

St Martin i.S., Austria, 12 March 2019

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ^[1]

Wolfram Bergbau & Hütten AG Due Diligence Report for Mineral Supplies in Year 2018 (“OECD Step-5 Report”)

Wolfram Bergbau & Hütten AG’s OECD Step-5 Due Diligence report for the year 2018 follows wherever appropriate the *Public Due Diligence Report Writing Guidance* of the Responsible Minerals Assurance Process of the Responsible Minerals Initiative (RMI), as downloaded from the RMI webpage on 26 January 2019 and Annex IV of the *Responsible Minerals Assurance Process – Tungsten Smelter Standard* published on 1 December 2017.

1.) Company Information

Company name: Wolfram Bergbau & Hütten AG
 RMI smelter ID: CID002044
 Registered address: Bergla 33, A-8543 St. Martin i.S., Austria
 Refinery location: Bergla 33, A-8543 St. Martin i.S., Austria
 Processed material: tungsten
 Report period: calendar year 2018 (1 Jan 2018 – 31 Dec 2018)
 Webpage: www.wolfram.at

Wolfram Bergbau & Hütten AG (WBH) is a world-leading vertically integrated manufacturer of tungsten carbide and tungsten metal powders. The company operates two facilities in Austria:

- a modern underground scheelite mine at Mittersill, Salzburg, and
- a state-of-the-art recycling, refining and powder manufacturing facility at St. Martin i.S., Styria, listed by the Responsible Minerals Initiative (RMI, formerly known as Conflict Free Sourcing Initiative, CFSI) under smelter ID CID002044.

The company is not affiliated with other companies using the name “Wolfram”, as this is simply the name for the chemical element tungsten in many languages, e.g., in German, Russian or Portuguese.

Since 2009, the company is part of the global Sandvik group, headquartered in Sweden.

[1] OECD (2016), OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing. In this report referred to as the OECD Guidance.

In line with its Mission Statement, WBH is committed to ensure best practice with respect to safety, health, environment and ethics at all stages of its supply and production chain. WBH fully supports the activities of the Organisation for Economic Co-operation and Development (OECD) to avoid the use of raw materials which finance armed groups in the Democratic Republic of Congo (DRC) and its neighbouring countries (collectively often referred to as the “Covered Countries”) as well as other Conflict-Affected and High-Risk Areas (CAHRAs).

WBH is supporting its customers to comply with the SEC Conflict Mineral rule concerning section 1502 of the Dodd-Frank Act and will do so with respect to Regulation (EU) 2017/821 once implemented. WBH is a founding member of the Tungsten Industry – Conflict Mineral Council (TI-CMC) and, based on an independent 3rd party assessment, is listed as conformant to the Responsible Minerals Assurance Process assessment protocol (commonly known as “Conflict Free Smelter”). WBH is also full member of ITSCI (International Tin Supply Chain Initiative).

WBH’s products are tungsten metal powder (100% W) and tungsten carbide powder (94% W, 6% C). The company sources its raw material from

- its own mining operation,
- secondary raw materials (scrap),
- tungsten ore concentrates from mines worldwide, and
- intermediate products such as Ammonium Paratungstate (APT) and Tungsten Oxide (BTO, YTO).

Besides tungsten-bearing raw materials, carbon black is required for some of WBH’s products as well as a few tonnes of dopant metals annually. Certain quantities of cobalt, tantalum and molybdenum-bearing by-products are generated in WBH’s recycling and refining activities.

2. RMAP Assessment

The most recent 3rd party assessment following the Responsible Minerals Assurance Process (RMAP) was undertaken

- from 03 to 04 Apr 2018
- for the one-year audit period from 1 March 2017 to 28 February 2018
- by SGS Germany GmbH, with lead auditor Mr. Karl Daumüller, accompanied by Mr. Harald Willenig, SGS Austria.

