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**INTERNATIONAL TRADE &  
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**State Department Issues Guidance on Dodd-Frank “Conflict Minerals” Reporting Requirements**

The U.S. Department of State (State) recently published guidance for publicly traded companies targeted by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which we discussed in a previous **bulletin**. This little-publicized corporate social responsibility mandate requires companies trafficking in certain “conflict minerals” or using them in components for various consumer and industrial products to report annually to the U.S. Securities and Exchange Commission (SEC) their due diligence and supply chain management efforts.

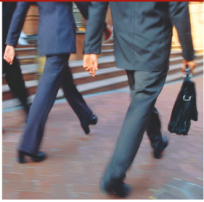
The conflict minerals include columbite-tantalite (coltan), cassiterite, gold, wolframite or their derivatives from the Democratic Republic of Congo and its adjoining countries – Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, Sudan, Tanzania, Uganda and Zambia. Conflict minerals are so termed because the proceeds from their sale in these countries have been used to fund armed militias. These minerals are commonly used to make components for electronic products (e.g., cell phones, computers, televisions, PDAs, DVD players and video game systems), medical equipment, high-speed tools, machine parts, glass and lamps.

The SEC has postponed publishing its final regulations for Section 1502 until the latter half of this year. Nevertheless, State, which was assigned to provide guidance under the provision, issued a three-page **memorandum** on how companies may conduct due diligence and supply chain management.

In its memorandum, State specifically endorses the guidance of the Organization for Economic Cooperation and Development, which has developed a five-step framework for companies to follow. Under this framework, a company should:

- Establish strong company management systems
- Identify and assess risks in the supply chain
- Design and implement a strategy to respond to identified risks
- Carry out an independent third-party audit of supply chain due diligence at identified points in the supply chain
- Report on supply chain due diligence

State adds that a company may rely on the documented representations of suppliers upstream, “provided that the company has taken the appropriate internal and independent auditing measures and due diligence steps” of the framework. State acknowledges that implementation of this framework will be time-consuming for companies. For that reason, it issued the guidance well in



advance of the SEC's final regulations, despite possible revisions to its guidance after the final regulations are published.

#### **FOR MORE INFORMATION**

Please contact **Matthew R. Nicely**, **David M. Schwartz** or any member of our **International Trade & Customs** practice group for more information.

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