



## **Annual Due Diligence and Risk Mitigation Report**

**Year - 2016**

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## 1 Introduction

As an international trader of minerals, metals, scrap, and intermediate products, we have a duty to ensure that we source responsibly, and furthermore have no interest dealing with minerals that have been obtained immorally. At present our traded materials have come from mine sites in Level 1 countries, and from refiners that also source only from Level 1 countries, and are Conflict Free Smelter Program compliant.

Our current supply chain policy, is available on our website at: <http://www.staplefordminmet.co.uk/wp-content/uploads/2014/08/Stapleford-Minerals-Metals-Ltd-Supply-Chain-Policy.pdf>

## 2 Company Management Systems

Our management systems were formalised prior to the acceptance of our company into the iTSCi scheme, and involved the contributions of each employee of the company, along with the directors. Every company employee is familiar with the 5 step requirements of the OECD due diligence guidance, and our own supply chain policy, which is available on our website and in hard copy at our office.

The responsible officer at the company is Mr James J. McCombie.

The responsible officer receives all monthly member reports from iTSCi and also the mine visit recommendations reports, and reads them. If a company's status is anything other than accepted by iTSCi for membership this issue will be made known to every person involved in contracting and trading, and senior management is advised. Depending on the iTSCi recommendations or action taken, new contracts may be avoided, or existing ones cancelled as a clause in our contracts dealing with level 3 country suppliers would allow this; these decisions are made at a senior management level. Any mines that are identified as requiring enhanced due diligence, that through traceability provisions are known to have borne minerals that have entered our supply chain would be investigated. However, since we have not purchased any minerals from Level 3 countries, at present we have not identified any real or potential incidents requiring action on our part to investigate the likelihood that conflict minerals have entered our supply chain. The processes currently in place for dealing with mineral goods from Level 3 countries are slated for review and expansion once the possibility of trading such minerals increases to likely.

The responsible officer also looks specifically for reports that may affect mineral supply chains from our other areas of operation, and in general. We have found that the most reliable way of gathering news reports is to set up 'google alerts' with selected keywords. This approach has ensured that the flow of news is maintained, and includes reporting bodies in the country of interest. Additionally, reports from the UN, and other recognised bodies that operate in areas of operation are sought out, this adds to the evidential base to base decisions upon. Although we have identified conflict in countries where we are actively sourcing minerals, the

conflict is located far from the mine sites we source from, and the transport of goods did not cross these areas. There have been no reports of any part of the minerals industry in these countries being used to finance conflict, and no reports of armed groups at or near the mines sites. All potential risks identified are reported to senior management

All employees involved in contracting and trading have been made aware of the documentary proof required according to the level of the country of origin. We have made it our policy to discuss our conflict minerals policy early in discussions with suppliers, whether new or old. In the case of new suppliers this discussion should be had immediately. There is a checklist of required documentation by level of country and operation, either artisanally mined or large scale mining; this is derived from the document *Conflict-Free Smelter Program (CFSP) Audit Protocol for Tin and Tantalum*, and all our shipments must have the required documents in place after shipment, or the goods will be returned to the supplier. Our contracts include a conflict minerals clause.

### **3 Company Risk Assessment in the Supply Chain**

In dealing with raw material products from level 3 countries, our first step in company risk assessment is to ensure that the company is a member of the iTSCi scheme, and can provide the sufficient documentary proof that satisfies us that the goods have come from a mine certified as conflict free. So far we have had no dealing with companies exporting or mining goods from level 3 countries. We will not deal with companies exporting from level 3 countries that are not members of the iTSCi scheme or equivalent.

For the bulk of our trade we are dealing in joint venture with companies in the country of origin, or working with suppliers that we have had relationships with for at least 15 years. As such we have extremely strong relationships with the company's we deal with in all cases, and in some cases form part of the entity itself. This gives us a real or proxy presence "on the ground", and an intimate knowledge of the companies working principles that extends back many years. we have had limited dealing with companies that we do not know well, always exporting from level 1 countries. In these cases we have sought to obtain copies of the relevant export documentation proving the goods leave the country legally, and that the company is in possession of the required licences and permissions required to carry out their business; this acts as a safeguard, ensuring the company is operating legally within its host country.

If we are dealing with intermediate or refined products the approach is to ensure that the smelter/refiner is Conflict Free Smelter Program compliant, by ensuring it has a current successful audit as conducted by auditors approved by that program, and is listed in the smelters database on the [conflictreesourcing.org](http://conflictreesourcing.org) website.

## 4 Risk Assessment

We tailor our approach to risk assessment by defining the level of the country the supply is coming from if it is a mineral product. Our guide for this is the document 'Conflict-Free Smelter Program (CFSP) Audit Protocol for Tin and Tantalum. We expect that all minerals are accompanied by documentation satisfying the requirements as set out in this document. If the documents available do not satisfy the requirements, then we do not deal with the minerals.

For level 3 countries we can be assured that the mine of origin is likely to be where the tagging information states it to be. However, we must be aware of reports of tags being stolen for example, or as noted previously reports of mines requiring higher levels of due diligence. We have not actively traded minerals from Level 3 countries as of yet. And our supply chains and extra policies for due diligence with respect to these countries are still a work in progress.

For Level 2 and 1 countries, aside from requiring the necessary documentary burden of proof of origin, we need to check that we can identify the mine sites and assess their suitability. We are at present only operating with minerals from Level 1 countries. And as stated previously all the companies we deal with there have reciprocal relationships of many many years with us, or we are in joint venture with them. We are familiar with the mining territories, and the companies have permission to exploit resources in these areas, although the areas are mined artisanally and independently, these permissions are required. We can be reassured to some level that the mines are freely mined because the volume falls when prices decline, and seasonally. Our partners on the country of origin visit the mining areas, and converse with those persons bringing materials, and by this method we become familiar with the mine sites and conditions at those mines. We are familiar with the characteristics of the minerals coming from the mine sites, and can recognise with analysis a mineral that deviates from the norm and can make further enquires. Our partners there have provided equipment to miners, enabling them to carry out their work more efficiently.

James J. McCombie



24th February 2016