The assessment followed the Conflict-Free Smelter Program (CFSP) Supply Chain Transparency Smelter Audit Protocol for Tungsten as published on 19 Nov 2013 and as such, there is no public domain summary report. The successful assessment is demonstrated by the refinery’s inclusion in the list of RMAP Conformant Tungsten Smelters on the web page of RMI:

<http://www.responsiblemineralsinitiative.org/tungsten-conformant-smelters/>

3. Company Supply Chain Policy

Overview and History

The company’s Supply Chain Policy is part of the overall company management system. WBH is audited against ISO 9001, 14001 and OHSAS 18001 industry standards since 1994, 1999, and 2010, respectively.

The ISO 9001 management system of WBH (QSGU system) prescribes, besides others, the supply and production procedures within the company, using a comprehensive set of policies, instructions and procedure documents. The overall management systems are audited on a regular basis, with the most recent audit being undertaken by Intertek Certification GmbH, Germany, in August 2018. The ISO 9001 certificate is valid until 19 September 2021.

Specific Conflict Mineral-related instructions (in line with the original CFSP tungsten protocol) have been added in mid-2014. Following revision of the RMAP Tungsten Smelter Standard (version issued 1 December 2017), a new comprehensive instruction entitled **WBH Management System for Responsible Supply of Tungsten Raw Materials (WBH-RSTM)** is in effect since 1 January 2019.

This instruction is considered fully aligned with the spirit of OECD Guidance and RMAP Tungsten Smelter Standard, and it calls for identification of CAHRAs and relevant risk management for supplies worldwide.

WBH has been sourcing from what is now known as the Covered Countries in Central Africa since the mid-2000s; and supply chain due diligence, especially with respect to CSR issues like child labour avoidance and EHS has been undertaken from the onset, although in a less formalised way than since 2014. WBH has participated in the OECD multi-stakeholder meetings from the onset, and on the ground, has taken part in early 3rd party efforts such as the Certified Trading Chain (CTC) programme of the German geological survey (BGR). WBH was instrumental to reopening the tungsten supply chain from the area after the de-facto boycott experienced as unintended consequences of the Dodd-Frank Act / SEC Conflict Mineral Rule in around 2013/14.

Supply Chain Policy

WBH has adopted and published on its web page a Responsible Sourcing Statement, which has been adapted from time to time to reflect the developments in the area of responsible sourcing of minerals:

<http://www.wolfram.at/wp-content/uploads/2017/04/Conflict-Mineral-Statement.pdf>

WBH considers a short crisp Responsible Sourcing Statement as a more effective tool to promote compliance with the expected standards than the generic lengthy Model Supply Chain Policy in Annex II of the OECD Guidance. The WBH-RSTM itself is not a public document.

WBH believes “Conflict Mineral” compliance must be seen within a larger framework of general CSR considerations. “Conflict Mineral” obligations are also covered in the Wolfram/Sandvik Supplier Code of Conduct (SSCoC), which all suppliers are bound to sign off, implement and which forms a part of all raw material supply contracts. In the framework of supplier assessments, all suppliers are gauged against a list of “Rejection Criteria” that has originally been compiled by Sandvik Sustainable Supplier Management as first-pass review of compliance with the SSCoC.

The SSCoC can be found under:

<https://www.home.sandvik/globalassets/6.-about-us/sustainable-business/our-operations/governance/codes-of-conduct/supplier-code-of-conduct-pdf/english.pdf>

4. Company Management System concerning Responsible Raw Material Supplies

Management Structure and Responsibilities

WBH is part of the Division SMS Supply within the Business Area Sandvik Machining Solutions (SMS). A dedicated member of WBH's management team, reporting directly to the president of the company, is as Responsible Tungsten Raw Material Appointee (RTMA) responsible for implementation and oversight of the raw material supply chain due diligence for WBH. This function is independent of but closely collaborating with the direct purchasing unit. In his function, the RTMA is also collaborating directly with logistics, quality control, production and the sales department.

The RTMA has 30 years of experience in the mineral industry, 11 years of which have been in the tungsten industry, a wide range of experience with artisanal to industrial mining, mineral processing, metal accounting and the geology of ore deposits. He serves currently as chairman of the board of the TI-CMC and is member of the Standard Advisory Group of RMI.

