

SUPPORTING STATEMENT
FOR THE PAPERWORK REDUCTION ACT INFORMATION COLLECTION
SUBMISSION FOR FORM SD

A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

The Securities and Exchange Commission (“Commission”) Rule 13p-1 under the Securities Exchange Act of 1934 (“Exchange Act”) and Exchange Act Form SD implement Exchange Act Section 13(p). Section 1502 (“Conflict Minerals Statutory Provision”) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) amends the Exchange Act by adding Section 13(p), which relates to disclosure and reporting obligations by issuers concerning “conflict minerals” that originated in the Democratic Republic of the Congo (“DRC”) or an adjoining country (together with the DRC, the “Covered Countries”). Conflict minerals defined in the Dodd-Frank Act as columbite-tantalite, cassiterite, gold, wolframite, or their derivatives. Exchange Act Section 13(p) authorized the Commission to promulgate rules regarding the disclosure of the use of conflict minerals from the Covered Countries.

Exchange Act Section 13(p) requires that a “person described” disclose annually whether any “conflict minerals” that are “necessary to the functionality or production of a product manufactured by such person” originated in the Covered Countries, and make that disclosure publicly available on the issuer’s Internet website. If such a person’s conflict minerals originated in the Covered Countries, that person must submit a report (“Conflict Minerals Report”) to the Commission that includes a description of the measures taken by the person to exercise due diligence on the minerals’ source and chain of custody.

Form SD is used to implement Section 13(q) of the Securities Exchange Act of 1934 (the “Exchange Act”). Section 13(q) was added by Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). Section 13(q) requires the Commission to issue rules requiring resource extraction issuers to include in an annual report information relating to certain payments made by the issuer, a subsidiary of the issuer, or an entity under the control of the issuer, to a foreign government or the federal government for the purpose of the commercial development of oil, natural gas, or minerals. Section 13(q) requires a resource extraction issuer to provide information about the type and total amount of certain payments made for each project related to the commercial development of oil, natural gas, or minerals, and the type and total amount of payments made to each government. In addition, Section 13(q) requires a resource extraction issuer to provide information regarding those payments in an interactive data format.

2. Purpose and Use of the Information Collection

The purpose of the regulation is to implement Section 1502 of the Dodd-Frank Act that, as discussed above, added Section 13(p) to the Exchange Act. Exchange Act Section 13(p) requires the Commission to promulgate rules requiring issuers with conflict minerals that are

necessary to the functionality or production of a product manufactured by such person to disclose annually whether any of those minerals originated in the Covered Countries. Exchange Act Rule 13p-1 and Form SD require reporting issuers that manufacture products or contract to have products manufactured that contain conflict minerals necessary to the functionality or production of those products to conduct a reasonable inquiry into the origin of those conflict minerals. Based on this inquiry, an issuer may have to conduct a more extensive inquiry that requires the exercise of due diligence on the source and chain of custody of its conflict minerals. Depending on the results of the due diligence, the issuer may have to describe the products containing conflict minerals that have not been found to be “DRC conflict free” in a Conflict Minerals Report that is filed as an exhibit to Form SD, a specialized disclosure form, and obtain an independent private sector audit of the Conflict Minerals Report. The information collected on Form SD may be used by interested parties to determine whether an issuer’s products contain conflict minerals and, if so, the source and chain of custody of an issuer’s conflict minerals.

As discussed above, Section 13(q) requires the Commission to issue rules requiring resource extraction issuers to include in an annual report information relating to any payment made by the issuer, a subsidiary of the issuer, or an entity under the control of the issuer, to a foreign government or the federal government for the purpose of the commercial development of oil, natural gas, or minerals. A primary goal of such transparency is to help empower citizens of those resource-rich countries to hold their governments accountable for the wealth generated by those resources. To accomplish this goal, Congress created a disclosure regime in Exchange Act Section 13(q) that would support the commitment of the U.S. federal government to international transparency promotion efforts relating to the commercial development of oil, natural gas, or minerals.

3. Consideration Given to Information Technology

Form SD is filed electronically with the Commission using the Commission’s Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”).

4. Duplication of Information

The Commission is not aware of any rules that conflict with or substantially duplicate the final regulation.

5. Reducing the Burden on Small Entities

Form SD can be used by all issuers that file reports with the Commission pursuant to Exchange Act Sections 13(a) or 15(d) that have conflict minerals that are necessary to the functionality or production of a product manufactured by the issuer or contracted by the issuer to be manufactured. Generally, the requirements of the final regulation do not vary based on the size of the issuer. Smaller reporting companies, however, are permitted to use the temporary “DRC conflict undeterminable” transition period, if applicable, for four years instead of the two-year transition period for all other issuers. The Commission believes that the final regulation would affect small entities with necessary conflict minerals.

6. Consequences of Not Conducting Collection

To accomplish the goal of helping end the human rights abuses in the DRC caused by the conflict, Congress chose to use the securities laws disclosure requirements to bring greater public awareness of the source of issuers' conflict minerals and to promote the exercise of due diligence on conflict mineral supply chains. By doing so, the Commission understands Congress's main purpose to have been to attempt to inhibit the ability of armed groups in the Covered Countries to fund their activities by exploiting the trade in conflict minerals. Reducing the use of such conflict minerals is intended to help reduce funding for the armed groups contributing to the conflict and thereby put pressure on such groups to end the conflict. The Congressional object is to promote peace and security in the Covered Countries. Section 1502 amended the Exchange Act by adding Section 13(p), which requires the Commission to promulgate disclosure and reporting regulations regarding the use of conflict minerals from the Covered Countries. The rule and form implement Exchange Act Section 13(p) by setting forth the conflict minerals disclosure requirements for issuers. Failure to require the collection of information would frustrate the statutory intent of Exchange Act Section 13(p) and Section 1502 of the Dodd-Frank Act.

