



PUBLIC DUE DILIGENCE REPORT

1. Introduction

LuNa Smelter Ltd. (further on this document referred to as LuNa) is a leading tin producer located in East Africa. The company was established in 2018 as a joint venture of the European Industrial Fund Luma Holding Ltd. and local investment company Ngali Holdings Ltd. The company has one smelting facility located in the heart of Kigali City in Rwanda.

The company is listed as conformant smelter to RMAP's requirements – the flagship program of Responsible Minerals Initiative (RMI). LuNa's RMI CID number is **CID003387**. LuNa is also a full member of iTSCi (ITRI Tin Supply Chain Initiative) and cooperates with Better Sourcing Program (RSC Global).

LuNa is sourcing minerals solely from Rwanda and as of 15th of June 2019 has been awarded with two exploration concessions for cassiterite, coltan and wolframite in Bugarura and Kuluti perimeters. LuNa intends to prospect and develop these concessions within the timeframe given by the Government of Rwanda. LuNa plans to develop the Bugarura and Kuluti Projects as large scale mining operations in order to secure minerals originating from their own mining operations.

The purpose of this document is to publicly report on due diligence activities within the time period from **07/27/2019 - 07/26/2020** for the responsible supply chains of minerals in order to provide public confidence in the measures LuNa is undertaking in accordance with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (hereinafter referred to as the OECD Guidance). The company, including the Management Board, executives and staff approach all matters of supply chain due diligence with the utmost seriousness and professionalism.

2. RMAP Assessment Summary

LuNa has undergone a RMAP assessment on the 7th of August 2019 and was found to be conformant. The assessment is valid for one year. The assessment covered the time period from 11/26/2018 – 07/26/2019 and was conducted by UL Audit Firm, Mr. Dan A. Graeb serving as the Lead Auditor. The assessment summary report is public and available [here](#).

3. Company Management System

LuNa Supply Chain Policy

Recognising the risks of significant adverse impacts which may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas and recognising that LuNa Smelter Ltd has the responsibility to respect human rights and not to contribute to conflicts, the company has developed and implemented the Supply Chain Management Policy. The policy has been reviewed and approved by the senior management

and covers all risks identified in Annex II of the OECD Guidance and its geographic scope is global. It is publicly available at LuNa's website [here](#) and is widely communicated as the guiding document to relevant stakeholders (suppliers, customers, employees etc.).

LuNa Management Systems

In January 2020 LuNa Smelter was awarded the sustainable, environmentally responsible ISO 14001:2015 standard and the new quality management ISO 9001:2015. The latter defines the guiding principles throughout the organization and is the aggregate of all the processes, resources, assets, and cultural values that support LuNa's goal to produce tin metal in a responsible manner.

The company also follows through its determination in the supply chain management policy and has developed and implemented an internal Supply Chain Due Diligence Procedure, which includes the following aspects:

- The Management Board is responsible to oversee the due diligence program and risk management design and implementation.
- The Managing Director was assigned to coordinate work of the relevant departments (Procurement Department, Production Department, Finance Department, Warehouse Management Department, Reception of Raw Materials and Exploration Activities) to ensure that each department follows up on their responsibilities and duties to implement the supply chain management policy and report red flags and potential risks identified.
- The company assigned the Field Operations Manager responsible for overseeing of exploration activities and ensure that LuNa operations at Bugarura and Kuluti brownfields are aligned with the guiding principles of Supply Chain Management Policy and established Internal Management Systems.

System of Controls and Transparency

LuNa established its due diligence management system to be aligned with the OECD Guidance and RMAP in July 2019. The company communicated the supply chain management policy and sourcing requirements to all identified upstream suppliers in July 2019. LuNa has incorporated due diligence requirements into legally binding agreements with its key stakeholders.

LuNa has designated staff to conduct regular visits up to 10 percent of its direct suppliers on monthly basis with global goal to visit each supplier at least one annually. LuNa's staff in charge of chain of custody (CoC) and due diligence implementation ensure good cooperation and collaboration remain intact between LuNa and its suppliers. It is also a way to build capacity and find reasonable and adequate solutions when risks are identified or an incident occurs.

Apart from the staff in charge of mine site visits and the CoC personnel, there are also other employees such as storekeeper in charge of managing the stock reconciliation (incoming vs outgoing minerals to make sure the stock reconciliation is properly done) who reports to the senior management and the security agent who keeps track on the security inside and outside the compound along with the working areas to mitigate fraudulent and smuggling activities.

LuNa developed its grievance policy and implemented an internal grievance mechanism to collect information on grievances from interested parties. To learn more about company's grievance policy please click [here](#).

Record keeping System

All records related to the due diligence activities are maintained for at least five years safely stored in our company's premises and servers.

4. RISK ASSESSMENT

LuNa has implemented a strong internal system to identify risks in the supply chain.

