

St Martin i.S., Austria, 16 March 2023

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 2022 (“OECD Step-5 Report”)

Wolfram Bergbau & Hütten AG’s OECD Step-5 Due Diligence report for the year 2021 follows wherever appropriate the *Public Due Diligence Report Writing Guidance* of the Responsible Minerals Assurance Process of the Responsible Minerals Initiative (RMI) from 2018 and Annex IV of the *Responsible Minerals Assurance Process – Tungsten Smelter Standard* as revised on 7 February 2020. WBH also takes ITSCI’s e-mail on “OECD Guidance recommendation - Annual Due Diligence Report” from 2 March 2023 into account as well as the GRI^[2]-RMI Toolkit *Advancing Reporting on Responsible Mineral Sourcing* from 2019. Where appropriate, the current report follows closely the reports for the preceding years.

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 2022 (1 January 2022 – 31 December 2022)
Webpage:	www.wolfram.at

Founded in 1975 in connection with the newly discovered Mittersill tungsten deposit, 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 im Sulmtal, Styria, listed by the Responsible Minerals Initiative (RMI, formerly known as Conflict Free Sourcing Initiative, CFSI) under smelter ID CID002044.

Since 2009, the company belongs to the global Sandvik group, headquartered in Sweden, where it is part of the Business Unit Wolfram. The latter comprises also a tungsten recycling facility in India (zinc reclaim process), which is out of scope of the smelter definition of the Responsible Minerals Initiative and not included in WBH’s due diligence process with exception of supplies from or to the St. Martin refinery.

^[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.

^[2] Global Reporting Initiative



The company is not affiliated with any 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.

In line with its Mission Statement, the company is committed to ensure best practice with respect to safety, health, environment and ethics at all stages of its supply and production chain. A sustained success of the company can only be built upon a sound foundation, which includes that governmental, industry and environmental standards are continuously met or surpassed.

WBH condemns all activities in the raw material sector connected to illegal or unlawful exploitation of ores, that directly or indirectly finances or benefits armed groups in conflict areas, or that contribute to serious human rights violations. The company fully supports the activities of the Organization for Economic Co-operation and Development (OECD) addressing these risks and has implemented the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas (OECD Guidance). In this connection, the company reviews and mitigates risks listed in the OECD Guidance, such as relating to security forces or money laundering, often referred to as the Annex-II risks.

WBH is supporting its customers to comply with the SEC Conflict Mineral rule concerning section 1502 of the Dodd-Frank Act in the United States of America and the European Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum, tungsten, their ores and gold originating from conflict-affected and high-risk areas (EU Regulation).

WBH is a founding member of the Tungsten Industry – Conflict Mineral Council (TI-CMC) and, based on independent 3rd party assessments, is listed as conformant to the Responsible Minerals Assurance Process (RMAP) assessment protocol (often still referred to as “Conflict Free Smelter”). WBH is also full member of ITSCI (International Tin Supply Chain Initiative). Sandvik itself is a member of the Responsible Minerals Initiative (RMI).

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

- its own mining operation,
- tungsten ore concentrates from mines worldwide,
- secondary raw materials (scrap), and
- if required, additionally from crude and refined intermediate products such as sodium tungstate, ammonium paratungstate (APT) and tungsten oxide (BTO, YTO).

Besides tungsten-bearing raw materials, carbon black is required for most 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.

All suppliers are gauged against the Sandvik Supplier Code of Conduct (SSCoC), which sets standards ensuring labor rights, environmental protection, business ethics and conflict-free origin. The latest version of the SSCoC was issued in June 2021.

2. RMAP Assessment

The most recent 3rd party assessment against the Responsible Minerals Assurance Process (RMAP) – Tungsten Smelter Standard from 1 December 2017, revision 7 February 2020 was undertaken

- from 8 to 10 August 2022
- for the thirteen-month audit period from 1 June 2021 to 30 June 2022
- by ARCHE Advisors, USA
- summary report:
<https://www.responsiblemineralsinitiative.org/media/docs/Public%20Reports/Wolfram%20Public%20Report.pdf>

The audit was concluded without findings but identified that a detail in the company's KYC procedure would benefit from continual improvement. Other improvement opportunities were informally discussed between WBH and the assessment team.

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 45001 industry standards since 1994, 1999 and 2020^[3], respectively. The ISO 9001 management system of WBH ("QSGU system", in German) prescribes, besides others, the supply and production procedures within the company, using a comprehensive set of policies, instructions and procedure documents. The most recent re-certification audit was undertaken by Intertek Certification GmbH, Germany, from 7 to 17 June 2021 and the certificates are valid until 19 September 2024. In June 2022, a regular surveillance audit was completed with no nonconformities detected.

The first specific Conflict Mineral-related instructions (in line with the original CFSP tungsten protocol) had been introduced 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)** was issued in January 2019. Following internal review, changes in the company's internal organization and based on recommendations of the auditors during the 2020-assessment, an updated version came into effect on 1 March 2021 (Instruction IMC/02). Taking continuous improvements into account, revision 2 of instruction IMC/02 as of 1 July 2022 is the currently valid version, with minor adjustments to the KYC procedure to be formalized in due course.