Congress elected to use the disclosure requirements in the federal securities laws to increase the transparency of payments made by oil, natural gas, and mining companies to governments for the purpose of the commercial development of their oil, natural gas, and minerals. A primary goal of such transparency is to help empower citizens of those resource-rich countries to hold their governments accountable for the wealth generated by those resources. Failure to require the collection of information would frustrate the statutory intent of Section 1504 of the Dodd-Frank Act and Exchange Act Section 13(q).

7. Special Circumstances

There are no special circumstances.

8. Consultations with Persons Outside the Agency

No public comments were received during the 60-day comment period prior to OMB's review of this submission.

9. Payment or Gift to Respondents

No payment or gift to respondents.

10. Confidentiality

All documents filed with the Commission are public documents.

11. Sensitive Questions

Form SD has no information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic Personally Identifiable Information (PII) that may include name, telephone number and job title. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on January 29, 2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

12/13. Estimate of Respondents Reporting Burden and Total Annualized Cost Burden

Table 1 Estimate paperwork burden under Form SD under Section 13(p) requirements related to Form SD

Information Collection Title	A Number of responses	B Burden hours/form	C Total burden hours A x B	D Internal issuer time C x 0.75	E External professional time C x 0.25 x \$400	Professional costs
Form SD	864	480.61265	415,249.3233	311,436.9972	103,812.332	\$41,524,932

Table 2. Estimated total paperwork burden under Sections 13(p) and 13(q) requirements related to Form SD

Information Collection Title	A Number of responses	B Burden hours/form	C Total burden hours A x B	D Internal issuer time C x 0.75	E External professional time C x 0.25 x \$400	F Professional costs
Form SD	1,481	476.11582	705,127.5294	528,845.6499	176,281.88	\$113,012,752.

For purposes of the Paperwork Reduction Act (“PRA”, we estimate that Form SD takes approximately 476.11582 hours per response to comply with the collection information requirements of Sections 13(p) and 13(q) under the Exchange Act and is filed by 1,481 issuers. Section 13(q), we estimate 75% of the hours per response is prepared internally by the issuers for an annual total internal reporting burden is approximately 217,408.65 hours ([667 hours per response x 425 responses] + [33.35 hours per response x 192 responses] x 0.75). When adding this to existing internal reporting burden hours associated with complying with Section 13(p) (See Table 1), the total internal reporting burden for Form SD is 528,845.6499 hours (311,436.9972 + 217,408.65) (See Table 2). Also in connection with Section 13(q), we estimate 25% of the hours per response is prepared by outside professionals retained by the issuers at a cost of \$400 per hour. In addition, we estimate an initial compliance cost of \$100,000 for IT

consulting, training, and travel costs. These additional IT cost would not apply to 192 issuers that we estimate would not bear the full costs of compliance, because those issuers would already have IT systems in place to comply with foreign laws. Thus, we estimate a total cost burden for the amendments of \$71,487,820 ((667 hours per response x 425 responses) + (33.35 hours per response x 192 responses)) x 0.25 x \$400) + (\$100,000 x 425)). When adding this to the existing total cost burden associated with complying with Section 13(p), (See Table 1) the total cost burden is \$113,012,752 (\$41,524,932) + \$71,487,820). (See Table 2) For administrative convenience, the presentation of the totals related to the paperwork burden hours have been rounded to the nearest whole number and the cost totals have been rounded to the nearest dollar. The cost estimate is made solely for the purpose of the Paperwork Reduction Act.

We derived our burden hour estimates by estimating the average number of hours it would take an issuer to compile the necessary information and data, prepare and review disclosure, file documents and retain records. In connection with rule amendments to the form, we occasionally receive PRA estimates from public commenters about incremental burdens that are used in our burden estimates. We believe that the actual burdens will likely vary among individual issuers based on the nature of their operations. We further estimate that 75% of the collection of information burden is carried by the issuers internally and that 25% of the burden of preparation is carried by outside professionals retained by the company. In addition, we estimate an hourly cost of \$400 for outside legal and accounting services used in connection with public company reporting. This estimate is based on our consultations with registrants and professional firms who regularly assist registrants in preparing and filing disclosure documents with the Commission. Our estimates reflect average burdens, and therefore, some companies may experience costs in excess of our estimates and some companies may experience costs that are lower than our estimates.

14. Costs to Federal Government

The annual cost of reviewing and processing disclosure documents, including registration statements, post-effective amendments, proxy statements, annual reports and other filings of operating companies amounted to \$102 million in fiscal year 2018, based on the Commission’s computation of the value of staff time devoted to this activity and related overhead.

15. Reason for Change in Burden

Table 3. Adjustment in Form SD estimated change in burden

IC Title	Current Burden			Annual Burden (Hours) (0.75%)			Annual Cost Burden (\$)(0.25%)		
	Previously Approved	Requested	Change	Previously Approved	Requested	Change	Previously Approved	Requested	Change
Form SD	1,481	1,481	0	601,315	528,846	(72,469)	113,011,660	113,012,752	1,019

The decrease of 72,469 burden hours and the increase of \$1,092 in cost burden is due to an adjustment in how the burden hours and costs are calculated for purposes of the Paperwork Reduction Act.

16. Information Collection Planned for Statistical Purposes

The information collection does not employ statistical methods.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

There are no exceptions to certification for Paperwork Reduction Act submissions.

B. STATISTICAL METHODS

The information collection does not employ statistical methods.