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SUPPLY CHAIN

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By Sayari Analyst Team · Published November 2024

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Compliance teams once believed that filing an SEC Form SD annually was sufficient due diligence. The Dodd-Frank Act Section 1502 (2012) set a floor: conduct a Reasonable Country of Origin Inquiry (RCOI) into 3TG minerals-tantalum, tin, tungsten, and gold-from conflict-affected areas. Check the box. Move forward. In late 2024, Apple's decision to suspend conflict minerals purchases from the DRC and Rwanda exposed this assumption's inadequacy. Despite substantial compliance programs, Apple faced reputational damage and operational disruption because upstream sourcing opacity remained unresolved. Disclosure alone does not equal prevention, and opacity in sub-tier supply chains creates measurable business risk.

The gap between compliance filing and supply chain visibility has widened as regulatory frameworks tightened. Dodd-Frank has become a baseline, not a ceiling. The EU Conflict Minerals Regulation (effective 2021) introduced broader geographic scope and stricter due diligence standards. Forced labor sanctions, corruption risks, and arms-trade restrictions folded conflict minerals into a larger compliance ecosystem. The challenge is whether organizations can identify and mitigate risk fast enough.

Conflict minerals are strictly 3TG metals extracted in conflict-affected zones where armed groups control extraction. Critical minerals-copper, lithium, cobalt-create supply chain disruption risk but are distinct, defined by supply vulnerability rather than humanitarian harm. Separating these categories prevents compliance creep and focuses resources on highest-impact risks.

The Regulatory Landscape: From Disclosure to Destination Audits

The SEC adopted Dodd-Frank Section 1502 in 2012, requiring publicly traded U.S. companies to investigate whether minerals came from the DRC or adjoining countries (Central African Republic, Zambia, Rwanda, Uganda, Burundi, Tanzania, Kenya, and Angola). The rule mandated three steps: conduct RCOI; perform due diligence on supply chain risk; and publicly disclose findings. For more than a decade, companies treated Form SD filing as the endpoint.

The EU Conflict Minerals Regulation shifted the burden downstream to importers and smelters, requiring due diligence on 3TG supplies and audits on upstream suppliers. Unlike Dodd-Frank, it applies to all smelters and refiners regardless of company size or listing status, widening scope significantly. The geographic scope is also broader: the EU includes all conflict-affected and high-risk areas (CAHRA) worldwide. Sourcing from artisanal mining operations in West Africa, Southeast Asia, and Oceania falls under compliance. Companies supplying both U.S. and EU markets face overlapping obligations requiring more than a single disclosure strategy.

Forced labor considerations added new dimension to conflict minerals compliance. The CBP Uyghur Forced Labor Prevention Act (UFLPA) creates enforceable restrictions on imports involving forced labor in production, including certain mineral processing. Corruption risks and arms embargo violations have become part of the risk calculus. A single mineral shipment might trigger exposure under Dodd-Frank, EU regulations, UFLPA, and bank sanctions compliance simultaneously. A conflict minerals program cannot exist in isolation; it must interface with export controls, anti-bribery policy, and sanctions screening.

The Verification Gap: Why Self-Reported Data Falls Short

Supplier disclosures are not self-verifying. A refinery may submit documentation claiming conflict-free 3TG inputs, supported by export declarations and audits. But that due diligence is only as strong as the transparency of sub-tier suppliers feeding the refinery. Artisanal miners, aggregators, and intermediate traders often operate outside formal banking and customs systems, making source verification extremely difficult. Form SD filing certifies "reasonable inquiry," but reasonable rarely extends to ground-level verification of mining sites and trader networks.

CAHRA classification introduces verification challenges. The EU requires identifying conflict-affected or high-risk areas based on country risk assessments. Determinations are not static; regions can shift based on security incidents, political change, or sanctions. Companies relying on outdated risk maps fail to account for sub-regional variation. Apple's 2024 suspension despite Rwanda's conflict-free status demonstrates that even stable countries face downstream criminal exposure when supply chain links to exploitation become public.

The absence of real-time adverse media screening leaves companies vulnerable to late-breaking risks. A news report of armed group activity, a regulatory announcement, or a criminal investigation does not automatically trigger compliance re-evaluation. Companies waiting for scheduled reviews miss the window to act preemptively. The indirect exporter problem—where traders obscure mineral origin by co-mingling supplies or false-marking—requires visibility into multiple sourcing layers that standard audits do not penetrate.

Moving Beyond Checkbox Compliance: Configurable Risk Factors

A conflict minerals program that prevents rather than merely discloses requires identifying and monitoring multiple risk indicators simultaneously. A configurable risk model surfaces both obvious and non-obvious signals: export volumes from CAHRA areas, sourcing pattern changes, refinery ownership changes, trader bankruptcies, regulatory designations, sanctions list matches, and adverse media mentions. No single factor is determinative, but a combination can warrant immediate supplier engagement, re-auditing, or diversification.

Exporters from CAHRA areas are particularly valuable data points. Mapping which smelters export 3TG from conflict-affected zones and tracking volume trends provides a leading indicator of supply chain stress. When a major exporter suddenly increases volumes, sources from a newly unstable region, or changes ownership, these shifts warrant investigation. Monitoring customs and trade data to identify which entities import raw 3TG into refineries and cross-referencing against sanctions and adverse news reveals supply chain nodes at elevated risk.

Forced labor indicators deserve equal weight. If a supplier's sourcing chain includes operations in countries or sectors subject to UFLPA findings, that exposure must be documented. The same applies to corruption risk: does a supplier operate in high-corruption jurisdictions where mineral-for-contract schemes are common? Is the supplier subject to anti-bribery investigation? These questions extend due diligence beyond the mineral itself into the broader

geopolitical and regulatory context that shapes sourcing viability.

The Path Forward: Integration and Continuous Monitoring

Conflict minerals compliance in 2025 demands real-time network visibility and continuous risk monitoring, not annual checkbox exercises. Organizations must build systems that integrate supply chain risk data, adverse media, export controls, sanctions screening, and forced labor indicators into a single operational view. This is not an additional compliance burden; it is a recalibration of where compliance resources should flow.

Sayari provides practitioners with the ability to map supplier networks, identify 3TG exporters from CAHRA, and monitor ongoing risk signals without waiting for audit cycles. Rather than relying on static form submissions, organizations can surface the hidden relationships, ownership structures, and trade patterns that reveal true supply chain risk. Understanding the cross-border flow of minerals, refinery ownership, and involvement of sanctioned or corruption-linked entities allows compliance teams to move from reactive disclosure to proactive prevention. For organizations serious about conflict minerals compliance, the question is no longer whether transparency is possible-it is whether your team has the tools to act on it. Visit Sayari's sourcing and procurement resources or request a demo to see how conflict minerals risk monitoring integrates with your existing due diligence workflows.

Please visit sayari.com to learn more.

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