

# RESPONSIBLE MINERALS ASSURANCE PROCESS ASSESSMENT REPORT

The flagship program of the RMI, the Responsible Minerals Assurance Process (RMAP), formerly the Conflict-Free Smelter Program (CFSP), takes a unique approach to helping companies make informed choices about responsibly sourced minerals in their supply chains. Focusing on a “pinch point” (a point with relatively few actors) in the global metals supply chain, the RMAP uses an independent third-party audit of smelter/refiner management systems and sourcing practices to validate conformance with RMAP protocols and current global standards. The audit employs a risk-based approach to validate smelters' company level management processes for responsible mineral procurement. Companies can then use this information to inform their sourcing choices. For more information, please visit:

[www.responsiblemineralsinitiative.org](http://www.responsiblemineralsinitiative.org).

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| <b>Auditee Name</b>                          | <i>Lianyou Metals Co Ltd</i>   |
| <b>CID Number</b>                            | <i>CID003407</i>   |
| <b>Facility Address</b>                      | <i>No. 103, Section 3, Zhongshan Road, Fangliao Township<br/>Pingtung County, Taiwan</i> |
| <b>Assessment Date(s)</b>                    | <i>05/07/2019 – 05/08/2019</i>   |
| <b>Assessment Type</b>                       | <i>Initial</i>   |
| <b>Assessed Material</b>                     | <i>Tungsten</i>  |
| <b>Sourcing from High-Risk Supply Chains</b> | <i>No</i>  |

|                             |                                       |
|-----------------------------|---------------------------------------|
| <b>Conformance Validity</b> | <i>This audit is valid for 1 year</i> |
|-----------------------------|---------------------------------------|

## I.ASSESSMENT SCOPE

|                           |                        |
|---------------------------|------------------------|
| <b>Assessment Period</b>  | 11/01/2018– 04/30/2019 |
| <b>Assessment Company</b> | SGS                    |

## II.ASSESSMENT OBJECTIVES

The objective of the assessment is to assess the auditee's level of conformance with the Responsible Minerals Assurance Process **TUNGSTEN** Standard of 2017.

## III.ASSESSMENT METHODOLOGY

The assessment consisted of collecting and reviewing objective evidence including documentation, management and employee interviews, facility walk-through, and other observations demonstrating that the smelter/refiner's due diligence management system conforms, in all material aspects, to the requirements of the applicable Standard.

## V.CONCLUSION

| Assessment Results:                 |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | The assessment was conducted in accordance with ISO19001:2011 Standard, taking into account the guidance provided by the Responsible Minerals Assurance Process. The auditor verified the scope, selected samples, and gathered objective evidence through documentation review, interviews, and visual observations.                                      |
| <input checked="" type="checkbox"/> | The auditor found that the auditee's due diligence system are in conformance, in all material aspects, with the requirements of the Responsible Minerals Assurance Process Tin and Tantalum / Tungsten / Gold Standard of 2017 and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.   |
| <input type="checkbox"/>            | The auditor identified material non-conformance(s) between the auditee's systems, processes and practices and the requirements of the Responsible Minerals Assurance Process Tin and Tantalum / Tungsten / Gold Standard of 2017 and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. |
|                                     | Material non-conformance(s) relate to:   |
| <input type="checkbox"/>            | Step 1: Establish strong company management systems  |
| <input type="checkbox"/>            | Step 2: Identify and assess risks in the supply chain  |
| <input type="checkbox"/>            | Step 3: Design and implement a strategy to respond to identified risks   |
| <input type="checkbox"/>            | Step 5: Report annually on supply chain due diligence  |
| <input type="checkbox"/>            | Zero tolerance findings:   |
|                                     | <i>Please specify</i>  |
| Auditor Statements:                 |  |
| <input checked="" type="checkbox"/> | The information provided by the auditee is true and accurate to the best knowledge of the Auditor(s) preparing the report.   |
| <input checked="" type="checkbox"/> | The findings are based on verified objective evidence relevant to the time period for the assessment.  |
| <input checked="" type="checkbox"/> | The Auditor(s) have acted in a manner deemed ethical, truthful, accurate, professional, independent and objective.   |
| <input checked="" type="checkbox"/> | The Auditor(s) are properly qualified to carry out the assessment.   |
| <input checked="" type="checkbox"/> | There were no limitations to this audit.   |
|                                     | <i>Please specify in case of any limitations</i>   |

## VI.ASSESSMENT TEAM (NOTE: THIS WILL NOT BE SHARED PUBLICLY)

|                 |              |                                |  |
|-----------------|--------------|--------------------------------|--|
| TAM, Chung Yuen | Lead Auditor | Date approved by RMAP:<br>2012 | Other relevant<br>accreditations or notes<br><br>NIL |
|-----------------|--------------|--------------------------------|--|

