

PUBLIC **DUE DILIGENCE** REPORT

Referring to 01/01/2023 - 31/12/2023



INTRODUCTION AND COMPANY BACKGROUND

LuNa Smelter is a leading tin metal producer located in East Africa, Kigali, and 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 organization aims to serve as a catalyst for industry transformation and a trailblazer in promoting diversity trends. This is achieved **through ESG-driven investments**, with a particular emphasis on traceability, gender equality, and the development of underserved communities. LuNa Smelter Ltd. is sourcing the key raw material – cassiterite concentrate from Rwanda, and expanding its sourcing from adjoining countries to supply its customers. The company also offers toll smelting services to Rwandan and international companies. **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 operates its own CoC (Chain of Custody) system. 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 new technologies and possibilities offered by blockchain solutions LuNa Smelter Ltd. runs a joint project with Minespider AG piloting digitalization of the due diligence processes and using the 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 of year 2023, as OECD Due Diligence Guidance requires it for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition.

Step 1 COMPANY MANAGEMENT SYSTEMS

1.1. Company Supply Chain Policy

Acknowledging the potential for substantial adverse consequences linked to the extraction, trade, handling, and export of minerals from conflict-affected and high-risk regions, and recognizing its obligation to uphold human rights and refrain from contributing to conflicts, LuNa Smelter Ltd has devised and put into effect 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 and is widely communicated as the guiding document to relevant stakeholders (suppliers, customers, employees, etc.).

1.2. Management Systems

The company also follows through with its determination in the supply chain management policy, 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 (Cassiterite Department, Production Department, Finance Department, Traceability Department, and Mining & 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.

1.3. 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 communicates the supply chain management policy and sourcing requirements to identified upstream suppliers during onboarding and periodically as needed.

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

A monthly Due Diligence Meeting is convened by the company to scrutinize LuNa's supply chain. The Due Diligence team, led by a dedicated Due Diligence Manager overseeing the chain of custody (CoC) and due diligence implementation, conducts routine on-site visits. This approach is integral to maintaining robust cooperation and collaboration between LuNa and its suppliers. Furthermore, it serves as a proactive measure to enhance capacity and devise appropriate solutions in the event of identified risks or incidents.

During this period, the company has conducted on-ground visits for selected suppliers (add number of visits) and the selection has been following our supply chain procedure.

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

Companies were encouraged to continue adhering to laws and regulations, emphasizing the importance of adopting state-of-the-art mining technology for both mineral extraction and processing. This strategic approach is aimed at enhancing production levels.

There were 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.

LuNa has also developed its whistle-blowing policy to aim to report any matter that 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.

1.4. 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. For Rwandan material, LuNa also records 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, on-ground/Mine site assessment report, KYC, and CAHRA form.

Step 2 RISK ASSESSMENT

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

2.1. 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.

2.2. 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 LuNa 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 issues 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.

2.3. 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.

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

Tolling: A transaction where materials are processed by a smelter on behalf of a client who retains ownership of the agreed to elements and/or volume of those material. LuNa smelter since July 2023 started offering tolling services to mining and international mineral trading companies operating from the region. LuNa has offered tolling services to two companies in 2023.

2.4. 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;

2.5. On-ground assessment

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;

The assessment for the mine looks at several risks namely; Serious abuses associated with the extraction (Identifying locations and qualitative conditions of the extraction), trade, handling, and transport of minerals, direct or indirect support to non-state armed groups, public or private security forces, bribery and fraudulent misrepresentation of the origin of minerals, money laundering and payment of taxes, fees & royalties due to government (consistent with OECD Annex II risks). The assessment report will be part of the documents when the material is transported from the mine site to the smelter. Any risks identified will be reviewed by the monthly due diligence meeting for decision making. This work is done by LuNa's own due diligence officers.

2.6. iTSCI

LuNa is a full member of iTSCI during this reporting period. However, LuNa recognise that iTSCI does not currently have RMI *recognition status of upstream systems and requirements*. By end of the year, discussions between RMI and iTSCI were ongoing.

For each 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;

Due to iTSCI not being recognized by RMI, LuNa conducts 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.