This instruction is considered fully aligned with the spirit of OECD Guidance and RMAP Tungsten Smelter Standard and includes processes to identify conflict-affected and high-risk areas (CAHRAs) and supply chain risks worldwide and describes relevant risk mitigation strategies. Effectiveness of the instruction is reviewed annually.

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 labor and OHSE has been undertaken from the onset, although in a less formalized way than since 2014. WBH has participated in the OECD multi-stakeholder meetings from the beginning, and on the ground, has taken part in early 3rd party efforts such as the Certified Trading Chain (CTC) program of the German geological survey (BGR). This included the very first CTC audit that was completed at one of WBH's cooperation partners in Rwanda.

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 2013/14.

^[3] Prior to ISO 45001, the company was accredited to OHSAS 18001 from 2010 onwards.

Supply Chain Policy

WBH publishes on its web page a Responsible Sourcing Statement, which is adapted from time to time to reflect the developments in the area of responsible sourcing of minerals:

<https://www.wolfram.at/wp-content/uploads/2020/07/WBH-statement-of-responsible-raw-material-sourcing-16-jul-2020.pdf>

WBH considers the short crisp Responsible Sourcing Statement as a more effective tool to promote compliance with the expected standards than copying the generic lengthy Model Supply Chain Policy in Annex II of the OECD Guidance. All Annex-II risks and WBHs response and mitigation of risks as provided by WBH-RSTM are summarized in the statement.

WBH believes Responsible Sourcing is an integral part of general CSR considerations. Obligations concerning responsible sourcing are also covered in the Sandvik Supplier Code of Conduct (SSCoC), which all suppliers must abide to, and which forms a part of all raw material supply agreements. An updated version of this code was published on 14 June 2021:

<https://www.home.sandvik/en/about-us/sustainable-business/supplier-management/supplier-code-of-conduct/>

In the framework of supplier assessments, the suppliers are gauged against a list of “Rejection Criteria” as originally proposed by Sandvik Sustainable Supplier Management against the 2014-version of the SSCoC but only adopted by Wolfram for the raw material supply evaluation. This approach was updated following the publication of the new Sandvik Supplier Sustainability Evaluation Procedure in January 2022.

4. Company Management System concerning Responsible Raw Material Supplies

Management Structure and Responsibilities

WBH is a part of the global Sandvik Group and belongs to Business Area Sandvik Manufacturing and Machining Solutions. The Manager International Mining & Raw Material Compliance (in the following Raw Material Compliance Manager) is responsible for implementation and oversight of the raw material supply chain due diligence for WBH. He reports directly to the president of the company. This function is independent of but closely collaborating with the direct purchasing unit. The Raw Material Compliance Manager is also collaborating directly with logistics, quality control, production and the sales department.

The Raw Material Compliance Manager has over 30 years of experience in the mineral industry, 15 years of which have been in the tungsten industry, with a wide range of expertise in artisanal to industrial mining, mineral processing, metal accounting and the geology of ore deposits. Currently, he serves as chairman of the board of TI-CMC.

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 organization, many issues in this area are dealt with in informal day-to-day cross-functional discussions.

Three training sessions for new employees have been undertaken in 2022 and early 2023.

Internal System of Controls

The year 2022 was the second year under application of the WBH-RSTM instruction IMC/02 and the company's procedures continue to be fully aligned with the OECD Guidance.

Together with the SSCoC, the WBH-RSTM specifies 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/or participation in an acceptable traceability program 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 traceability providers.

As the only integrated tungsten producer outside of Asia, WBH has extensive knowledge of mining and beneficiation of tungsten ores, 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 agreements, purchase orders 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
- WBH has the right to visit.

WBH reserves the right to return concentrates that do 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 utilization of the concentrates and internal "red flag" procedures.

WBH is a full member of ITSCI and the majority of all supplies from CAHRAs is covered by either the ITSCI or Better Mining (formerly Better Sourcing Program, BSP) traceability programs ("bag & tag") and associated due diligence, mine site baseline studies and shipment reports. With the expansion of the concept of CAHRAs beyond Central Africa, a broader range of Due diligence approaches is required, and WBH is using independent assessments, plausibility checks and chemical fingerprinting to assure correct performance of the supply chains. WBH strives for continuous improvement of working conditions and performance at the supplying mines although leverage might be limited where competition by "easier-going" offtakers exists.

Intermediates 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 agreements for raw material include mandatory acceptance with the SSCoC, which sets out minimum requirements concerning legal compliance and various CSR issues such as environmental and EHS performance, child labor and similar. Where relevant, additional language is added to purchase contracts or purchase orders.

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-assessments against first CFSP and later RMAP standards were undertaken annually since the first audit.

Finally, the current report and the description of Conflict Mineral handling on the company's webpage (<https://www.wolfram.at/en/conflict-free-ethical-supply-of-raw-materials/>) provide additional transparency concerning the company's procedures and policies.

