

## Five Suggestions for Sustainability Accounting Disclosures For Conflict Minerals



Conflict Minerals filings for the 2016 are due to the SEC on May 31, 2017 for the 2016 reporting year. Conflict minerals teams, counsel, and investor relations can breathe a sigh of relief, and get back to business, right? Not so fast.

**It's an excellent time to draft Sustainability Accounting disclosures for conflict minerals.** Companies should draft appropriate language for their Form 10-K now, while the information is fresh. This can also help improve investor impressions of the company – perhaps even more than the Conflict Minerals Report.

The Sustainability Accounting Standards Board (SASB) was formed in 2011, with the mission of providing reliable, investment-quality information about material risks concerning environmental, social and governance issues. SASB relies on existing law and accounting principles. Company management discloses performance and management approach on issues that are (or could be) material risks in the Management Discussion and Analysis (MD&A) section of the Form 10-K.

SASB's accomplishments in a few short years have included:

- A unique classification system for industries that aligns with Sustainability risks,
- Provisional Sustainability Accounting standards for each industry sector
- Analysis of the current state of disclosure for Sustainability Accounting topics
- Launch of a research tool that provides analysis – at a glance - on each company's Sustainability Accounting disclosures to investors; and
- Launched the Fundamentals in Sustainability Accounting credential.

Conflict Minerals is a topic for Sustainability Accounting standards in several industry sectors, ranging from auto parts to semiconductors. Briefly, the conflict minerals disclosures address:

- Validated conflict-free 3TG smelters and refiners; and
- Discussion of management of risks associated with critical materials and conflict minerals

SASB's disclosure analysis is likely to be a recurring initiative, much like the analysts' review of the Conflict Minerals Reports. Furthermore, as investors use SASB's user-friendly disclosure analysis tool more, the extent of disclosures can play a larger role in investment decisions.

Here are five suggestions for companies considering Sustainability Accounting disclosures.



## **FIVE SUGGESTIONS FOR SUSTAINABILITY ACCOUNTING DISCLOSURES FOR CONFLICT MINERALS**

1. **Review last year's 10-K.** Preparation of Conflict Minerals Reports (CMRs) and the Form 10-K often occurs in siloes. Conflict Minerals team leaders can learn how the company discusses risk by reading the MD&A section of their company's 10-K.
2. **Be reasonably consistent.** Language in the CMR and Form 10-K doesn't have to be identical, but they should be reasonably consistent. Companies may include certain content in CMRs in response to analyst of NGO expectations. Some of this may not fit for a 10-K.
3. **Aim higher.** Boilerplate language is vague, and comes across as a perfunctory "check the box" exercise. Narrative that provides your company's specific approach helps investors gain confidence in the effective management of risks.
4. **Push hard if your company fiscal year ends soon.** For a company with fiscal year end of June 30, the information is still fresh. Companies with fiscal years ending December 31 may need to refresh their draft disclosures before including in the 10-K – but this is still better than starting from scratch.
5. **Leverage this opportunity.** Drafting CMRs is a collaborative exercise. It has provided the opportunity to discuss goals, objectives, improvements, and resources. Compiling Sustainability Accounting disclosures provides a similar opportunity – so make the most of it!

### **About Douglas Hileman Consulting LLC**

Douglas Hileman Consulting LLC (DHC) has conducted IPSAs each year the SEC minerals rule has been in effect. DHC developed and maintains [www.DFCMAudit.com](http://www.DFCMAudit.com) as a reference for stakeholders interested in IPSAs. He supports clients in risk management involving operations, compliance, and non-financial reporting. Modern day slavery, Sustainability, audit readiness, and EHS auditing are current hot topics.

Prior to launching his firm in 2008, Mr. Hileman worked at a Big 4 accounting firm for six years, supporting financial audits, enterprise risk management, internal audit and the Sustainable Business Solutions practice. Mr. Hileman holds credentials as a Certified Risk Management Assurance (CRMA) professional, a Certified Professional EHS Auditor (both administered by The Institute of Internal Auditors) and Fundamentals in Sustainability Accounting (administered by the Sustainability Accounting Standards Board). See also [www.douglashileman.com](http://www.douglashileman.com).