

# PUBLIC **DUE DILIGENCE** **REPORT**

Referring to 07/28/2021 - 12/31/2022



# 1. COMPANY INFORMATION

**LuNa Smelter is a leading tin metal producer located in East Africa, Kigali, the capital city of Rwanda.**

Established in 2018, LuNa is owned by **Luma Holding Ltd, a private European Industrial Group focused on the metallurgical, mining, and automotive industry** (majority shareholder), and Ngali Holdings, a Rwandan professional investor (minority shareholder).

The Company's mission is to act as an **industry change agent and a diversity trend-setter through ESG-driven investments** with a strong focus on traceability, gender equality, and unserved communities' development.

LuNa Smelter Ltd. is sourcing the key raw material – cassiterite concentrate from Rwanda, and expanding its sourcing from adjoining countries to supply its customers. **Value creation is based on the development of a stable raw materials supply chain achieved through responsible sourcing strategies in Rwanda and the Great Lakes Region.**

The company's production is based on modern tin smelting & refining facility as well as its certified laboratory located in Kigali, Rwanda. The quality of the produced tin ingots exceeds the LME standard for tin metal.

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

Recognizing the need for the implementation of the new technologies and possibilities offered by blockchain solutions LuNa Smelter Ltd. has started a joint project with Minespider AG piloting digitalization of the due diligence processes and using blockchain-based OreSource tool to track the movement of tin through the supply chain from mine to end product.

This public Due Diligence Report presents due diligence activities within the period from **07/28/2021 – 12/31/2022** as it is required by OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition.

## 2. RMAP ASSESSMENT SUMMARY

LuNa has undergone a Responsible Minerals Assurance Process (RMAP) Third assessment on the 3rd-5TH May 2022 and the assessment is valid for one year. The assessment covered the period from 29/04/2021-14/03/2022 and was conducted by Audit Firm: Arche Advisor as the Lead Auditor. The assessment full report is public and available. [RMAP ASSESSMENT FULL REPORT.](#)

## 3. COMPANY MANAGEMENT SYSTEMS

### Company Supply Chain Policy

Recognizing 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 recognizing 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 Company's 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 [\*\*www.lunasmelter.com\*\*](http://www.lunasmelter.com) and is widely communicated as the guiding document to relevant stakeholders (suppliers, customers, employees, etc.).

### Company Management Systems

The company also follows through with 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, Due Diligence Department, 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.

## 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 identified upstream suppliers in July 2019.

LuNa has incorporated due diligence requirements into legally binding agreements with its key stakeholders.

LuNa has a monthly Due Diligence Meeting every last Thursday of the month to check LuNa's supply chain. LuNa has a Due Diligence Officer to conduct regular on-ground visits and a Due Diligence Manager in charge of a chain of custody (CoC) and due diligence implementation to ensure that 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.

During this period the company has conducted on-ground visits for more than 90% of all suppliers.

**On ground assessment summary:** During the assessment at all Mine Sites, it was noticed that the production was plausible and relates to activities on ground. Also, there were no indications that production was unjustified and no changes in terms of the type of extracted minerals.

Companies were urged to keep complying with laws and regulations and to acquire modern mining technology both in mineral extraction and mineral processing in order to boost up their production

No risks identified during the on ground assessment conducted for this specific reporting period.

Apart from the staff in charge of mine site visits and the CoC personnel, there are also other employees such as the Warehouse officer 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 unlawful activities.

LuNa developed its grievance policy and implemented an internal grievance mechanism to collect information on grievances from interested parties. To learn more about the company's grievance policy please visit [www.lunasmelter.com](http://www.lunasmelter.com).

LuNa has also developed its whistle-blowing policy to aim to report any matter which is in the view of the complainant, illegal, contrary to the policies of the

company, or in some other manner, not proper such as violation of any applicable law, rules or regulations. The whistle-blowing policy is on LuNa's website [www.lunasmelter.com](http://www.lunasmelter.com).

## **Record keeping System**

All records related to the due diligence activities are maintained for at least five years and safely stored in our company's premises and servers. LuNa also started to record suppliers' due diligence documents on Minespider platform.

By accessing the platform, the following documents can be seen for a certain supplier: Mining/trading license, Registration Document, Mine site assessment report, KYC, and CAHRA form.

## **4. RISK ASSESSMENT**

The company has taken several steps to identify the risks of our supply chain.

### **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 used to identify CAHRA as well as the frequency with which the determination is reviewed.

In addition to the countries listed in EU CAHRA List and the US Dodd-Frank Law, LuNa utilizes the following resources to determine additional CAHRAs:

- The Heidelberg Conflict Barometer provides conflict maps, representing an annual snapshot of the presence of armed conflict.
- The Fragile States Index (FSI, formerly the Failed States Index) provides the information on Widespread human rights abuses.
- Violations of national or international law.
- Worldwide Governance Indicators provides Governance, with a focus on corruption or to the extent that public power is exercised for private gain.
- Political and security risk provides Security Risk Map.

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. As LuNa is located in



a CAHRA as defined by the Dodd-Frank Act, LuNa implements enhanced due diligence as required by the RMAP for all materials received.

## **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 Lunar suppliers are required to complete and return a signed KYC form. The Due Diligence Manager reviews the provided information with the senior manager. Whenever inconsistencies, errors, or incomplete information are identified in the KYC form, the Due Diligence Manager communicates the improvement areas to suppliers and requested an updated form. If red flags were placed, 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 documents such as mining license, government company business registration, and CoC documents 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.

Luna also looks for further information about security in the region and its impact on the supply chain. For instance, the Company is closely monitoring the situation in In North -Kivu, Democratic Republic of Congo where, non-state armed groups like Raïa Mutomboki and Mai Mai Nyatura are fighting against the M23 non-state armed group alongside FARDC.

The Company is closely following the reports published by the 3T stakeholders.

## **STEP 4. High-risk sourcing**

Currently, as LuNa and all of LuNa's suppliers are located in CAHRA, therefore the company has determined all minerals to be "high-risk", and the company has 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 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 is a full member of iTSCI during this reporting period. However, on 31st October 2022 LuNa received information from RMI that ITSCI is no longer recognized as an upstream mechanism. By end of the year, discussions between RMI and ITSCI were ongoing, on finding common ground on a matter.

For each high-risk sourcing transaction provided through the iTSCI, the following documents are provided;

1. Incident summary reports as they become available
2. Monthly 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 report, which reviews the general situation on the ground;
4. Data summary and other reports;

LuNa has conducted further due diligence to review these documents from the 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 opened related to the utilization of fraudulent tags, the Management of the Company decided to terminate any kind of cooperation with this supplier while the incident remained 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 continuously monitor risks and incidents on the ground using a mobile application);

## **Introduction of the blockchain technology for minerals traceability**

Minespider's OreSource is a blockchain-based due diligence tool for mines and smelters, helping them capture critical information that European Union importers require for them to comply with the new EU Conflict Mineral Regulation that came into force in January 2021.

LuNa uploads the data required into a digital blockchain certificate. By affixing a simple QR code to a mineral shipment, or an invoice, the recipients of the materials receive all the data they need to ensure their compliance with the EU regulation, secured via Minespider's public blockchain protocol.

The LuNa Smelter pilot project has been presented to 3T stakeholders during the annual RMI conference in 2022.

## **5. RISK MANAGEMENT**

Progress and findings of the supply chain risk assessment are regularly reported to senior management. The risk management procedure adopted by LuNa by its Supply Chain Management policy seeks to ultimately discontinue doing business with any supplier found to be purchasing or mining cassiterite that 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 based on 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 on 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 Quarter II 2023.