Grievance Procedure

Stakeholders are invited to lodge grievances concerning WBH's supplies of raw materials either directly per e-mail to at office@wolfram.at, respectively, for anonymous submissions, on

- Sandvik's confidential grievance mechanism under [EthicsPoint - Sandvik](#), or
- the Mineral Grievance Platform co-hosted by RMI:
<https://www.mineralsgrievanceplatform.org/index.html#/auth>

Stakeholders may also use the grievance platforms of upstream assurance mechanisms, but WBH would have to rely on timely information sharing by the relevant organisation.

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.

Record Keeping System

WBH uses an MB Control database system across most technical departments. Since late 2015, all incoming shipments, inventory and feed of the plant with the various raw materials are documented in the MB Control system with quality parameter linked in from the laboratory and connected 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 forensic fingerprinting tests should there be doubt of the material's listed origin. Information from the traceability providers ITSCI and Better Mining 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, field visits and so on is available in hardcopy (field books), reports and e-mail notes; pertinent data is included in a formal register of all "permitted sources". This does also comprise supply chain mapping that is used to check against possible CAHRA affiliation.

The company is currently replacing the MB Control system by a customized SAP database, with transition slated for mid-2023. However, all existing data will remain accessible in MB Control. All relevant documentation has a retention time of at least five years.

5. Risk Assessment

With respect to the responsible sourcing of raw materials, principal 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 (tungsten concentrates) from areas considered to have an elevated risk profile, including but not limited to CAHRAs, the principal guideline for the company are the first two sentences of the introduction chapter 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 to assure adequate risk management while avoiding a broad boycott, which would deprive local population in these areas from livelihood and development opportunities. The focus of the OECD guidance is mainly on violent conflict and serious human rights abuses (including child labor), but extends also to the other so-called Annex-II risks (involvement of public or private security forces, bribery, fraudulent misrepresentation of minerals and money laundering, as well as adverse impact of non-payment of taxes, fees and royalties). The company is well aware of additional risks in the supply chain such as deterioration of the natural environment but covers these with general purchasing rules (like SSCoC and associated rejection criteria) rather than including them in the specific “conflict mineral” agenda.

Identification of CAHRAs

While there are many sources that provide country scores for a wide range of CSR risks, the definition of what actually does constitute a CAHRA remains a matter of debate. According to the Regulation (EU) 2017/821, CAHRAs mean “Areas in a state of armed conflict or fragile post-conflict as well as areas witnessing weak or non-existing governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses.” As the EU regulation is considered consistent with the OECD Guidance, WBH prefers this definition over the original definition by OECD as the latter includes the poorly constraint condition of “or other risk of harm to people”.

WBH does not maintain a global list of CAHRAs but assesses locations of mines and production facilities, transit routes and business addresses of its actual supply chains against CAHRA status. This assures comparability and that definitions are up to date. For each new supplier and each new source (producer), affiliation to CAHRAs is verified, and all existing supply chains will be re-checked based on the supply chain mapping whenever new pertinent information is available (quarterly EU list (see below) updates, reports on emerging conflicts).

For each country and where relevant, subnational unit identified as per the above, WBH will verify possible CAHRA-affiliation as follows:

- Check countries against list of “Covered Countries” under Dodd-Frank Act, section 1502;
- Check whether the area in question is included in the up-to-date version of the indicative, non-exhaustive and regularly updated list of CAHRAs published by the European Commission’s DG Trade (www.cahraslist.net) (EU list, established by RAND Europe); and
- Whether there are other factual circumstances that indicate that the area in question needs to be considered as CAHRA in relation to WBH’s supply chain.

The last provision assures a swift reaction on emerging trends such as Russia's declaration of war on the Ukraine and to include issues like impact of smuggling across national borders.

RAND Europe’s well-documented approach, which has been reviewed during an extensive public consultation, uses appropriate sources of information for the indicative, non-exhaustive list of CAHRAs. This is similar to WBH’s original method and WBH considers it unnecessary to replicate such an approach

in addition to RAND. While the EU list contain the term “non-exhaustive”, WBH considers that this pertains to truly specific issues and to the fact that the list is updated only in certain intervals. We would expect that the RAND list covers all significant areas and countries in an appropriate manner unless there are very recent developments. This is then addressed by WBH under “additional circumstances” as mentioned above.

WBH cross-checks the CAHRA evaluation also against information of commercial risk management provider International SOS.

WBH is aware of possible weaknesses of public tools when taking scores 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.

The company does not consider the CAHRA affiliation to provide a simply black/white decision on further steps, and therefore evaluates the risks for all its supply chains on an individual basis and applies individual rules to its supplies in line with these assessments. 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 critical building blocks to overcome the status of being a CAHRA. The company therefore supports responsible sourcing from these areas and through own site visits and direct collaboration with suppliers encourage continuous improvement of the conditions in the field.

