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March 16, 2017

Dr. Michael S. Piwowar  
Acting Chairman  
U.S. Securities and Exchange Commission  
100 F Street NW  
Washington, DC 20549

**RE: Comments on Acting Chairman Piwowar's January 31, 2017, statement on the Commission's Conflict Minerals Rule**

IPC – Association Connecting Electronics Industries, represents more than 4,000 member facilities in the electronics industry, including design, material and equipment suppliers, printed board manufacturing, electronics assembly, and original equipment manufacturers. IPC members are significantly affected by the SEC's conflict minerals regulations. IPC appreciates the opportunity to comment on the SEC Conflict Minerals Rule.

*Intent of Section 1502 of Dodd-Frank and Implementing SEC Regulations*

IPC supports the underlying goal of Section 1502 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and is concerned by the reported human rights abuses in the Democratic Republic of Congo (DRC). IPC encourages the SEC and Congress to consider modifications of the rule and Section 1502 to reduce the burden on U.S. manufacturing industries and the disruption of the minerals trade, which is vital to the livelihood of the people of the DRC.

*Questionable Benefits*

Although the human rights situation in the DRC and surrounding region remains a significant concern, it is unclear to what extent the sale of conflict minerals contributes to it. While advocacy groups have made 'conflict minerals' a centerpiece of their campaign to stop human rights abuses in the Democratic Republic of Congo (DRC), [a 2014 open letter by a group of seventy policy experts](#)<sup>1</sup> highlights questions regarding the benefits of the focus on conflict minerals. According to the experts, "the conflict minerals campaign fundamentally misunderstands the relationship between minerals and conflict in the eastern DRC." In contrast to what advocacy groups imply, the academic consensus is that mining is neither the cause of conflict in Congo nor necessary to keep the fighting going. Conflict minerals contribute to the violence, but they're also vital to the Congolese people's survival. The result, according to the letter, is that the ore trade "holds as much potential to help steer the region away from conflict as it does to contribute towards it."

As a result of Dodd-Frank, some U.S. companies, worried about reputational risk associated with the impossible burden to track mineral production to the point of origin, have decided to procure minerals

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<sup>1</sup> <https://ethuin.files.wordpress.com/2014/09/09092014-open-letter-final-and-list.pdf>

