



Conflict Free Materials Purchasing Policy of JSC Solikamsk Magnesium Works

1. Preamble

This Policy replaces Conflict Free Raw Materials Purchasing Policy of Solikamsk Magnesium Works OAO of 10 October 2011 and designed to comply with new regulations issued after the effective date of the foregoing Policy.

Top Management of JSC Solikamsk Magnesium Works (“*SMW*”) acknowledges provisions of the United Nations’ Security Council (*UN SC*) Resolutions №S/RES/1952 (2010) and №S/2010/596 and:

- condemns the actions of armed gangs engaged in bloody terror and genocide in the territory of the Democratic Republic of the Congo (DRC) and surrounding countries («*Conflict Affected Area*») as well as companies and organizations directly and/or indirectly supporting, and/or financing these military troops, in particular, with the way of purchase of tantalum, tin, tungsten, cobalt and gold (*3TCG*) mined on the territory of these countries under control of these gangs, that fires the conflict in this area, supports enforced and child’s labor, mass human rights abuses in these areas;
- supports abovementioned *UN SC* Resolutions and assumes obligations to comply with Organization of Economic Cooperation & Development (*OECD*) “*Due Diligence Guidance (DDG) for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas (CAHRA)*. 3rd Edition, 2016”, jointly developed by OECD with formerly Electronic Industry Citizenship Coalition (*EICC*), recently Responsible Business Alliance (*RBA*), and other organizations, and adopted for implementation by *UN SC*.

Top Management of *SMW* also supports restrictions on purchase of *3TCG* from conflict and mass human rights abuses’ areas in DRC and 9 adjoining countries (*conflict materials*) imposed in Section 1502 of the U.S. Consumer Protection Act and Rules of the U.S. Security Exchange Commission № 34-67716 of 13 November 2013 *Conflict Minerals*, Regulation (EU) 2017/821 (COD) 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 and tungsten, their ores, and gold originating from conflict-affected and high-risk areas*”, in *RBA’s Standard “Responsible Minerals Assurance Process (RBA®RMAP). Tin & Tantalum Standard. Effective from 01 June 2018”*, similar rules and regulations in the other countries with respect to *conflict materials* and concerning certain other business activities.

2. Processing of Tantalum Raw Materials by *SMW*

In accordance with the Charter (Articles of Association) of *SMW*, production of magnesium, rare metals’ and chemical products, and providing the services are priority activities of the Company.

Tantalum chemicals are among products manufactured in Rare Metals Operations of the company those fall under restrictions described in the article 1 of this Policy.

The main raw material used to produce *tantalum* chemicals of *SMW* is *loparite*. There are no discovered deposits of *loparite* in *CAHRA* (<https://www.mindat.org/min-2432.html>, [http://webmineral.com/data/Loparite-\(Ce\).shtml#.W44dP84zaJA](http://webmineral.com/data/Loparite-(Ce).shtml#.W44dP84zaJA)) therefore raw material utilized by *SMW* to produce *tantalum* compounds is initially *conflict free material*.

Loparite ore is mined and concentrated at Lovozerskiy Deposit located in Murmansk Region, Russia, by Lovozerskiy Mining & Concentration Works LLC (*LGOK*), Revda, Murmansk Region, Russia.

Supply of *loparite* from *LGOK* to *SMW* lasts for more than 50 years therefore the key requirement “*Know-Your-Supplier*” (*KYS*) of *DDG* required by *UN SC* Resolutions, *OECD DDG* for Responsible Supply Chain of Minerals from *CAHRA* as well as *RBA®RMAP* Standard is completely applicable to *SMW* supply chain.

Despite the fact that *SMW* does not schedule processing other than *loparite tantalum* raw materials in foreseeable future, in the case of use of other *tantalum* containing raw materials in its processing, *SMW* will follow requirements this Policy, *DDG UN SC* and *OECD*, as well as *RBA®RMAP* Standard.

SMW is not involved and does not have intention to process *tin, tungsten, cobalt* and *gold* materials, however, if decision to process foregoing materials is made, all rules listed in the article 1 of this Policy above as well as described in articles 3-6 of this Policy below will be applicable to such materials at the same extent as for *tantalum* materials.



3. Purposes of this Policy

The Purpose of this Policy is to support the image of SMW as the reliable and responsible supplier of *conflict free tantalum* products to its customers throughout the globe by the way of avoidance of *conflict tantalum materials* from its supply chain and prevention of unintentional financing of illegal troops, enforced and child's labor, mass human rights abuses in CAHRA.