The WBH-RSTM calls for annual feedback concerning the performance of the management system to the president of the company. The management team is being kept abreast with developments in the area of responsible minerals supplies. A training schedule of concerned staff is included in the WBH-RSTM while presentations at townhall meetings and articles in the company's newsletter are intended to raise awareness of the entire workforce.

Over the past few years, the responsible minerals supply policy has become a lived routine for the involved staff, especially in purchasing and logistics (material reception & sampling). New employees of relevant departments are informed about the subject during their routine induction. Being a comparatively small organisation, many issues in this area are dealt with in informal day-to-day cross-functional discussions.

Being an integrative part of the overall management system of the company, the WBH-RSTM will be reviewed as part of internal and external audits under ISO 9001.

The company is now transitioning from the previous management system in line with the "CFSI Conflict Free Smelter Program" from 2013 to a far more inclusive approach aligned to RMAP 2017 and expects that possible weaknesses and other issues that require adjustments will be identified and addressed during the application of the rules in 2019 and during the forthcoming annual RMAP assessment.

Internal System of Controls

The year 2018 marked the transition from the previous "CFSI Conflict Free Smelter Program" to full alignment with the expectations of the OECD Guidance as laid down in the new RMAP Tungsten Smelter Standard. While the new comprehensive instruction entitled **WBH Management System for Responsible Supply of Tungsten Raw Materials (WBH-RSTM)** is only in effect since 1 January 2019, sourcing by WBH has been largely aligned with these procedures throughout the previous years. Furthermore, some transition rules were implemented informally in 2018 before the formal instruction was issued.

In summary and together with the SSCoC, beside others, these rules specify supplier selection criteria, minimum documentation needs, and raw material reception procedures. There are specific (stricter) requirements for supplies from the CAHRAs, including mine site visits prior to the first delivery, annual re-visits, plausibility assessments and participation in an acceptable traceability programme if available. WBH prefers direct interaction with the mine owners, even where purchasing is through traders and does only

accept supplies from specific pre-approved mines. WBH does normally not purchase consolidated material, especially from CAHRAs and even if it is tagged by ITSCI.

As the only integrated tungsten producer outside of Asia, WBH has extensive knowledge about mining and beneficiation, and undertakes technical cooperation with numerous suppliers, which as a side-effect provides detailed insight into the operations, assuring the origin of the concentrates is well understood.

All supply contracts and/or pre-contract negotiations for mined material include relevant language assuring that

- Minerals are exclusively mined at specific mines;
- WBH receives all required documentation and has the right to visit; and
- WBH has the right to return concentrate that does not conform to these requirements or where ITSCI reporting on tags or other information indicates a different origin than the agreed one.

Company procedures include a clearance procedure prior to utilisation of the concentrates and internal “red flag” procedures.

WBH is a full member of ITSCI and the vast majority of all supplies from CAHRAs is covered by either the ITSCI or Better Sourcing Program (BSP) traceability programmes (“bag & tag”) and associated due diligence, mine site baseline studies and shipment reports. However, with the expansion of the concept of CHARAs beyond Central Africa, a broader range of Due diligence approaches is required, and WBH is actively investigating possibilities to assure responsible origin without traditional “plastic tags”.

Supplies of intermediates (mainly APT and BTO/YTO) are exclusively sourced from smelters/refiners that are listed by the RMI as RMAP conformant tungsten smelters:

<http://www.responsiblemineralsinitiative.org/tungsten-conformant-smelters/>

In line with the company’s purchasing policy, all supply contracts for raw material include contractual acceptance with the SCoC, which sets out minimum requirements concerning legal compliance and various CSR issues such as environmental and EHS performance, child labour and similar. Where relevant, additional language is added to purchase contracts or purchase orders.

Stakeholders are invited to lodge grievances concerning WBH’s supplies of raw materials at

- the dedicated global whistle blower system of the Sandvik group “Speak Up”;
- ITSCI’s grievance mechanisms in the Covered Countries, and the
- Grievance mechanism of RMI.

As the company is in constant contact with many of its suppliers, especially with the ones located in CAHRAs, concerns can also be discussed directly.

Any grievances received would be dealt by the RTMA except for grievances concerning the work of the RTMA itself, where follow up would be undertaken by another management team member on behalf of the president of the company.

