

Goslar, January 2020

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

H.C. Starck Tungsten GmbH Due Diligence Report for Raw Material Supplies in Year 2019 (“OECD Step-5 Report”)

Note: This report is following the “Public Due Diligence Report writing guidance” of the Responsible Minerals Initiative (RMI, <http://www.responsiblemineralsinitiative.org/smelter-introduction/>).

1. Company Information

H.C. Starck Tungsten Powders is one of the leading global manufacturers of the metal tungsten and its products such as sodium tungstate, tungsten acid, ammonium meta- and -paratungstate, tungsten oxides, tungsten powders as well as cast and conventional tungsten carbides. For more details see <https://www.hcstarck.com/de/home.html>. The company operates three production facilities in Goslar (Germany), Sarnia (Canada), and Ganzhou (China), but only in Goslar does the company carry out a smelting process. Therefore the H.C. Starck Tungsten GmbH in Goslar is a conflict free smelter, listed by the RMI under CID002541 (<http://www.responsiblemineralsinitiative.org/conformant-tungsten-smelters>). The period covered by this report is the whole Year 2019.

2. RMAP Assessment summary

H. C. Starck Tungsten GmbH is a member of the ITRI Tin Supply Chain Initiative (iTSCi), which has developed a due diligence system for a transparent raw material supply chain in conflict regions and monitors the implementation of the system in their member companies. In addition to that, H.C. Starck is a founding member of the Tungsten Industry—Conflict Minerals Council (TI—CMC) and is represented directly by filling one board position. Because of the TI-CMC membership and the state-of-the-art recycling process in the Goslar plant, H.C. Starck Tungsten GmbH has been under assessment for 3 years. In 2019 H.C. Starck Tungsten Powders has supported the test version of the “Transparency In Minerals Supply Chains” of the EU Commission Responsible Minerals Information System (RMIS).

The Tungsten GmbH underwent its last RMAP assessment on 3rd / 4th May 2018 and this was conducted by SCS Global Services. The assessment period was from 1st March 2017 to 28th February 2018.

3. Company Supply Chain Policy

H.C. Starck Tungsten GmbH has implemented an on-going policy of only purchasing raw materials that are conflict-free and that always meet the requirements of the OECD (relevant version of the “OECD Due Diligence Guidance for Supply Chains of Minerals from Conflict-Affected and High-Risk Areas”) and the “Regulation (EU) 2017/821” of the European Parliament and of the Council of 17 May 2017. The company is committed to addressing any Annex II risks if identified. The policy was reviewed and approved by the Senior Management, which committed to support its implementation, and is available at

https://www.hcstarck.com/en/sustainability/compliance_raw_material_procurement/raw_material_procurement.html

4. Company Management System

Besides the RMAP assessments the H.C. Starck Tungsten GmbH is audited against ISO 9001, ISO 14001, ISO 50001, and OHSAS 18001. In addition to the HSEQ aspects the Senior Management has appointed a Management Representative responsible for supply chain management (RSCM) including the raw material due diligence process. The Management Representative reports directly to the CEO / COO of the company. Within the RSCM, the Management Representative coordinates the work of the relevant departments (incl. Supply Chain Management, Procurement, Quality Management, Customer Service) to ensure each department follows up on their roles and responsibilities to implement the due diligence process. Once a year all relevant departments undergo due diligence management system training. In addition, during 2018 the Management representative underwent SA8000 auditor training and one project manager of the procurement department a general audit principle training.

To ensure the effectiveness of the due diligence management system the QM department conducts internal audits on a regular basis according to the audit protocol of the responsible minerals assurance process. In 2019 a new document control system was implemented to support, among other things, the RSCM process more efficient.

5. Internal Systems of control

Before starting new business with a supplier, there is a detailed check by the procurement and the legal department to confirm that this potential supplier fulfils all legal requirements and the requirements of the RSCM process. This check is repeated on a regularly basis during the whole time of the business relationship. Also, H.C. Starck Tungsten GmbH has incorporated due diligence requirements into legally binding agreements with direct suppliers. Intermediates are only purchased from certified conformant smelters. This certificate is checked with every transaction, using the RMI conformant-smelter-refiner-list (see above). The company visits all main suppliers regularly on an annual basis.

Grievance Mechanisms

H.C. Starck Tungsten GmbH refers to <http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/grievance-mechanism/>

Record Keeping System

All relevant data (shipping documents, inventory etc.) are kept in a SAP database system.

6. Risk identification

H.C. Starck Tungsten GmbH has established a RSCM system to identify risks in the company's supply chain. A part of this system is the iTSCi and TI-CMC membership.

Our supply chain is divided into three categories:

- Secondary raw material, that meets the definition of “secondary” given by the OECD. We have established a process to confirm, that the material we are purchasing is genuinely secondary.
- Intermediates. With every delivery we are checking that the supplying smelter is listed as RMI RMAP conformant smelter.
- Legacy material. We confirm that the material is legacy in nature.

All the checks / examinations are documented. Since we are not using primary materials in our supply chain, we have a lean risk identification process.

7. Risk mitigation strategy

The H.C. Starck Tungsten GmbH does not have CAHRA-related supplies. A very simple risk mitigation strategy, concerning the raw material procurement, is part of the RSCM.



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