



# NIAGARA REFINING LLC

## 2020 Public Due Diligence Report on Conflict Minerals

1 Jan 2021

### 1. Company Information

Company Name	Niagara Refining LLC
CID Number	CID002589
Company Location	5601 Transit Rd, Depew, NY 14034, USA
3TG Material Processed	Tungsten
Time Period Covered by this report	1/1/2020 – 12/31/2020

Niagara Refining LLC is a joint venture between Sumitomo Electric Industries, Ltd. and Buffalo Tungsten, Inc. The company operates a hydrometallurgy plant in Depew NY that processes tungsten. The sources of tungsten raw materials include mined tungsten concentrates, refined tungstates, and tungsten containing scrap. From a Conflict Minerals point view, the company is classified as a tungsten smelter.

The company does not procure any tungsten raw materials of its own accord. Raw material tungsten is instead sourced and supplied to the company by our parent companies. However, the company does have considerable input on these sources and has the final say on what materials will be accepted by the company for processing, in accordance with our Responsible Minerals policies. The company is committed to maintaining a conflict free supply chain and maintaining compliance with the OECD Guidance and RMAP assessment standard for tungsten.

### 2. RMAP Assessment Summary

Date of Last RMAP assessment	4/23-24/2019
Assessment Period	1/1/2018 – 12/31/2018
Assessment Firm	SCS Global Services
URL to most recent assessment summary report	<a href="http://www.niagararefining.com/responsible-sourcing.html">http://www.niagararefining.com/responsible-sourcing.html</a>
Note that the assessment from the above period currently remains ongoing. The program switch from Conflict Smelter Assurance Process (CFSP) to Responsible Minerals Assurance Process (RMAP) followed by the Covid-19 Pandemic has caused this process to be extremely drawn out, thus the delay in finishing the assessment. NR has worked closely with the RMI in 2020 to resolve the assessment non-conformance findings and we believe that that all the issues have now been resolved satisfactorily. Thus, the latest assessment summary report currently linked above is from the period before (10/1/2015 – 12/31/2017). This will be updated on the same webpage once it becomes available from the RMI.	

### 3. Company Supply Chain Policy

To avoid the use of conflict minerals, which directly or indirectly finance or benefit armed groups and/or involve other serious human right abuses in high-risk and conflict-affected regions, the company has developed a Responsible Minerals Supply Chain Policy. This policy conforms with the relevant OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) and with the RMAP Tungsten Smelter Standard. It covers all of the risks identified in Annex II of the OECD Guidance and its geographic scope is global. The company is committed to addressing any Annex II risks if identified. The policy was reviewed and approved by senior management, which committed to support its implementation. The policy has been widely disseminated to relevant stakeholders (suppliers, customers, employees etc.) and is available on the company website at <http://www.niagararefining.com/responsible-sourcing.html>.

### 4. Company Management Systems

#### Management Structure

The company is committed to its supply chain policy and has developed an internal procedure for due diligence with the following aspects:

- The President has overall responsibility to manage the company responsible minerals program. This includes ensuring all
- The President is also responsible to ensure that supplier due diligence and risk assessments are up to date and are as complete as possible.
- The Accounting Manager and Warehouse Clerk are responsible to complete internal forms for each shipment and ensure that supplier provides the required documentation for each delivery. They are responsible to ensure that all raw materials tungsten released into production are approved for use.
- The company conducts due diligence management system training once a year for key staff from all relevant departments required in due diligence program. If there is an update of the program, the company conducts additional training as necessary.

#### Internal Systems of Control

The company has continued to update its risk management system during 2020 to stay aligned with the OECD Guidance and the everchanging RMAP guidelines. The company has a systematic approach to risk management

The company uses the following mechanisms to assess and manage conflict minerals risk:

1. TI-CMC Membership
2. Regular RMAP assessment audits
3. Grievance & Whistle Blower mechanisms
4. Know-Your-Supplier (KYS) Due Diligence
5. CAHRA Identification & Determinations

6. Red Flag Assessments
7. Risk Level Determinations

The company communicates its supply chain policy and sourcing requirements to all identified upstream suppliers. We are in constant communication with our parent companies regarding any Responsible Minerals requirements and/or policies.

The company only uses a limited number of suppliers. This simplifies our efforts to effectively manage the supply chain and allows us to know our sources very well.