WBH had first been audited by the Conflict Free Smelter Program (CFSP; now RMAP) in March 2015 and confirmed as Conflict Free Smelter. Successful re-audits were undertaken in April 2016, March 2017 and April 2018.

Finally, the current report and the description of Conflict Mineral handling on the company's webpage provide additional transparency concerning the company's procedures and policies.

Record Keeping System

Over the past years, WBH introduced an MB Control database system across most technical departments. All incoming shipments, inventory and feed of the plant with the various raw materials are documented in the MB Control system, which is linked to the SAP system used for the financial accounting.

In MB Control, all tungsten raw material is given unique batch numbers upon contract award, shipment notice or latest upon arrival on the premises. Upon release (i.e., once assays are available and if there are no compliance or technical "red flags"), the material is also listed in SAP. All relevant paper documents are scanned and stored within MB Control and/or SAP. The IT department is responsible for reliable and safe operation of the company's IT systems, which are also integrated into the overall Sandvik IT.

For material from Central Africa, all tags are kept on site, and small back-up samples would allow fingerprinting test should there be doubt of the material's origin. Information from the traceability providers ITSCI and BSP or other 3rd party auditors, such as baseline studies or shipment-specific data, is kept on file on the company's server.

All direct suppliers are registered in a master data file. Information about the individual mines, visits and so on is available in hardcopy (field books), reports and e-mail notes; a formal register of all "approved sources" is currently being set up as part of the new management system.

All relevant information has a retention time of at least five years.

5. Risk Assessment

With respect to the responsible sourcing of raw materials, principle focus is on primary raw materials (tungsten concentrates). Intermediates are solely sourced from RMAP compliant facilities, and unless the company comes across any red flags, it will rely on the assessments of RMI. Material determined to be of secondary nature (recycling) is deemed to be outside of the scope of responsible sourcing of minerals.

When it comes to responsible sourcing of primary raw materials, i.e., tungsten concentrates, the principle guideline for the company are the first two sentences of the Introduction of the OECD Guidance:

In conflict-affected and high-risk areas, companies involved in mining and trade in minerals have the potential to generate income, growth and prosperity, sustain livelihoods and foster local development. In such situations, companies may also be at risk of contributing to or being associated with significant adverse impacts, including serious human rights abuses and conflict.

This means that the company will apply reasonable criteria in order to avoid a broad boycott, which would deprive local population in these conflict-affected and high-risk areas from livelihood and development opportunities. The main focus of the OECD guidance is understood to be on (violent) conflict and serious human rights abuses. The company is well aware of other risks such as corruption and deterioration of the natural environment but covers these with general purchasing rules rather than including them in the specific "conflict mineral" agenda.

Identification of CAHRAs

While there are many sources that provide various country rankings for a wide range of CSR risks, the definition of what actually does constitute a CAHRA remains a matter of debate, most notably with respect to the interpretation of the “and” in Conflict Affected and High-Risk Areas. In the view of the company, an area that is peaceful and does not display widespread human rights abuses but has institutional weaknesses, for example with respect to corruption, would normally not “qualify” as CHARA. Somewhat in contrast to this statement, another question is whether a very calm police state is morally “better” than a somewhat fragile violent democracy.

This said, the company does not consider this a simply black/white decision, and therefore evaluates the risks for all of its supply chains on an individual basis and applies individual rules to its supplies in line with these assessments. A black/white approach is seen as overly simplistic and not considered adequate to address the very complex risk pattern that might exist in mineral supply chains.

To assess a possible CAHRA status of the location of source and transport route in its supply chains, the company utilises tools like the

- Heidelberg Institute for International Conflict Research – Conflict Barometer (hiik.de)
- ControlRisks – Riskmap / Forecast of political and security risk (www.controlrisks.com)
- INFORM / Index for risk management (www.inform-index.org)

but is aware of the possible weaknesses of these tools when taken just at “face value”. As the company visits all supplying mines by itself, it has, together with review of data provided by IPIS, ITSCI and the press in general, additional insight into the overall politics of the various countries in its supply chain.