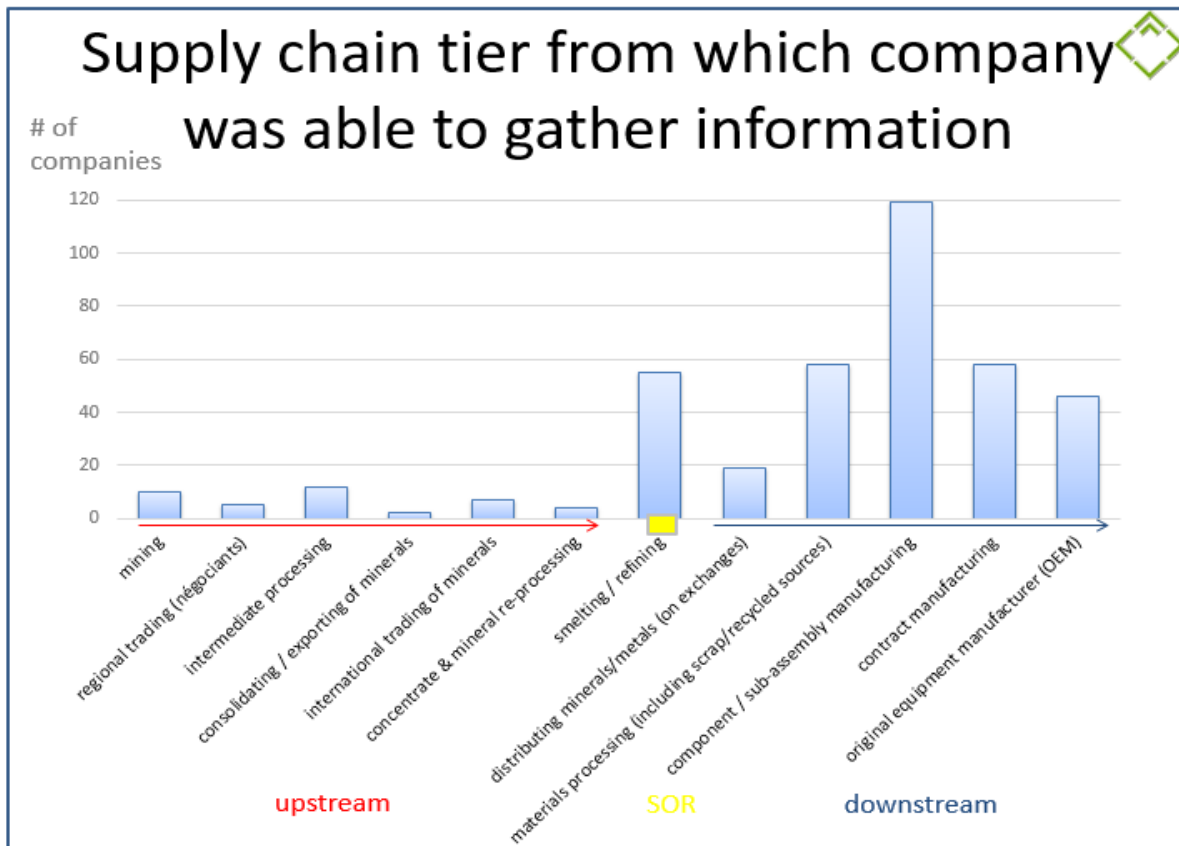
elsewhere, often in Latin America and Asia. As a result, the region's artisanal mines and miners have suffered. Ultimately, Section 1502 of Dodd-Frank is a poor substitute for effective engagement with the Central African region as it fails to address the underlying problem of government failures and lack of security in the region.

*Burden and Cost of Compliance*

Supply chains in the electronics industry are an extremely complex, multi-layered network of global trading companies and suppliers. Electronic products are sourced and consolidated from multiple countries and multiple manufacturers. Typically, companies who purchase products that may contain conflict minerals only have direct contact with the first-tier supplier or company immediately upstream from themselves.

Due to the complexity of the supply chain, there are major challenges for downstream users attempting to establish a chain of custody from the mine to the product: 1) tracing conflict minerals from finished products back through complicated supply chains to the smelter; 2) tracing ores from the smelter back to the mines of origin; and 3) identifying which mines are conflict mines—that is, mines whose output is controlled by or taxed by warring factions. Figure 1, taken from a supply chain survey conducted in 2015 by Development International, illustrates the difficulty in tracing beyond the smelter.

**Figure 1 Supply chain tier from which company was able to gather information**



Source: Dodd-Frank Section 1502: Supply-Chain Survey 2015, Development International, [http://media.wix.com/ugd/f0f801\\_37e45333e31f4bbd83c6de7307b459f5.pdf](http://media.wix.com/ugd/f0f801_37e45333e31f4bbd83c6de7307b459f5.pdf)

Despite the development of several industry schemes, compliance continues to be burdensome and costly. A number of our members cite difficulties in getting data from their suppliers, especially those not required to file under Dodd-Frank. Many companies noted that they did not have the leverage to persuade their suppliers to provide information regarding the source of the conflict minerals in supplied products.

An April, 2015 study conducted by Tulane University Adjunct Lecturer Chris Bayer found that SEC issuers expended \$545,962 on average to comply with Dodd-Frank on an annual basis. A major driver of cost was the need for legal review either by internal legal departments or outside counsel. Another significant cost were IT platforms or systems to support data management and B2B communication.