RISK ASSESSMENT PROCESS, METHODOLOGY AND RESULTS

STEP 1. CAHRA

The company established a procedure to identify the conflicted affected and high risk areas (CAHRAs) in its supply chain. The procedure outlines the resources and the criteria's used to identify CAHRA as well as the frequency with which the determination is reviewed. LuNa utilizes the following resources to determine a CAHRA:

- The Heidelberg Conflict Barometer provides conflict maps, representing an annual snapshot of the presence of armed conflict.
- The INFORM Index for Risk Management provides country-level risk profiles relating to humanitarian crises.

Referring to its supply chain management policy and other external sources, LuNa has defined the criteria and benchmark indicators to determine CAHRA as well as outlined the course of actions despite the determined CAHRA.

STEP 2. KYC

LuNa has designed a Know Your Counterparty (KYC) form to include information concerning supplier legal status and identity, supplier mapping and potential risks. All our suppliers are required to complete and return a signed KYC form. Reception Officer reviews the provided information with the senior manager. Whenever inconsistencies, errors or incomplete information are identified in the KYC form, the traceability staff communicates the improvement areas to suppliers and requested an updated form. If red flags were identified, the company would further engage with its suppliers to clarify and improve the documents as needed. During this reporting period, no red flags were identified related to submitted KYC forms.

STEP 3. ADDITIONAL INFORMATION

LuNa requires origin information for each minerals delivery and transaction and ensured that it was able to understand the transaction origin, transportation route, as well as direct suppliers' names, mine of origin and locations.

STEP 4. HIGH RISK SOURCING

Currently, all of LuNa's direct suppliers are located in CAHRA, therefore for minerals located in areas determined to be "high-risk", the company conducted enhanced due diligence. This included:

- Assessing the context of CAHRAs;
- Clarifying the chain of custody;
- Identifying locations and qualitative conditions of the extraction, trade, handling, and export of minerals; and,
- Conducting on-the-ground assessments in order to map the factual circumstances, conduct on-the ground assessments and assess risks in the high risk supply chains, we relied on the following:

iTSCi

LuNa has been a full member of iTSCi during this reporting period. For each high-risk sourcing transaction provided through the iTSCi , the following documents are provided

1. Incident summary reports as they become available
2. Mine Visit Recommendations including a list of mine sites with potential risks (it is advised that companies sourcing from these mine sites conduct enhanced due diligence and risk assessment)
3. Monthly country and region reports, which review the general situation on the ground
4. Data summary and other reports

LuNa has conducted further due diligence to review these documents from upstream program against information in the public domain and the actual transaction information to assess the level of risk. As the result of the company's due diligence activities when LuNa discovered that against one of its suppliers an incident had been open related to the utilization of fraudulent tags, Management of the Company made decision to terminate any kind of cooperation with this supplier until the incident remains open and not resolved.

Better Sourcing Program

LuNa has been using the Better Sourcing Program (BSP) during this reporting period to assess risks for each high-risk sourcing transaction utilizing the BSP chain of custody system. The program also maps LuNa's explorations activities and provides the information listed below.

1. baseline assessment report (BSP field agents conduct an initial baseline assessment of the OECD Guidance Annex II risks at each mine site)
2. dynamic evaluation report (for each mine site, BSP field agents
3. continuously monitor risks and incidents on the ground using a mobile application)

5. RISK MANAGEMENT

Progress and findings of the supply chain risk assessment are regularly reported to the senior management. The risk management procedure adopted by LuNa in accordance with its Supply Chain Management policy seeks to ultimately discontinue doing business with any supplier found to be purchasing or mining cassiterite which directly or indirectly finances or benefits armed groups in the DRC or adjoining countries, after attempts at corrective actions are not successful.

Moreover, LuNa is participating in the following RMI recognized upstream assurance mechanisms:

Better Sourcing Program (BSP):

Based on the findings of the initial baseline report and the dynamic evaluation report, BSP provides technical advice and helps LuNa close any gaps in due diligence management systems (e.g. develop a supply chain policy, establish a management structure), achieve traceability and respond to identified risks. Each identified risk is reviewed and scored on the basis of its severity (minor, moderate and major) while BSP provides a standardized protocol for how the risk can be mitigated in the short term and long term. The effectiveness of mitigation is tracked and reported on periodically by BSP field agents who are also involved in related engagement with affected stakeholders (e.g. local communities). LuNa's management assesses this data in consultation with BSP and supply chain participants as needed to infer whether additional risk mitigation action is required.

iTSCi:

The company checks with the iTSCi secretariat to obtain details of the risk mitigation process. LuNa seeks to:

- Identify the specific source of the material including the name of the supplier
- Identify whether the reported risks have been addressed and/or are re-reported in the subsequent reporting period.
- Query the methodology for addressing the risks including who performed risk mitigation activities.
- Request regular updates of the risk mitigation activities for relevant supply chains.

6. RMAP RE-ASSESSMENT

LuNa Smelter is determined in its goal to maintain the conformant smelter status to RMAP's requirements. The next re-assessment is scheduled for 1-2 October 2020.