As result, the company sees supplies from the Great Lakes’ region in Central Africa as high-risk and applies relevant risk mitigation, and it considers several other supply chains to bear also elevated risks that in turn are adequately addressed.

In contrast to the simplistic view of various stakeholders, origin from a CAHRA does not mean per se that the material has supported conflict or human rights abuses. On the contrary, responsible sourcing from CAHRAs provides development opportunities that can be important building blocks to overcome the status of being a CAHRA.

With respect to supplies from what is known as the “Covered Countries”, WBH aims, through own field visits and direct collaboration with suppliers, to provide coverage beside routine tagging by ITSCI or BSP to avoid being overly reliant on these schemes.

Know Your Counterpart (Supplier)

New suppliers will only be approved upon a formal KYC assessment, including verification against sanction list via Amber Road software. The company started to check existing suppliers with the same tools. For private companies, WBH has to rely on collaboration with the supplier and observation of red flags. This said, many existing suppliers are either public mining companies, known trading houses and/or have been accessed by ITSCI or through third party audits. With respect to KYC for Central African sources, WBH relies on the assessment by ITSCI unless the company encounters any red flags.

Scope of Risk Assessment

The company is particularly concerned about the possible link between extraction and trade of minerals with serious human rights abuses, possible support of armed groups and illegal interaction of security forces and follows the recommendations of Annex II of the OECD guidance.

Sandvik has strict corruption guidelines and under no circumstances, the company will accept and offer bribes. The company notes that it might be difficult to identify corruption by upstream supply chain actors, and hence is vigilant to any signs of illegal activities, which comprises also money laundering.

With respect to payment of fees, taxes and royalties, the company has to rely on the effectiveness of government services: If a company is duly incorporated and obtains valid export papers from revenue authorities, WBH assumes that all relevant taxes are paid.

In general, with the supplying sources individually visited and approved as non-conflict-supporting by the company (which in Central Africa is confirmed by third parties as well), the principle risk is that material from a non-approved site is mis-represented as approved material. To minimise this risk, the company undertakes plausibility assessments concerning the production capacity and verifies constantly the results of sampling upon receipt to identify possible deviations from long-term trends or expected composition of the concentrates.

On-the-ground Assessments

Within the Great Lakes' region, WBH does currently not source from highly fragile environments and the company aims to establish, respectively in most cases has already established long-term relation with its suppliers. Supply chains are generally exclusive, i.e., the entire production goes to WBH. The scope of on-the-ground assessments is thus principally to assure

- Ongoing adherence to a strict “no child labour” approach,
- Review how security is provided on site,
- Ongoing plausibility of supplies (beyond tagging),
- Continuous improvement with respect to OHSE, and
- Technical cooperation to improve productivity.

Given the often many years of repeating visits, with exception of the formal review of the “Rejection Criteria” concerning the SCoC, this is largely an informal process, which in Central Africa is augmented by the third-party assessments by ITSCI, BSP or other consultants. Frequency of visits is at least once yearly but given our close contact with the suppliers in Africa, most sites are visited more frequently.

In addition, the company has semi-permanent presence in Central Africa through an experienced consulting geologist/engineer, undertaking exploration, providing training and supervising beneficiation and mining projects for the various suppliers in the area. He works since 2009 on behalf of WBH and undertakes also baseline studies for new potential suppliers. His presence provides additional oversight with respect to plausibility of the supplies.

WBH aims to visit all suppliers of mined products, regardless of the classification of the country of origin. In low-risk countries with known resources, the company accepts trial deliveries before the initial visit; and re-visit frequency depends on the perceived risk and location. Industrial mines in western countries

are visited for further engagement with the supplier, to assess the supply risk itself or for CSR risks outside of the “conflict mineral” scope rather than for compliance with the OECD Guidance.

Identified Risks

Other than in 2017, when two supply chains were discontinued following identification of risks (refer to the 2017-report), the risks identified in 2018 were of minor nature, respectively could be clarified.

In Central Africa, we encountered some untagged material during routine visits. Delayed tagging is a risk inherent to the tagging process at smaller mine sites, and the tonnages were credible and logged in the daily production records.