2.7. LuNa CoC

LuNa has implemented its new chain of custody system during this reporting period to assess risks for each high-risk sourcing transaction. The system is so far fully implemented at LuNa mines. LuNa CoC system consists of:

1. Identification of the process and workflow of minerals extraction, and transportation;
2. Mine-communication and data sharing channel to be provided via blockchain platform;
3. Conducting of overall CoC on-ground assessment;
4. Development of the mineralogical profiles of the mines covered by the LuNa CoC;
5. Conducting regular physical inspections to ensure the compliance of the mine site to relative laws and regulations - with the tagging procedure and data input to the LuNa blockchain platform;
6. Compiling mine baseline data and updating as needed;

Regular on-site monitoring, data collection, reporting and provides the information listed below.

1. Baseline assessment report (Due diligence officer conducts an initial baseline assessment of the OECD Guidance Annex II risks);

2. Dynamic evaluation report (Due diligence officer continuously monitors risks and incidents on the ground);
3. Product Passport for every batch coming from the mine site to the smelter and from the smelter to the buyer of the Tin ingots.

2.8. Original Evidence

LuNa also procures cassiterite through a system approved by the Government of Rwanda. This system, governed by digital due diligence and traceability measures, verifies the mineral's source from the mine to the refinery/smelter.

2.9. The blockchain technology for minerals traceability

Minespider's OreSource stands as a blockchain-based due diligence tool designed for mines and smelters. Its primary purpose is to assist in capturing crucial information necessary for European Union importers to meet compliance requirements under the new EU Conflict Mineral Regulation, which took effect in January 2021.

LuNa systematically uploads the requisite data into a digital blockchain certificate. This information is conveniently accessed by recipients through a straightforward QR code attached to mineral shipments, or invoices. This streamlined process ensures that all necessary data is readily available for compliance with the EU regulation, securely managed through Minespider's public blockchain protocol.

STEP 3 RISK MANAGEMENT

Regular updates on the progress and outcomes of the supply chain risk assessment are consistently communicated to senior management. In adherence to LuNa's Supply Chain Management policy, the risk management procedure aims to cease business relations with any supplier identified to be purchasing or mining cassiterite that, either directly or indirectly, supports or benefits armed groups in the Democratic Republic of the Congo (DRC) or neighbouring nations. Risk management strategies are consistent with the OECD Due Diligence Guidance Annex III.

3.1. Risk Management Plan

Progress and findings of the supply chain risk assessment should be regularly reported to Due Diligence Manager and Managing Director. The risk management plan adopted by LuNa is in accordance with its policy.

Below are different ways to respond to identified risk;

a. Serious abuses: We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined in OECD Due Diligence Guidance Third Edition.

b. Direct or indirect support to non-state armed groups: We will not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals. "Direct or indirect support" to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups

c. public or private security forces: In accordance with the specific position of the company in the supply chain, we will adopt and implement a risk management plan with upstream suppliers and other stakeholders to prevent or mitigate the risk of direct or indirect support to public or private security forces, where we identify that such a reasonable risk exists. In such cases, we will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation within six months from the adoption of the risk management plan. Where we identify a reasonable risk of activities, we will respond in the same way.

d. bribery and fraudulent misrepresentation of the origin of minerals, money-laundering and payment of taxes, fees and royalties to governments: In accordance with the specific position of the company in the supply chain, we commit to engage with suppliers, central or local governmental authorities, international organizations, civil society and affected third parties, as appropriate, to improve and track performance with a view to preventing or mitigating risks of adverse impacts through measurable steps taken in reasonable timescales. We will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation

To monitor and track performance of risk management efforts DD team perform on spot sight visits and report the updates to the Senior Manager. The status is discussed internally in monthly meetings with the DD team and reported to the Board of Directors.

Moreover, LuNa is utilizing the following CoC systems:

1. 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.

2. Original Evidence

LuNa Smelter works with The OE system which was put in place by Power X smelter which has been identified as conformant to the RMAP process by RMI.

3. LuNa CoC

The company identifies potential risks based on information provided as part of the LuNa smelter CoC.

Baseline assessment report (Due diligence officer conducts an initial baseline assessment of the OECD Guidance Annex II risks);

Dynamic evaluation report (Due diligence officer continuously monitors risks and incidents on the ground);

Spot checks for compliance verification.

Step 4 RMAP RE-ASSESSMENT

LuNa Smelter was found Conformant to the RMI RMAP standard in 2023. The next re-assessment is scheduled on 27-29 May 2024.

STEP 5 FILE OECD REPORT

LuNa prepares regularly the Annual due diligence Report and publish it on the company web page and share it directly with its stakeholders.