



NIAGARA REFINING LLC

2019 Public Due Diligence Report on Conflict Minerals

1 Jan 2020

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	1/1/2019 – 12/31/2019

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	http://www.niagararefining.com/responsible-sourcing.html
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) has caused this process to be drawn out, thus the delay in finishing the assessment. NR expects this assessment to be completed in early 2020. Thus, the latest assessment summary report currently linked above is from the period before (10/1/2015 – 12/31/2017). It 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. As part of the change to the RMAP tungsten standard for 2019, the supply chain policy has been modified to further align with the relevant OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). 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:

- President has responsibility to oversee the supply chain due diligence program.
- 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.
- President is responsible to ensure that Supplier Due Diligence reports are up to date and as complete as possible.
- 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 been updating its due diligence system during 2019 to be better aligned with the OECD Guidance and new RMAP guidelines. The company communicates the updated supply chain policy and sourcing requirements to all identified upstream suppliers. The company requires BTI/SCI to visit all of its direct suppliers every 2 years and supply due diligence visit reports. The company also has a grievance mechanism linked on the company website to collect information on grievances from interested parties.

Record Keeping System

The company requires that all records relating to the due diligence program are maintained at least for five years.

5. Risk Identification

In 2019, the company developed a more robust process to identify risks in the supply chain.

Firstly, the company strengthened 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 2019, only 1 source was identified as in the High-Risk level. 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. In 2019 we added to that by reviewing and assessing the country risk.

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 in received in 2019 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.

Importantly, this source has been audited against the OECD Guidance several times in years past. In January 2019, a Snap Visit was performed by the same qualified third-party auditor who performed the full audit of the site in 2018. This Snap Visit is very similar to OECD audit but is done without prior notification to the mine. The purpose is to conduct an on-the-ground mine site assessment. The report found that the “supply chain is not conflict affected and is low risk”. It did report that some steps should be taken to ensure that all underground miners consistently use their provided PPE. The report also made several recommendations to improve to site security to prevent material theft from the mine site.

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.

As discussed in the Risk Assessment section above, 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.