In case of a non-CAHRA producer, we encountered strong fluctuations in the quality. However, the material still followed certain trends and contained certain “tracer elements”, and it turned out that off-spec material not acceptable for a quality-wise more demanding customer had been assembled for our supplies.

Finally, a producer of crude intermediates, based on a misunderstanding, provided a test delivery made from third-party concentrates in the framework of a tolling agreement. WBH had visited the supplier of the concentrates in the recent past and was provided adequate documentation covering the altogether small quantity of material.

6. Risk Management

Risk Mitigation Strategy

By far most of CAHRA-related supplies come from a number of selected mines in Rwanda, which are supplying their entire production to WBH since several years. The company has tested and is developing other supply chains from areas of elevated risk, be it related to “conflict/human rights violations” or other CSR risks. A balanced approach is required in order to not apply de-facto boycotts on less developed mining areas, which would actually benefit from inclusion into the supply chain of an advanced Western offtaker, and the risk management of the company.

Principle risk mitigation of WBH is to accept only material from designated mines through selected suppliers. WBH does not rely on baseline reviews by a third party (e.g., ITSCI) alone, but insists on direct mine visits. This precludes the use of material mixed from various sources that has been “approved” by “bag & tag” alone. On the other side, ITSCI and BSP provide important information to assess the performance of the supply chains and of the situation and production figures in the area in whole. The company reviews incident reports and statistics and interacts with the traceability providers as required.

With all decisions, WBH must take the company’s position as a respected world-class supplier into account, as well the possible impact on other supplies from Central Africa (or any other CAHRA): any contraventions that compromises directly WBH’s conflict-free status would lead to an immediate suspension of the supplies at least until the problems have been solved.

As the challenges are diverse and unpredictable, and the overall number of concerned suppliers limited, it appears unreasonable and unrealistic to have pre-defined risk management plans in place that would allow to answer on any imaginable risk. The company has to rely on its ability to undertake risk management ad-hoc, upon very short notice, taking the guidance of OECD into account.

In case that problems are identified, or red flags raised, depending on the magnitude of the case, either the President of the company or the RTMA will take the required decisions in coordination with other affected parties.

With the location of the current suppliers in mind, WBH does not expect to see direct support of warring factions or serious human rights violations on the mine sites (except child labour) as “likely risks” but would consider the following violations as more likely:

- (1) Identification of child labour,
- (2) Problems with on-site security personnel,
- (3) Deterioration of company policies with respect to OHSE or record-keeping, and
- (4) Non-approved supplies entering the supply chain (misrepresentation of origin).

Issue (1) cannot be accepted and would require immediate rectification and consequences on site of the supplier to allow continuing offtake; issue (2) requires attention depending on the magnitude of the problem; for issue (3), a solution would be sought through collaboration with the supplier. Misrepresentation of origin would involve the risk that material indeed supporting conflict enters the WBH supply chain. While it needs to be stopped with immediate effect, the approach to the approved, original supply chain requires a sensible investigation: was the supplier directly involved, or was he a victim as well?

Involvement of Affected Stakeholders

Aim of the Conflict Mineral regulations is to protect the most vulnerable groups at or near the upstream end of the mineral supply chains: local miners, their families, and the population of the mining countries at large, from violence, human rights violation and child labour. With its purchasing policy, WBH tries to provide a positive impact:

- no boycott of minerals from CAHRAs per se as this would deprive the communities from income and the chance of development. Instead, the company allows for active sourcing when the supply chain fulfils ethical standards and does not support conflict.
- For approved supply chains, providing incentives to continuously improve the conditions on the mine site and to give a helping hand with respect to technical development.

This approach can only work with the help of all actors along the supply chain:

- Mine operators (companies or cooperatives) need to be loyal and not look for the “last penny” at each individual sale of concentrates. A reliable longer-term offtake relation is required to make collaboration and technical help worthwhile.
- The same applies to intermediaries, especially the exporting traders. In addition, they need to be open (e.g., provide adequate information and ITSCI sheets), play to the rules of WBH and the traceability providers, even if they consider them excessive, and demonstrate diligence and precision when it comes to tagging systems or reporting.
- The traceability providers (ITSCI, BSP, others, if they become available) have to do their best to maintain credibility. With own site visits and plausibility assessments, WBH has established a back-up system, but especially for smaller suppliers, reliable traceability by tagging is currently the only system that is acceptable for 3rd party audits of the smelters. Shortcomings in the programmes are noted and brought to the attention of the providers.