As result of the above process, for its supply chains in 2022, WBH classified three countries of origin as CAHRA, with only one of them (Rwanda) providing significant tonnages. WBH does currently not source from the Democratic Republic of the Congo.

Know Your Counterpart (Supplier)

New suppliers will only be approved upon a formal KYC assessment, including verification against sanction lists via Amber Road software. Existing suppliers are continuously monitored by Amber Road and documents are reviewed at least every three years. 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 assessed by ITSCI or through third party audits. Certain improvements and an extended coverage of the supply chains by own KYC has been discussed during the RMAP audit and is required due to the current delisting of ITSCI from RMI’s list of recognized upstream systems.

Scope of Risk Assessment

The company is particularly concerned about the possible link between the 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 anti-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 largely 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.

WBH supports the efforts of the Extractive Industries Transparency Initiative (EITI). In 2022, 12% of the external concentrates came from three EITI-implementing countries. One of these countries was

suspended by EITI for missing deadlines and one is yet to be assessed. The third is an EITI country with “moderate” status.

EITI is largely focused on LSM and hydrocarbon production, i.e., material contributors to state revenue. In the example of the country with “moderate” status, the 2021 annual EITI report is based on reconciliation of 60 reporting gold, copper and coal companies, where the top seven are already accounting for 75% of the total reconciled payments. Companies in WBH supply chain are immaterial in this respect – it is important that they pay all due taxes and fees, but not that these are reconciled in public. The main producing entity in our supply chain has been listed in the EITI documentation as well as an environmental payment contract that appears to relate to this entity. We also note that the contract for another developing tungsten project is published under “transparent contracts”.

In general, with the supplying sources individually visited and approved as non-conflict-supporting by the company (which in CAHRAs is confirmed by third parties as well), the principal risk is that material from a non-approved site is mis-represented as approved material. To minimize this risk, in addition to traceability data supplied by upstream assurance mechanisms, the company undertakes plausibility assessments concerning the production capacity and uses main element fingerprinting to compare incoming shipment with past deliveries.

On-the-ground Assessments

The company aims to establish, respectively in most cases has already established long-term relation with its suppliers. The company is interested in assessing additional opportunities, on which the successful approach of “help & check” could be applied. Supply chains are generally exclusive, i.e., the entire production goes to WBH. On-the-ground assessments, whether in CAHRAs or not, follow a guidance document that combines zero tolerance criteria of the SSCoC, OECD Annex-II risks as well as OHSE and technical / capacity parameter, including but not limited to:

- adherence to a strict “no child labor” 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, this is largely an informal process, which in CAHRAs is augmented by the third-party assessments by ITSCI, Better Mining or other consultants. Planned frequency of visits is guided by perceived risk and in CAHRAs, is at least once yearly. In Central Africa, due to close contact with the suppliers and technical cooperation, sites are often visited more frequently.

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. Outside of CAHRAs, the company accepts trial deliveries before the initial visit from countries with known resources. Re-visit frequency depends on the perceived risk and location. Industrial mines in western countries are visited for further engagement with the supplier and to assess the supply risk itself or CSR risks outside the immediate “conflict mineral” agenda.

Identified Risks

A number of incidents possibly relating to WBH's supply chains have been identified during 2022, either by ourselves or mentioned by incident reporting of ITSCI, Better Mining or third parties. The incidents have been reviewed and where relevant addressed, the origin of all supplies was established and based on best knowledge, the supplies to WBH had no adverse impacts on risks highlighted by the OECD Guidance.

Supplies from CAHRAs

By far the largest portion of the supplies from CAHRAs is covered by either the ITSCI or Better Mining upstream assurance schemes.

In 2022, a total of over 450 incidents has been reported by ITSCI for Rwanda. Only 22 of these relate to exporters and miners in WBH's supply chain. There is no level 1 incident. None of the incidents noted for exporters (issues around missing or duplicated tags, weight discrepancies and similar) concerns shipments to WBH. Most of the incidents noted for miners relate to operations that are owned by the same entity but produce other commodities than tungsten. The following incidents directly concern the WBH supply chains:

- Lack of timely issuing of an OECD Step-5 DD report by one company. In the meantime, the report has been made available.
- At one operation, about 500 kg of untagged concentrate has been found in the store during an inspection by ITSCI. Upon verification, the production was seen as plausible.

WBH discussed this incident with ITSCI, as it is largely outside of the responsibility of the company but relates to very infrequent tagging by RMB agents. At times, other WBH suppliers have several tonnes of untagged material from their production on site, with tagging agents passing only in monthly intervals. ITSCI will take this up with RMB, the Rwandan agency responsible for tagging.

- At one operation, ITSCI reported a confrontation between informal miners and company staff during attempted theft of minerals. ITSCI and state authorities followed up, leading to improvements of how the company handles site security. While this occurred during a time when WBH did not source from the said company, it is a serious incident, and WBH will review how the company addressed the situation and the ongoing situation if renewed sourcing is envisaged.