## VII.COMPANY CONTEXT

- *Lianyou Metals Co Ltd is a Tungsten smelter. Founded in May 2018 and currently with 65 employees.*
- *This is the first RMAP assessment.*
- *Main raw material input are Tungsten soft scraps in powder or sludge form, smelted product is Sodium Tungstate.*
- *The smelter source secondary material from trading and downstream processors. For tolling assignments, all secondary materials are provided and owned by the customers.*
- *The company established a process to identify CAHRAs with criteria to identify human right abuses, support the non-stated armed groups, support of private or public security forces, and bribery. The company conducts a basic review of all suppliers once a year, with immediate review if there is a possible status change reported through news sources.*
- *The resources and criteria used in the procedure include:*
  1. *Armed Conflict: Heidelberg Conflict Parameter. Criteria: threshold>4;*
  2. *Governance: Look for bribery, false declaration of origin, money laundering using the WGI Worldwide Governance Indicator, Fragile State Index and Corruption Perceptions Index. Criteria: threshold 0-25th percentile to define a high risk area;*
  3. *Human Rights Abuses: Armed Conflicts and weak governments elevate the risk for human rights abuses. As Reference use OECD Guidance, Human Rights reports of UNDP, News (Reuters, Associated Press) to identify and evaluate. Criteria: the company will consider the whole country a high risk area, not only the sourcing area, if indicators of human rights abuses are found through multiple sources.*
- *As of April 2019, the company is sourcing their secondary materials from Japan, Republic of Korea, Taiwan and Israel, which are not considered CAHRA according to adopted resources and criteria.*
- *The risk assessment process and conclusion are reasonable and adequate with consideration of the sourcing country, raw material type, smelter operation, CAHRA identification resources, criteria and frequency.*

## VIII.ASSESSMENT OBSERVATIONS

### A. Non-Conformances

- *Nil*

B. Continual Improvement

- *Nil*

C. Observations

- *Nil*

D. Strengths

- *The smelter has established testing process and an onsite laboratory to determine the nature and contents of receiving scrap sample to make sure it is secondary material before accepting it.*

E. Further Comments

- *Nil*

## IX.ASSESSMENT PROCESS

*This section should list the times and activities that the auditor(s) undertook for pre-assessment, assessment, and post-assessment phases.*

A. Pre-Assessment

- *Review PAC, assessment workbook, transactions list;*
- *Answer technical questions;*
- *Develop audit agenda*

B. Onsite Assessment

- *Conduct audit by using document review, observation on site, management and staff interviews to make audit conclusion. Following elements are reviewed:  
Due diligence management system, supply Chain Policy, CAHRA identification process, KYC process, inventory and production material control, production process, material mass balance, transaction, grievance mechanism, due diligence report.*

C. Post-Assessment

- *Post audit communication with smelter regarding outstanding issues, finalize audit report*

## X. ASSESSMENT PROCEDURE

*This section should include the methodology the auditor employed to assess the information and make a conformance determination. The auditor should provide a narrative on the activities, and provide evidence to demonstrate each element was conducted in accordance with ISO19011-2011. For example, in the opening meeting, the auditor can provide the RMAP-developed opening meeting slides.*

### A. Opening Meeting

*List the participants in the opening meeting.*

*Auditor:*

*CY TAM, Lead auditor, SGS*

*Auditee:*

*Simon WU, General manager, Lianyou Metals Co Ltd*

*David YEN, Vice General Manager, Lianyou Metal Co Ltd*

*Auditor used the "RMAP Opening Meeting slide" to communicate with auditee the purpose, scope, approach and criteria for the RMAP assessment, RMI background, audit methodology and feedback system.*

*Auditee used company slides to introduce company background, business nature, raw materials, products, production process and the due diligence management system;*

### B. Collecting and Verifying Information

*Audit methodology used are management and staff interviews, site observations and review of documents and records.*

*Documentation completeness, correctness, consistency and validity are reviewed by cross checking with standards, internal and external documents.*

*Record sample size used is 10, which is a minimum requirement for startup smelter as per RMAP standard. Sample covers all suppliers from different countries.*

### C. Closing Meeting

*List the participants in the closing meeting:*

*Auditor:*

*CY TAM, Lead auditor, SGS*

*Auditee:*

*Simon WU, General manager, Lianyou Metals Co Ltd*

*David YEN, Vice General Manager, Lianyou Metal Co Ltd*



*Preliminary result was communicated with smelter during closing meeting. Auditor has also advised that the assessment evidence collected was based on a sample of the information available. Report will be sent out to RMI for review and then sent to smelter for confirmation*