- RMI's RMAP as the currently only active "Conflict Free Smelter Program" needs to maintain its high standards and credibility without losing the balance between feasibility, practicalities and expectations of the downstream. WBH feels that a stronger focus on timely re-audits and duration of the "active smelter" status is required, respectively some public disclosure to explain delays and changes to supply patterns for audited smelters.

Direct customers have been supportive when WBH discussed resumption of sourcing from Central Africa in 2014. It is important that the entire downstream supply chain accepts material responsibly sourced from CHARAs, which means a strong focus on the credibility of all involved actors is required.

Efforts to Track and Monitor Progress.

Given the rather limited number of direct suppliers and underlying mines, WBH has currently no pre-defined set-up to track progress. Suppliers (or underlying mines) that are found to compromise WBH's conflict free status, that fail the test of "Rejection Criteria" (related to the SSCoC), or that refuse to cooperate with respect to continuous improvement of the OHSE conditions in supply chains, will be removed from the approved suppliers. No such case was recorded in 2018.

Observations concerning shortcomings and positive developments at the mine sites are included in site visit reports and other correspondence, which is backed up on the company's server. Furthermore, a file with information about all active mines is kept as input for the annual RMAP audits.

7. Specific Information for 2018

WBH keeps a register of all incoming tungsten-bearing material in a customised MB Control database, with unique lot numbers generated for all discernible quantities of raw material. Individual lots can consist of between <1 and about 20t of WO₃.

In 2018, about 40% of the lots comprising external tungsten concentrates came from areas of elevated risk, with Rwanda being by far the most important country of origin for these supplies. With exception of a project in commissioning stage which has been visited twice in 2017 and which provided less than 0.2% of the company's tungsten inflow, all mines in areas of elevated risk have been visited in person in 2018.

Altogether, WBH mine visits in 2018 covered 78% of the tungsten content in external concentrates; together with off-site in-person meetings with mine owners/operators, this figure comes to >90%.

Two new supply chains were established in areas of elevated risk in 2018, and work is continuing with two such chains started in 2017. Three of the four chains are operated without traceability provider, with one of these located in Central Africa. A risk assessment by a reputed supply chain consultancy is available, and the on-site material balance has been investigated in detail, and discussions are underway to provide additional assurance of origin. While this is still work in progress, WBH is reasonably certain that the supply chain is not contaminated by outside material. Of the two other supply chains, one comprises of a small industrial mine in commissioning stage, close to a tourist destination, with generally high crime rate possibly the biggest risk. The third supply chain relates to centralised processing of pre-concentrates sourced from several ASM operations (partly under direct control of the supplier) that is located in an altogether rather peaceful country with poor rating in respect of corruption and governance.

The company provides a detailed material balance for the St. Martin refinery, calculated twice yearly. All raw material inflow and stock movements including work-in-progress are balanced against sales and a

detailed evaluation of waste streams down to streams accounting for less than one permille of the overall tungsten content. The overall balance for 2018 shows a deviation of 0.4% between calculated and reported inflow.

Three deviations from normally accepted observations were noted in 2018, as detailed under 5. Risk Assessment / Identified Risks. All of these were solved. Besides, the company calls upon certain suppliers to strengthen workplace safety.

Comments on current supply chain issues in the Great Lakes' region (also valid for other CAHRAs)

The company started sourcing from Central Africa in the early 2000s and has always undertaken Due diligence, notably with respect to issues around Child Labour and OHSE, although in a less formalised way than during the past few years. One driver was to provide a secure offtake for local suppliers against their commitment to continuous improvements, so that the local workforce benefits from the supply chain. Over the years, WBH has obtained a good understanding of the specific conditions on the ground, and through technical cooperation, provided “help to self-help” – teaching simple solutions to improve productivity and safety without creating undue dependency on expensive first-world solutions.