Better Mining listed 10 incidents for the single supply chain from Rwanda to WBH, two in the high, and four each in moderate and low category.

- Not having completed the annual DD report by the end of January was classified as high category incident and was rectified already in February.
- Two of the incidents, in the low category relate to accidents leading to lost time injuries.
- The remaining seven incidents, one in the low, five in the medium and one in the high category are instances of illegal mining/buying; where illegal miners were caught or ran away after being discovered by site security. A joint operation by police, army and local authorities to identify and where necessary arrest illegal miners and buyers in the villages surrounding the mine is listed in the high category.

Over the years, including in 2022, within the framework of Better Mining's Corrective Action Plan, the mining company undertook various measures to eradicate illegal mining from the large concession.

WBH notes that Better Mining incident reports until October 2022 were of good detail, while a new approach to incident reporting from November onwards provides no meaningful insight. This is being discussed with Better Mining.

In late 2022, WBH identified, based on due diligence, the misuse of ITSCI tags for about 20 tonnes of concentrate distributed over three shipments from Rwanda. In following up, the origin of the concentrates was reasonably established through fingerprinting and subsequent confirmation by the involved miner. Both, the identified and the “apparent” (=tagged) producer had been approved by WBH and the fraudulent misrepresentation was due to the fact that the “true” miner had insufficient tags as a part of the production came from an exploration permit immediately adjacent to his mining permit.

WBH has alerted ITSCI and requested the organization to follow up on the “mechanics” of the fraud along the supply chain and through tagging agents and how safeguards like plausible tonnage could be circumvented.

WBH has implemented a mitigation / improvement plan and raised the awareness of all concerned supply chain members, be it to avoid an active repetition or to identify presence of such an issue in the supplies. The concentrate was initially quarantined but later released as the true origin had been reasonably established and no Annex-II risks (except the fraudulent misrepresentation itself) were involved.

Other observations by WBH include:

- A shipment with broadly consolidated concentrate (all covered by ITSCI, but largely from outside of the range of mines approved by WBH) was contracted in error due to a misunderstanding. The supplier re-directed the shipment to another customer upon arrival in Rotterdam.
- Two separate instances where fingerprinting showed a pattern with significant deviation from the expected. Both solved by repeat-sampling; in one case a mix-up between two lots, in the second contamination of the sample during sample preparation in the laboratory.
- Identification of apparently implausible timing along a supply chain (mine to process to dispatch), which however was clarified by the involved upstream mechanism to our satisfaction.
- Scans of several ITSCI mine site sheets appeared to be falsified, as the same page numbers had been received before for a different shipment. By comparing with the original sheets held by ITSCI, it turned out that an over-eager person tried to improve legibility of the faintly printed page numbers ahead of scanning, but during this exercise mixed up “8” and “9”.

In April 2022, the NGO Global Witness published a report about shortcomings of the ITSCI system. It comprises three main sections, covering alleged misrepresentation of unvalidated mines in the Nzibira area of South Kivu, alleged inter-concession smuggling at Rubaya in North Kivu and reflects on alleged shortcomings during the early years of the program in Rwanda.

WBH is mentioned as a recipient of possibly smuggled material in the third section. Follow-up indicates that this pertains largely to two lots in 2011. While WBH was already actively engaged in the region, and undertook technical and compliance collaboration with selected mines, this predates the full introduction of formalized due diligence in line with OECD Guidance in the industry and auditing of tungsten smelters by the then Conflict Free Smelter Initiative. Insofar, highlighting incidents from the early 2010s appears to override all progress made by WBH and the industry at large over the past 10+ years.

In a response to Global Witness, ITSCI highlighted improvements over the past years and opposing views with respect to the allegations. There is the need for further improvements but also increased awareness and participation of smelters and WBH’s policies such as own site visits, plausibility assessments and high-level fingerprinting assure that supplies to WBH are covered by additional due diligence beside ITSCI data.

Non-CAHRA supplies

- One lot of YTO was delivered without CoA of the producer to cross-check origin from a RMAP conformant smelter. The material was originally destined for internal consumption of the supplier (also a customer of WBH), who had also re-labeled the big-bags. The CoA was provided and original labelling matching the manufacturer was found under the proprietary labeling of our direct supplier.
- Some uncertainty around the origin of small by-packs of Bolivian scheelite to the main wolframite shipments from selected mines. So far, WBH has insufficient data to establish high-level fingerprinting for Bolivian scheelite. Additional reporting measures were introduced.
- A loophole in the export documentation of a supplier from a moderate risk country that could lead to underpaying royalties. Discussed with and rectified by the supplier.

Offers

- On two occasions, material with CAHRA origin was offered under “false flag”, i.e., as non-CAHRA origin, in one case even by more than one trader.

In one case, we received a sample and could correlate this with our database, in the other, identical assay reports were sent with both, the CAHRA and the non-CAHRA offer.

Both materials were declined.