4. Methods of Implementation of this Policy

Having the regard all circumstances described by UN Committee for DRC in *UN SC* Resolution №S/2010/596 as well as requirements prescribed by Section 1502 the U.S. Consumer Protection Act, the U.S. SEC Rules № 34-67716 of 13 November 2013, DDG of *UN SC* and *OECD*, Regulation (EU) 2017/821 (COD) of the European Parliament and of the Council of 17 May 2017, Standard *RBA®RMAP* requirements

Top Management of *SMW* assumes the following obligations:

(1) Completely prohibit any purchases of *tantalum* materials including raw materials, semi-products, scrap & residues (except "Excluded Scraps") produced with use of *conflict materials*, avoiding purchases of *tantalum* materials from the following 10 countries (*CAHRA* countries): :

1. DRC (Democratic Republic of Congo - DRC)
2. Republic of Congo
3. Tanzania
4. South Sudan
5. Burundi
6. Rwanda
7. Uganda
8. Central African Republic (CAR)
9. Zambia
10. Angola

Even if *tantalum* materials are offered allegedly legal with official certification with State Authorities, providing copies of confirmatory government documents and price incentives;

(2) Low-risk materials are considered **mineral tantalum** concentrates (columbite, tantalite, struverite, etc) declared originated in Malaysia, Latin America and Australia provided with low radioactivity at less than 10 Bq/ gramm;

(3) In all cases of purchase of *tantalum* raw materials, semi-products and scrap & residues allegedly declared as originated from the other countries than listed at 1) and 2) above, specifically from African and Asian countries those are on the way from *CAHRA* to Russia, or from North American and European countries including Russia & former FSU countries due to lack of evidence of commercial *tantalum* raw materials mining (except *loparite*) in these territories, apply requirements recommended by DDG of *SC UN* and *OECD*, *RBA®RMAP* Standard as potentially from *CAHRA* countries, and using *KYS* principle where it is possible.

4. Final Provisions

1. This Policy is published in Russian on official web-site of *SMW* under links as follows:

- in Russian and in English http://смз.рф/index/integrirovannaja_sistema_menedzhmenta/0-90
- in English only http://смз.рф/index/en_information/0-104

2. *Tantalum* materials procurement procedure is embedded into the Process Card "Purchases" (КП ОС 4.4-01-2018) of *SMW*'s Integrated Management System developed under under ISO 9001:2015 + 14001:2015 + ISO/IEC 17025 requirements, DDG Procedures and *RBA®RMAP* Standard and this Police are Annexes to this Process Card.

3. This Policy is communicated to LGOK and will be communicated to other potential *tantalum* materials suppliers, if applicable, before any negotiations concerning potential supply. 4. Настоящая Политика обязательна для исполнения всеми заинтересованными сторонами.

5. This Policy is effective from the date of signing and remains in force until the date of change or termination.



5. References

1. UN SC Resolution with respect to Democratic Republic of Congo №S/RES/1952 (2010) [https://undocs.org/en/S/RES/1952\(2010\)](https://undocs.org/en/S/RES/1952(2010)) and UN SC Resolution №S/2010/596 concerning *conflict minerals* <https://undocs.org/en/S/2010/596>
2. Discovered *loparite* deposits world-wide <https://www.mindat.org/min-2432.html>, [http://webmineral.com/data/Loparite-\(Ce\).shtml#.W44dP84zaJA](http://webmineral.com/data/Loparite-(Ce).shtml#.W44dP84zaJA)
3. Amendments into Section 1502 of the U.S. Consumer Protection Act <https://www.sec.gov/answers/about-lawsshtml.html#df2010>
4. SEC Rules of 13 November 2013 № 34-67716 «*Conflict Minerals*» <http://www.sec.gov/rules/final/2012/34-67716.pdf>
5. OECD *Due Diligence Guidance) for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas. 3rd Edition, 2016* <http://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>
6. Regulation (EU) 2017/821 (COD) 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 and tungsten, their ores, and gold originating from conflict-affected and high-risk areas*” <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R0821>
7. RBA Standard “*Responsible Minerals Assurance Process (RBA®RMAP). Tin & Tantalum Standard. Effective from 01 June 2018*” and supplemental documents <http://www.responsiblemineralsinitiative.org/smelter-introduction/>
8. SMW papers in Russian http://cm3.pф/index/integrirrovannaja_sistema_menedzhmenta/0-90 and in English http://cm3.pф/index/en_information/0-104

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Signature:

Date:

07.09.2018