While a boycott cannot be a solution, all involved stakeholders including local miners must understand that supply chains have to be economic. Supplies from Central Africa stand in competition with supplies from rest of the world including industrial mines in western countries, and advance in various areas is required to improve acceptance and competitiveness of supplies from the small-scale operations in this region and from CAHRAs at large.

As long as there are no other contributions to finance upstream traceability and due diligence systems, costs for these have to be assumed by local operators and exporters. One tungsten unit has (and should have) the same value, as long as it is acceptable for the entire downstream supply chain.

The following list of what is needed to improve the performance in the area is largely unchanged since the 2016-report, which demonstrates the importance of the matter:

- More robust yet less complicated traceability solutions including a faster turnaround of traceability information and more informative baseline studies including meaningful plausibility assessments.
- A fairer share in costs between up- and downstream for Due diligence costs.
- More attention to capacity building of artisanal miners and formalisation of the sector.
- A level playing field – it does not make sense if exceptions for downstream industry and unreasonable thresholds (as now included in the EU Conflict Mineral rule) pave the way for illicit / unverified material to enter a “legitimate” supply chain.
- More attention to the meaning of Due diligence, providing on one side more flexibility, on the other side overcome blind reliance on bag & tag and white-washing through production of intermediates in- or outside of the region.
- Providing a conducive environment by the various governments in the region, with harmonisation of taxes and duties, and elimination of bureaucratic hurdles that sometimes even hamper Due diligence (e.g., unrestricted access to mining areas, ease to obtain visas).

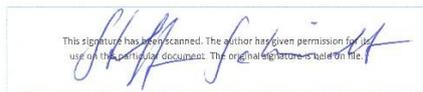
It is important that local actors understand that longer-term reliable arrangements are indispensable when it comes to development. If cooperatives look mainly for short-term gains, no downstream actor is willing to invest beyond the “next container” – and no positive development can be reached. At the same time, local exporters must take a larger share in responsibility and cannot just rely on tags and push responsibility to miners, ITSCI and off-takers alike. Supply chains should be as short as possible, and the role of the so-called *négociants* as an intermediate actor between mines and exporters should be reviewed. The *négociants* are not validated in the ITSCI system, and they might also deter from a more direct involvement of exporters with miners in view of improvement of mining conditions.

As highlighted before, as the entire downstream supply chain is asked to accept material responsibly sourced from CHARAs, a strong focus on the credibility of all involved actors is required. In this connection, WBH is concerned about “dirty campaigning” around the competition between ITSCI and BSP and conflicting press reports around certain supply chains, currently especially concerning coltan from North Kivu. This has the potential to damage the entire systems that have been painstakingly established over the past years.

WBH would call for fair competition between the individual traceability schemes, avoidance of cherry-picking by BSP that needs to demonstrate competitiveness for tagging of small-scale suppliers, and acceptance of the fact that alternative approaches might well be possible.

WBH values the quest of various organisations, including the OECD, to attract additional funding from downstream companies, however, results so far seem meagre. As discussed on the OECD Meetings, it would be important that the (far) downstream pays a fair share: The companies depend on these programmes to declare their products “Conflict Free” but simply take traceability for given. If pushed on intermediate levels, this would have the potential to create again a de-facto boycott – why accepting higher due diligence costs for smallest-scale suppliers, when larger suppliers from non-CAHRAs offer concentrate at the same price? The question of economy of scale is important: Due diligence costs for the baseline audit are essentially independent from the production – i.e., small mines have much higher costs per mtu of tungsten produced. And due diligence in a CAHRA is far more difficult than, for example, one in western Europe.

Unreasonable expectations by the downstream end of the supply chain concerning the level of due diligence for smallest-scale upstream suppliers will lead to competitive distortions and the possible call for de-facto boycott. It appears that support of NGOs active in the field to help miners on local level would be more beneficial than, for example, complex blockchain solutions that in the tungsten space cannot provide detailed mine to downstream flow information and have to be financed by themselves.



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Steffen Schmidt, P.Geol. (APGO)

Project Manager - International Mining &
Responsible Tungsten Raw Material Appointee
Wolfram Bergbau und Hütten AG