

# Step 5 Due Diligence Report

## 1. Company Information

Exotech, Inc. was established in 1990. The company has one facility located at 1851 Blount Road, Pompano Beach, FL 33069. This facility processes tantalum scrap products and intermediary material from Responsible Minerals Assurance Process (RMAP) conformant smelters or refiners. Exotech, Inc. does not source ore, concentrate or high-risk material. In 2008, Exotech, Inc. established a Conflict Free Minerals Policy that was audited and considered compliant to the Conflict-free Smelter Process standard. Exotech, Inc. now adheres to the revised version of this standard, the Responsible Minerals Initiative/Responsible Minerals Assurance Process (RMI-RMAP Tantalum Standard). The company RMI ID number is CID000456.

This report covers our activities from January 1, 2018 to May 20, 2019<sup>1</sup>.

## 2. RMAP Assessment Summary

Exotech, Inc. underwent a CFSP assessment on February 2nd, 2018 and was found to be compliant with the Tantalum Standard under the Conflict-free Smelter Process. The assessment period was from January 1st, 2017 to December 31st, 2017, and was conducted by Intertek. The assessment summary report is public and available at: [https://exotech.com/wp-content/uploads/2017/03/CFSP-Exotech-Compliant-Letter\\_2017.pdf](https://exotech.com/wp-content/uploads/2017/03/CFSP-Exotech-Compliant-Letter_2017.pdf). Exotech, Inc. will continue to undergo annual audits to remain compliant with the RMI-RMAP standards. These assessments are valid for one year.

## 3. Company Supply Chain Policy

To state our commitment to avoid the use of conflict minerals, Exotech, Inc. developed a *Responsible Sourcing Policy*. The *Responsible Sourcing Policy* is aligned with the third edition of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). It covers all of the risks identified in Annex II of the OECD Guidance. The policy was reviewed and approved by senior management, which is committed to support its implementation. The policy is available on Exotech's website at <https://exotech.com/exotech-positon-on-conflict-tantalum/>.

## 4. Company Management Systems

### *Management Structure*

The company follows through on its commitments in the supply chain policy and has developed an internal procedure for due diligence with the following aspects:

- The company's President is responsible to oversee the due diligence program and risk management design and implementation.
- The company has assigned a Due Diligence Program Manager to coordinate the work of the relevant departments (including the Purchasing Department, Quality Department, and Production Department) to ensure each department fulfills their roles and responsibilities to implement the due diligence program and report any red flags and potential risks identified.
- The company conducts due diligence management system training once a year for key staff from all relevant departments required in due diligence program. If there is any mid-year updates or changes to the program, the company conducts additional training as necessary. The last training was conducted on August 1, 2018.

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<sup>1</sup> Exotech's audit period was from January 1, 2018 to April 30, 2019, but some activities (e.g. revising our Sourcing Policy and KYC process) were not implemented until early May 2019.

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- The Due Diligence Program Manager reviews the results of the annual RMAP assessment to identify areas of our program that can be improved. The Due Diligence Program Manager will also make adjustments to the program if weaknesses or opportunities to improve the program are identified at any time. Together, they will make necessary changes to the program and train relevant personnel on those changes.

### ***Internal Systems of Control***

The company has established/updated its due diligence management system to be aligned with the OECD Guidance and RMAP in May 2019.

The company has implemented the updated system by completing the following activities:

- Developed and implemented a Know Your Counterparty (KYC) process.
- Communicated the updated Supply Chain Policy (referred to as the *Responsible Sourcing Policy*) and sourcing requirements to all identified upstream suppliers in May 2019.
- Incorporated due diligence requirements into binding agreements with suppliers using Exotech, Inc.'s Purchase Orders.
- Referred interested parties to [RMI's Grievance Mechanism](#) in the *Responsible Sourcing Policy* (link found within the content of the policy) to collect information on grievances from interested parties coupled with a process to respond to and resolve any issues brought forth through a grievance mechanism or other means.

### ***Record Keeping System***

Exotech, Inc. requires that all records relating to the due diligence program are maintained and properly stored for at least five years.

## **5. Risk Identification**

Although Exotech, Inc. does not source ore, concentrate or high-risk materials, we have established a process to identify risks in our supply chain that includes a procedure to identify conflict-affected and high-risk areas (CAHRAs) and conduct appropriate supplier due diligence or KYC procedure.

The company established a procedure to identify CAHRAs using: 1) the [Heidelberg Conflict Barometer](#) to assess the presence of armed conflict and widespread violence, and 2) [Fragile States Index's Human Rights and Rule of Law Indicator](#) to assess other risks of harm to people and rule of law. The criteria and threshold for both of the above listed resources is a ranking of 3 or higher on the Heidelberg Conflict Barometer or a score of 8 or higher on the Fragile States Index's Human Rights and Rule of Law Indicator. If any supplier is located or material originated within a national CAHRA, the basis of the CAHRA ranking will be evaluated for relevance and applicability to our materials and suppliers. If the specific issues of concern are relevant and applicable, further assessment will be conducted to determine if they are located within sub-national CAHRAs. The only suppliers located within a CAHRA are RMAP conformant smelters or refiners, thus posing a low-risk of harm.

In addition, the company designed a Know Your Counterparty (KYC) form to include information concerning supplier legal status and identity, and supplier mapping and potential risks (e.g. financial wrongdoings). The KYC form was sent to all suppliers in May 2019. The majority of our suppliers, representing 80 percent of our annual volume, have completed and returned a KYC form. The company's Due Diligence Program Manager reviewed the provided information and the OFAC Sanction List with the Purchasing Team. Whenever inconsistencies, errors or incomplete information were identified in the KYC form, the company communicated the improvement areas to suppliers and

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requested an updated form. We will work with the remaining suppliers (all of whom supply secondary material), to complete the KYC process.

No red flags were identified through the KYC and CAHRA's process during this reporting period. If a red flag were identified, the company would further engage with its suppliers to resolve the issue as warranted.

The possible risks to be aware of according to the OECD Guidance Annex II Model Supply Chain Policy are as follows:

- Serious abuses associated with the extraction, transport or trade of minerals:
  - Any forms of torture, cruel, inhumane and degrading treatment;
  - Any forms of forced or compulsory labor;
  - The worst forms of child labor;
  - Other gross human rights violations and abuses such as widespread sexual violence;
  - War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide;
  - Direct or indirect support to non-state armed groups;
  - Direct or indirect support to public or private security forces;
  - Bribery and fraudulent misrepresentation of the origin of minerals;
    - Money laundering;
    - Non-payment of taxes, fees and royalties to governments.

If there were to be a case where risks were identified in the supply chain, it is the responsibility of the Due Diligence Program Manager to identify appropriate risk mitigation measures by doing the following:

- Report findings to senior management, outlining the information gathered and the actual and potential risks identified in the supply chain risk assessment.
- Devise and implement a risk management plan, adopting a risk management strategy as defined in the OECD Guidance Annex II Model Supply Chain Policy. Risk mitigation strategies include:
  - Continuing trade throughout the course of measurable risk management efforts.
  - Temporarily suspending trade while pursuing ongoing mitigation efforts.
  - Disengaging with a supplier in cases where mitigation appears not feasible or unacceptable.