

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 also 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 (“EDGAR”) system.

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.

Form SD also applies to issuers that are required to file annual reports with the Commission under Section 13(a) or Section 15(d) of the Exchange Act, and that are engaged in the commercial development of oil, natural gas, or minerals. However, the final rules exempt smaller reporting companies and emerging growth companies from the Section 13(q) requirements as long as they are not subject to an alternative reporting regime that the Commission has determined satisfies the transparency objectives of Section 13(q). Most small entities will fall within the scope of this exemption and, therefore, will not be subject to the final rules. Moreover, if a small entity is subject to an alternative reporting regime and, therefore, is not eligible for the exemption, that entity may satisfy its Section 13(q) reporting obligations by submitting to the Commission its home country report, subject to certain conditions. Those small entities will incur only minor costs of translating the home country report into English, if necessary, and formatting the report into XBRL. Accordingly, the Commission believes that the final rules will not have a significant economic impact on a substantial number of small entities.

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 also 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

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 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 March 22, 2023, 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 \$600	Professional costs
Form SD	1009	480.61265	484,938.1638	363,704	121,234.5409	\$72,740,724.54

Form SD is used by issuers to comply with Rule 13p-1 to provide disclosures regarding the source and chain of custody of certain minerals used in their products. Section 13(p) was added by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). We estimate that, when used by filers to comply with Section 13(p), Form SD takes approximately 480.61265 hours per response to prepare and is filed by approximately 1,009 issuers. We estimate that 75% of the 480.61265 hours per response (360.46 hours) is prepared by the issuer internally for a total annual burden of 363,704 hours (360.46 hours per response x 1,009 responses).

Table 2 Estimate paperwork burden under Form SD under Section 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	Professional costs C x 0.25 x \$600
Form SD	414	296.9202	122,924.9628	92,193.7221	30,731.2407	\$18,438,744.42

Form SD is also used by issuers to comply with Section 13(q) of the Exchange Act (15 U.S.C. 78m(q)) and Rule 13q-1 thereunder (17 CFR 240.13q-1). Section 13(q) was added by Section 1504 of the Dodd-Frank Act. Form SD is used by resource extraction issuers to disclose 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. We estimate that, when used by filers to comply with Section 13(q), Form SD takes approximately 296.9202 hours per response to prepare and is filed by approximately 414 issuers. We estimate that 75% of the 296.9202 hours per response (222.69 hours) is prepared by the issuer internally for a total annual burden of 92,194 hours (222.69 hours per response x 414 issuers responses).

Table 3. 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	F Professional costs C x 0.25 x \$600
Form SD	1,423	427.1701	607,863	455,897	151,966	\$91,179,469

For purposes of the Paperwork Reduction Act (“PRA”), we estimate that Form SD take approximately 427.1701 hours per response to comply with collection information requirements of Sections 13(p) and 13(q) under the Exchange Act and is filed by 1,423 issuers. We estimate that 75% of the 427.1701 of hours per response (320.3775 hours) is prepared by the issuer internally for a total annual burden of 455,897 hours (320.3775 hours per response x 1,423 issuers). The estimated burden hours are made solely for the purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

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 \$600 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 approximately \$131,724,880 in fiscal year 2023, 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 Increase in cost burden	Change
Form SD	1,278	1,423	145	458,065	455,897	-2,168	\$103,575,152	\$91,179,469	(\$12,395,683)

The decrease of 2,168 in burden hours and the decrease of (\$12,395,683) in cost burden is due to an adjustment to a change in how Rule 13(q) filers burden hours and cost burden are calculated by the Commission. The Commission has increased the cost of outside professionals from \$400 per hour to \$600 per hour for purposes of the PRA analysis. We recognize that the costs of retaining outside professionals may vary depending on the nature of the professional services.

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.