In summary, WBH concludes that there is no indication that our supply chains have been compromised in a way that the supplies received by WBH in 2022 came from unacceptable mines of origin, or that they have contributed to annex-II risks (except for the misrepresentation itself of about 20 t of concentrate, for which, however, the true origin has been established with good confidence and is acceptable).

6. Risk Management

Risk Mitigation Strategy

By far most of the CAHRA-related supplies come from 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 potential 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.

Principal risk mitigation of WBH is to accept only material from designated mines through selected suppliers. WBH does not rely on third party baseline reviews alone but insists on direct mine visits. This precludes generally the use of material consolidated from various sources based on “bag & tag” alone. On the other side, ITSCI and Better Mining 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 as the possible impact on other supplies from CAHRAs: any contraventions that compromises directly WBH’s RMAP-compliant status and its understanding of Responsible Sourcing 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 in possibly not yet identified CAHRAs. The company has to rely on its ability to undertake risk management ad-hoc, upon very short notice, taking the guidance of the 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 Raw Material Compliance Manager 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 labor) as “likely risks” but is aware of the potential that one of the following might occur:

- (1) Identification of child labor,
- (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 involves the risk that material that indeed supports conflict or is related to serious human rights abuses is entering the WBH supply chain. While this requires immediate remediation, the approach to the approved supplier requires a sensitive investigation: was the supplier directly involved, or was he a victim as well? In Central Africa, due to the disparity of prices paid by legal mine owners that have to absorb their investment and equipment costs and local buyers for “any” material, the risk that legitimate material from approved sources is stolen is far higher than outside material entering the legitimate supply chain. In case of the misrepresentation experienced in 2022, the source of the material is reasonably known and the misrepresentation was due to insufficient tags allocated to a mining area that partly was only covered by an exploration lease.

Involvement of Affected Stakeholders

Aim of “Conflict Mineral” / Responsible Sourcing 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 labor. With its purchasing policy, WBH tries to provide a positive impact:

- no general boycott of minerals from CAHRAs or artisanal and small-scale mining (ASM) 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. It also aligns with the OECD recommendation to establish long-term relationships with suppliers.

- The same applies to intermediaries, especially the exporting traders. In addition, they need to be open (e.g., provide adequate information, including, where available, 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.
- Where they are part of the supply chain, the traceability providers (ITSCI, Better Mining, 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, traceability by tagging is currently the most common approach to underpin 3rd party audits of the smelters. Shortcomings in the programs are noted and brought to the attention of the providers.
- RMI's RMAP as currently the only active "OECD Compliant Smelter Program" needs to maintain its high standards and credibility without losing the balance between feasibility, practicalities and expectations of the downstream. RMI has to provide adequate resources specifically to the tantalum, tin and tungsten (3T) programs to assure timely completion of the assessments that are based on legal requirements. With Regulation (EU) 2017/821 now fully enforced, recognition of RMAP as supply chain due diligence scheme under the regulation would be indispensable to assure a level playing field between EU and global supply chains, but is still being delayed.

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 CAHRAs and ASM, 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, tracking progress is largely an informal activity. Suppliers (or underlying mines) that are found to compromise WBH's conflict free status, that fail the test against "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 supplier base. No supplier was removed from the list of permitted suppliers in 2022, but WBH rejected several offers for collaboration and offtake from suppliers where WBH's assessment indicated they would not meet WBH's compliance criteria. In 2022, this involved proposed supply chains where the country of origin was misrepresented or where insufficient distance to highest political circles was noted.

The company maintains a register of permitted (compliance) and approved (technical) supply sources of non-secondary raw material for WBH's APT plant together with information about all active mines.

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. With the end of COVID-related travel restrictions, WBH resumed regular site visit, and the company was relieved to see how well adequate production procedures were maintained by the supply chains.

In 2022, WBH continued collaboration with a responsible downstream company in the electronics sector which promotes use of ethical CAHRA and ASM sourcing.

7. Specific Information for 2022

WBH keeps a register of all incoming tungsten-bearing material in a customized MB Control database, with unique lot numbers generated for all discernible quantities of raw material. A total of almost 1500 lots of highly variable size (from <100 kg to about 25 t) were recorded for 2022, including over 400 lots of concentrates. WBH operates its own tungsten mine in Austria and purchases concentrates world-wide.

Sourcing from CAHRAs accounted for slightly more than one quarter of the external mined concentrates, with Rwanda being the by far most important of the three CAHRA countries of origin.

Easing of COVID travel restrictions allowed WBH to resume its ambitious program of mine site visits. In 2022, half of the producers in WBH's supply chain have been visited, accounting for 49% of the incoming WO3 content (including 75% of all ASM sourcing). Adding mines visited in 2019 – 2021 brings the total covered WO3 tonnage to 73%. With respect to CAHRA production, all but one producer were visited in 2022 and >98% of the tonnage covered. The single remaining producer was covered by a 3rd-party assessment in late 2021.

