As a result, according to the agencies, 140 mine sites have been validated and competition within conflict-free traceability systems has benefited artisanal miners and exporters. Implementation of the U.S. conflict minerals strategy faces multiple obstacles outside the control of the U.S. government. For example, eastern DRC is plagued by insecurity because of the presence of illegal armed groups and some corrupt members of the national military, weak governance, and poor infrastructure.