A follow-up [Supply-Chain Survey](#)<sup>2</sup>, conducted by Dr. Bayer in 2015, examined the costs of 238 participating companies. Survey participants, which were mainly original equipment manufacturers or contract manufacturers, were from a broad variety of sectors and industries and of varying size. Seventy three percent of the survey participants did not file a conflict minerals report to the SEC in 2015. Average costs of conflict minerals compliance by survey participants, the majority of which are not required to file with the SEC but did conduct conflict minerals due diligence, likely to satisfy their customers, was \$129,000. The major tasks contributing to these costs were conducting a Reasonable Country of Origin Inquiry (RCOI), establishing and implementing company management systems, providing data to customers, and performing due diligence.

#### *Burden Reduction Considerations*

While many IPC members would welcome the temporary relief of a suspension of the regulations, other members are concerned that a temporary suspension of conflict minerals regulation that was not accompanied by wholesale revision of the regulations could undermine industry compliance schemes and cause further non-cooperation by suppliers, resulting in additional burdens.

#### *De-minimis Threshold*

IPC recommends that the SEC consider adoption of a de-minimis threshold in their rules. A de-minimis standard is not a loophole or exemption and it will not decrease efforts to increase supply chain transparency. In numerous other regulations in which companies are required to trace raw materials, a de-minimis standard is created (e.g., the European Union's (EU's) Registration, Evaluation, and Authorization of Chemicals (REACH) Regulation, the EU Restriction on Hazardous Substances (RoHS) the Lacey Act, and the Berry Amendment).

We believe a de-minimis threshold is consistent with the Section 1502 of Dodd-Frank because it does not affect the underlying goal of increasing transparency in the mineral supply chain. Rather, it allows the SEC and issuers to focus on the products containing a significant amount of the conflict minerals in a manner that will change supply chain behavior. It also would provide burden reduction to companies whose purchases are too small to influence supply chain behavior.

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<sup>2</sup>Dodd-Frank Section 1502: Supply-Chain Survey 2015, Development International, [http://media.wix.com/ugd/f0f801\\_37e45333e31f4bbd83c6de7307b459f5.pdf](http://media.wix.com/ugd/f0f801_37e45333e31f4bbd83c6de7307b459f5.pdf)

In terms of tracing materials in products, a material usually must reach a certain threshold before it is possible to identify its presence in a part or component. Therefore, consistent with other regulatory schemes, we propose that the products containing less than 0.1% by weight of a conflict mineral be exempt from these rules.

Additionally, we encourage the SEC to consider a volume-based de-minimis threshold which would exempt companies with a low volume of conflict minerals (in the EU the thresholds are 5,000 kg for tin, 2,000 kg for tungsten, and 100 kg for gold). Companies with low a low volume of products also have very limited influence on the supply chain.

Alternatively, the SEC could exempt products with de-minimis concentrations or volumes of conflict minerals from requirements pertaining to country of origin inquiries and the preparation of a conflict minerals report while still requiring companies to disclose the presence of conflict minerals in their products and to implement a corporate conflict minerals policy.

#### *Harmonization with EU Regulations*

The conflict minerals regulations, which also require due diligence as described by the OECD, are mandatory for smelters and importers of metals, focus on the part of the supply chain most able to trace the metals back to mineral sources. The voluntary participation of downstream companies, will be facilitated by the provision of this information and by government-developed lists of non-conflict smelters. It is expected that the electronics companies, driven by customer demand, will continue to support risk management to ensure that they are not supporting conflict in the DRC. Harmonization with the EU regulation would support and facilitate companies' ability and desire to pursue this goal.

The electronics industry, like many industries, operates on an international basis. To the extent possible, IPC would suggest that SEC further reduce the burden of complying with Dodd-Frank by harmonizing its regulations with those being promulgated in the EU.

#### *Conclusion*

IPC appreciates the SEC's reconsideration of the conflict minerals regulations and would welcome SEC efforts to reduce the burden they impose on industry. Please feel free to contact me at [FernAbrams@ipc.org](mailto:FernAbrams@ipc.org) should you have any questions about these comments or if we can otherwise be of assistance to the SEC in this matter.

Sincerely,



Fern Abrams  
Director Regulatory Affairs