Almost 90% of the CAHRA tonnage was covered by upstream mechanisms, for the remainder, WBH has obtained 3rd party assessments in 2019, respectively, in 2021. WBH does not rely on the baseline reports of the upstream mechanisms alone but undertakes in-depth site visits at its suppliers. The company employs high-level fingerprinting of all incoming wolframite batches, which also allows to discriminate the various sources in Central Africa.

The company undertakes annually a detailed material balance calculation for the refinery at St. Martin, looking into physical material movement (tungsten units) across the fence-line: all raw material inflow (raw material and return shipments) is balanced with outflow (products, waste streams, material for pre-treatment, return of off-spec raw material) and internal stock movements. The calculation for 2022 shows again an excellent fit, with intake exceeding expected outflow by less than 0.2%.

Incidents that lead to deviations from accepted practice and company expectations have been detailed under point 5. Risk Assessment / Identified Risks.

8. Legal Compliance with Regulation (EU) 2017/821

Regulation (EU) 2017/821 of the European Parliament and of the Council from 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum, tungsten, their ores, and gold originating from conflict-affected and high-risk areas entered in full effect on 1 January 2021, and in Austria is implemented by paragraph § 222c of the *Mineralrohstoffgesetz* (law on mineral raw materials; MinroG), as published in the *Bundesgesetzblatt für die Republik Österreich* (Publication Organ for Federal Laws of the Republic of Austria) on 7 January 2021.

2022 was the first year with active reporting obligations under the regulation (for the year of 2021), and where the individual National Competent Authorities could undertake ex-post checks on EU importers.

In 2022, WBH was one of 13 Austrian companies that have imported minerals/metals covered by the regulation and in amounts exceeding the thresholds (Annex 1 of the EU regulation). WBH reported final import details for 2021 on 15 March 2022 and for 2022 on 7 February 2023.

An integral component of the EU regulation is the recognition of supply chain due diligence systems (article 8) and provision of a list of global responsible smelters and refiners (article 9). The Delegated Regulation (EU) 2019/429 concerning the recognition of supply chain due diligence systems was issued in January 2019, but so far, the EU Commission has neither recognized any due diligence systems nor published a "whitelist" of responsible smelters. This makes the application of the Regulation (EU) 2017/821 very difficult and in its outcome unpredictable.

WBH is affected by this shortcoming in several areas:

- In general, the requirement of a 3rd party audit (article 6) would normally be seen as fulfilled by a RMAP assessment, but strictly speaking, the assessment is against the OECD Guidance and RMAP

tungsten smelter standard rather than the EU regulation, and RMAP is not (yet) recognized, hence recognition of the audit is not guaranteed;

- As part of WBH products is exported for downstream manufacture outside of the EU and then re-imported as a product still within the scope of the regulation, WBH also needs to be reviewed by certain importers for conformance as if it would be a non-EU smelter, which again means issues around the recognition of the RMAP assessment; and, most importantly,
- Although WBH sources intermediates only from RMAP conformant smelters, as the RMAP list cannot be seen as a full equivalent of the EU “whitelist”, WBH would have to request full audit reports including detailed sourcing details from all manufacturers of intermediates in our supply chain, which is impossible, as these are direct competitors.

Without a recognized system as “neutral actor” assuring a firewall for data security, smelters would be forced to disclose intimate sourcing details (down to mine and production date) to the entire supply chain; including between direct competitors. Furthermore, companies rather far downstream have been asked to perform due diligence tasks which are clearly outside of their experience and qualification. For example, a customer of a WBH customer was asked to assess the qualification of auditors and the audit scope of our RMAP assessment.

WBH is confident that its own processes for sourcing of primary raw materials and material control are compliant with the OECD Guidance (and hence, the Regulation (EU) 2017/821). However, with respect to the missing “whitelist”, WBH has currently no practical alternative to using the list of RMAP Conformant Tungsten Smelters as evidence for compliance with the OECD Guidance for its supplies of tungsten intermediates.

In late 2022, as part of the regulation, the EU Commission has tasked a consortium of independent consultants with the review of the functioning and effectiveness of Regulation (EU) 2017/821. WBH was asked on two occasions to provide input into this study.

WBH has mentioned the above-listed concerns as well as unreasonable thresholds and circumvention of the regulation by non-EU downstream products as competitive disadvantage and violation of the idea of a level playing field that should allow EU producers to assure adequate supplies of critical mineral products to the EU industry. In WBH’s view, the ultimate goal of the regulation should be to protect vulnerable population in CAHRAs, and at the same time to provide them with livelihood and development perspectives through responsible raw material production, rather than transparency as a cause by itself.

9. Comments on supply chains from CAHRAs and Artisanal and Small-scale Mining (ASM) in general

The company started sourcing from Central Africa in the early 2000s and has always undertaken due diligence, notably with respect to issues around Child Labor and OHSE, although in a less formalized 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. This approach has been extended to areas outside of Central Africa over the last few years. It also leads to a more efficient utilization of the natural resource endowment in the concerned areas.