We have a well-defined grievance mechanism with a link from our website, using an independent third party to handle this mechanism on our behalf. We have yet to receive any complaints against the company regarding conflict minerals issues, but these would be taken very seriously by our parent company in Japan, who would handle any such investigation.

#### Record Keeping System

The company requires that all records relating to the due diligence program are maintained at least for five years. Records are kept on each individual incoming and outgoing shipment and there is a process to calculate and track the mass balance of all tungsten containing materials.

### **5. Risk Identification**

In 2020, the company refined its process to identify risks in the supply chain. In particular, NR revised the procedure to identify a Conflict Affected and High-Risk Area (CAHRA). This was done in consultation with the RMI as part of a remaining audit non-conformance.

The process used for Risk Identification includes the following:

Firstly, we have Know Your Supplier (KYS) requirements to include information concerning supplier legal status and identity, supplier mapping and potential risks for all suppliers. We now have KYS Due Diligence completed for all of our suppliers and sources. The company's due diligence manager reviews this information. Whenever inconsistencies, errors or incomplete information are identified in this information, these are investigated and clarified.

Secondly, referring to the risks in the company's supply chain policy, the company established a procedure to identify a Conflict Affected and High-Risk Area (CAHRA). The procedure includes the resources used, the criteria to define a CAHRA well as the frequency with which our determination is reviewed. Referring to its supply chain policy and external resources, the company has defined criteria and benchmark indicators to determine CAHRAs.

Thirdly, the company reviews all information to determine if any Red Flags are present. Red Flags are those described by the RMAP standard as potential indicators of conflict minerals risk.

If any Red Flags are identified, the company would further engage with its suppliers to clarify and improve the documents as needed.

Based on the risk identification information collected above, NR then determines if a source is Low-Risk or High-Risk. In 2020, only 1 source was identified as in the High-Risk level due to it being in a Covered Country. All other sources were identified as Low-Risk sources.

## **6. Risk Assessment**

For this one source determined as High-Risk, the company has conducted enhanced due diligence. This included:

- Assessing the context of CAHRAs;
- Clarifying the chain of custody;
- Assessing the activities and relationships of upstream suppliers;
- Identifying locations and qualitative conditions of the extraction, trade, handling, and export of minerals; and,
- Conducting on-the-ground assessments. In order to map the factual circumstances, conduct on-the ground assessments and assess risks in the high-risk supply chains, we relied on the following:

This source has supplied tungsten ore to NR for several years now, so the supply chain is already well known to NR Management. As such, we already have extensive due diligence on this source.

We also have a well-defined closed loop supply chain that ensures the integrity of the material. This complete chain of custody for each shipment, from the time it leaves the mine until it arrives at NR, is fully documented. Each shipment received in 2020 from this source had an unbroken chain of custody.

We review our KYS Due Diligence on this supplier at least yearly and we have visited the mine site several times over the years, the last time being in March 2018. This source has been audited against the OECD Guidance several times in years past by independent third-party auditors. Unfortunately, due to the COVID pandemic and the resulting travel restrictions, we were unable to send our auditors to the mine site and perform an OECD audit on that particular supply chain during 2020. We expect to do so once the travel restrictions are eased and it is safe to do so.

## **7. Risk Mitigation**

The company's Supply Chain Policy defines three possible risk mitigation strategies in accordance with the OECD Guidance Annex II Model Policy:

1. Continuing trade throughout the course of measurable risk management efforts.

2. Temporarily suspending trade while pursuing ongoing mitigation efforts.
3. Disengaging with a supplier in cases where mitigation appears not feasible or unacceptable.

In 2019, there were 2 minor issues at the “High-Risk” source which were highlighted by the Snap Visit report. NR Management decided that these risks could be managed by continuing to trade with the supplier while the risk mitigation efforts proceed.

The risk mitigation plan agreed to by the supplier and NR was for the mine management to do as follows during 2019:

- a. Increase PPE training and enforcement.
- b. Work closely with law enforcement to catch and prosecute material theft from the mine site.
- c. Lobby government entities to crack down on cross border smuggling that gives an outlet for the sale of this stolen material, where it then disappears into someone else’s supply chain.
- d. Progress will be measured during the full OECD audit that is scheduled to be performed at the mine site by the independent auditor in 2020.

As noted above, follow up by our independent auditor to the at the mine site was unable to occur in 2020 and the mine site itself was shut down for much of the year. However, we have continued to communicated with the supplier and will follow up with this source during 2021.