It is feared that the extension of the concept of CAHRAs beyond Central Africa, in part driven by Regulation (EU) 2017/821 could lead to boycotts as unintended consequence similar to what has been experienced after the introduction of the Dodd-Frank Act in the early 2010s. Nowadays, it is not so much a question of

the definition as CAHRA itself but the conditions which are imposed as consequence of such a definition which cause the risk of boycott.

The current assessment programs have rigid rules which are very much tailored around the 3T supply chains from the Great Lakes Region in Central Africa, and which might not be relevant or applicable for CAHRAs elsewhere or which are near-impossible to fulfil without relevant infrastructure. Furthermore, in Central Africa, the sector has adapted to Due Diligence expectation over a period of more than ten years (and local actors still call for pilot programs!), supported by tens of millions USD of private and public funding. WBH calls upon all stakeholders to apply flexible yet meaningful conditions for supplies from CAHRAs worldwide without blind reliance on the experience from the Great Lakes.

While a boycott cannot be a solution, all involved stakeholders including local miners must understand that supply chains have to be economic. Supplies from CAHRAs stand in competition with supplies from non-CAHRAs 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 CAHRAs (or ASM in general).

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 unit of responsibly sourced tungsten has (and should have) the same value, regardless of its origin, as long as it is acceptable for the entire downstream supply chain.

As detailed in the reports from the preceding years with focus on Central Africa, but now also with a world-wide approach, the company sees various opportunities to improve the performance of the ASM sector in areas of elevated risk, including

- baseline studies that are truly informative including meaningful plausibility assessments instead of over-reliance on bag & tag, for example systems in line with the German BGR's Certified Trading Chains (CTC) as these can be rolled out to CAHRAs without established traceability schemes and with only limited mining activity,
- more attention to capacity building of artisanal miners and formalization of the sector,
- more consideration of the meaning of due diligence, taking into account the specifics of the individual supply chain,
- a level playing field, without unreasonably high thresholds and exceptions for downstream products,
- a fairer share in costs between up- and downstream for due diligence costs, and
- provision of a conducive environment by the individual governments, with harmonization of taxes and duties in relation to neighboring countries, adequate support functions for miners including training opportunities and knowledge centers, and elimination of bureaucratic hurdles that might hamper due diligence (e.g., unrestricted access to mining areas, ease to obtain visas).

Longer-term reliable arrangements are indispensable when it comes to development. If mine operators, cooperatives or traders look mainly for short-term gains, no downstream actor is willing to invest beyond the "next container" – and no positive development can be reached. It also contradicts the call of the OECD to aim establishing long-term relationships with suppliers in order to build responsible sourcing relationships with them. Supply chains should be as short as possible, to provide the smelter with leverage over the mining conditions on the ground.

Finally, it is of utmost importance that well-established and worldwide accepted supply chain due diligence schemes remain on one side recognized and on the other, continue to provide robust and reliable guidance and seek continual improvement of their procedures. Where responsible sourcing is governed by legal frameworks, such as in case of the Regulation (EU) 2017/821, it is essential that politics recognizes the expertise build by independent industry schemes over more than a decade.

While WBH sees weaknesses in ITSCI's program, under current conditions, there is no credible alternative to cover swiftly the hundreds of mine sites of legitimate and honest producers in the Central African area. ITSCI and its partners have largely contributed to training and formalization in the sector and its access to the international markets. A departure of ITSCI from the region would likely lead to renewed de-facto boycott and negative impact on development opportunities for local communities. Following RMI's announcement to remove ITSCI from its list of recognized upstream mechanisms, WBH discussed with various shareholders, including in the region, about the importance of a recognized system accessible for all legitimate small mines, and with ITSCI about improvement requirements to increase credibility and useability from the smelter perspective.

ITSCI is currently undertaking a second alignment assessment against the OECD Guidance and in the meantime, both, RMI and ITSCI have reported of discussions to close gaps and differences in expectations. It is hoped that ITSCI (including program improvements) is recognized by RMI again later in 2023.

Responsible sourcing from CAHRAs and ASM in general is a complex field, and asking for 100% compliance with something that is a "soft target" such as the OECD Guidance will negatively impact on the intricate set-up of responsible sourcing networks and thus, also on the opportunities that mining in disadvantaged regions provide for local communities.

It is hence indispensable to agree on swift cross-recognition between RMI/RMAP and the EU and the provision of a "whitelist" of global responsible smelters and refiners by the EU to avoid disparity between EU and global supply chains. This of course should not be a carte blanche for the recognized supply chain due diligence schemes, and close cooperation between EU and the schemes should assure ongoing and improving performance over time. The same applies to the relation between upstream and midstream due diligence systems, for example, the relation between RMI and ITSCI – mutual understanding, recognition and mitigation of weaknesses, and a view on the affected communities are key.

Throughout the year, WBH was in close contact with various organizations to discuss and promote responsible sourcing guidance. WBH will continue to work with all stakeholders to support robust and practical traceability while avoiding application of advanced technologies for their own sake, a level playing field to avoid boycott of ASM miners in developing countries, reasonable expectations of downstream and adequate cost sharing across the supply chain.



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