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	DUE DILIGENCE PROCESS		Pág.: 1/5

1- PURPOSE

Due diligence is a legal term that can be understood as the “care required in commerce”. The global nature of business means Soft Metais could be directly or indirectly exposed to a growing number of regulations, risks, and opportunities, both local and international, and thus benefits from a process to identify internal risk as well as risk that comes from exposure through partners and third parties. This due diligence process outlines our actions to identify these risks.

2- ADDITIONAL DOCUMENTS

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
 Procedure P101 – RISK MANAGEMENT

3- DEFINITIONS

3.1 Context

The Responsible Minerals Initiative (RMI) developed the Downstream Assessment Program (DAP) as a mechanism by which downstream companies, within the cobalt or tin, tantalum, tungsten, gold (3TG) supply chains, can obtain independent validation that their responsible sourcing practices are aligned to the OECD Due Diligence for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

This OECD Guidance is specifically applicable to the ‘conflict minerals’: tin, tantalum, tungsten and gold. The OECD Guidance provides a framework for due diligence for responsible sourcing, with which companies can:

- ensure that they and the participants in their supply network respect human rights and do not contribute to conflict;
- ensure they and the participants in their supply network observe international law and comply with domestic laws;
- identify adverse impacts in operations: such as harm to people or legal liability or reputational damage;
- address actual or potential risks that are found.

Soft Metais has adopted a due diligence process that benefits from the OECD Guideline.

3.2 Scope

Soft Metais is a “conflict mineral” metal processing company. As a participant in the mineral supply chain, our due diligence process for responsible minerals follows the OECD five-step [framework](#):

- Establish a strong management system (ISO 9001);
- Identify, assess and prioritise risks (Due Diligence Policy);
- Manage risks (Risk Management Process);
- Audit control point (Risk Management Process);
- Communicate and report on due diligence (Communication Policy).

As an upstream receiver of ‘conflict mineral’ materials, we identify the sourcing of our suppliers. As a downstream manufacturer of ‘conflict mineral’ materials and alloys, we identify the ‘choke point’, or focus point for our upstream material supply due diligence, as the smelter(s) or refiner(s) of the tin used in our processes. Our due diligence process collects information on supplier due diligence, uses collaboration to encourage improvement of their due diligence, and reports publicly on our due diligence efforts.

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4- ROLES AND RESPONSIBILITY

4.1 Responsibility:

4.1.1 **Responsibility for the process:** The Quality Assurance Coordinator is responsible for the application of this Due Diligence Process. The Financial Supervisor assures that there are sufficient resources for performing the due diligence and risk management functions. The Quality Assurance Coordinator reports to the Technical Director, who is accountable for the correct implementation of the established process.

4.1.2 **Identification of responsible sourcing risk:** The Quality Assurance Coordinator regularly identifies risk, informs the Technical Director and Senior Management of the presence of those risks. The management of those risks is detailed in the Risk Management Process.

- a) The elements of responsible sourcing risk to evaluate in our mineral supply chain include, but are not limited to:
- i. Disrespect for human rights, including the use of forced labour, or child labour;
 - ii. Contribution to conflict or conflict financing;
 - iii. Lack of adherence to national and international law;
 - iv. Harming individuals or the environment;
 - v. Unwillingness to remedy situations that warrant correction
- b) Companies or persons who are identified on watch lists or who are politically exposed persons, as well as third party issues that may impact reputational risk, such as money laundering, failure to pay taxes, or ownership by non-reputable entities, can be included for evaluation.

4.2 Knowledge of supply chain participants

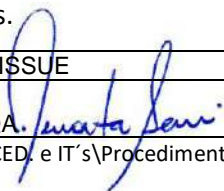

4.2.1 The Quality Assurance Coordinator obtains a quarterly-updated list of direct suppliers and customers, along with details of the company ownership, material, location, source, transport, and custody from the Procurement Department.

4.2.2 The Quality Assurance Coordinator, in consultation with the Technical Director, contacts the direct suppliers, and obtains a list of their direct suppliers. Where this information is provided, the Quality Assurance Coordinator contacts these upstream suppliers to obtain information.

4.2.2.1 Where this information is not provided, the Quality Assurance Coordinator attempts to obtain information through external collaboration or from industry sources. The Quality Assurance Coordinator then informs the Technical Director of the availability or unavailability of information, (by identifying and tracking which suppliers respond to information requests and which do not) so that the response can be included in their evaluation of the risk process.

4.2.3 The Quality Assurance Coordinator completes a quarterly map of the upstream supply chain, and provides this map to the Technical Director.

4.2.4 The Quality Assurance Coordinator then applies the following steps to the identified upstream supply participants.

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4.3 Collection and validation of 'static' information:

4.3.1 The Quality Assurance Coordinator uses reference resources to identify potential responsible sourcing risk situations. The list of "red flag" factors, their corresponding resource, and our selected priority of red flag criteria, appears in the following table.

4.3.2 The Quality Assurance Coordinator monitors industry networks and regulatory advisory services to identify changes to relevant laws and regulation, and updates the risk factor list accordingly

Factor	Resource	Action
CAHRA	CAHRA list: an indicative, quarterly updated list of conflict-affected and high-risk areas (CAHRAs) (as defined under EU Regulation 2017/821)	If originating, transport/transit, or receiving country or region/state is CAHRA, then red flag
Human Rights	Brazil Sanctions list	
Conflict	The Heidelberg Conflict Barometer provides conflict maps, representing an annual snapshot of the presence of armed conflict.	If originating, transport/transit, or receiving country or region/state scores 4 or 5, then red flag
Governance and Human Rights	The Fragile States Index measures fragility risk and vulnerability in 179 countries.	If originating, transport/transit, or receiving country or region/state is among the bottom 10% (162-179 of 179 countries), then red flag
Corruption	Transparency International Corruption Perception Index an annual snapshot of the relative degree of corruption of 180 countries	If originating, transport/transit or receiving country or region/state is among the bottom 10% (163-180 of 180 countries), then red flag
Fraudulence or Corruption	The World Bank lists debarred entities, ineligible to participate in World Bank-financed contracts	Search company or official by name. (open the page link, click anywhere on the page, press [CTRL], then [f] to find, and type the name to be searched. If present, then red flag
Fraudulence or Corruption	the IDB lists entities in violation of the Inter-American Development Bank Group's Sanctions Procedures and anti-corruption policies	Search company or official by name. (open the page link, enter part of the name in the [Title] field, press [Search]. If present, then red flag
Human Rights	The Office of the High Commissioner for Human Rights (UN Human Rights) provides human rights information by country basis.	assessment by country

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4.3.3 The Quality Assurance Coordinator uses a current list of upstream suppliers from the procurement department on a quarterly basis, and evaluates them with respect to the possible presence of ‘red flags’. The evaluation specifically considers the unique situation of each supplier with respect to their risk from the perspective of mineral source, security of transport, chain of custody, transit from or through CAHRA regions, substitution and fraud. Each quarterly evaluation is documented. The risks identified by this process are presented to the Technical Director and are treated as discussed in the Risk Management Process document.

4.3.4 The Quality Assurance Coordinator uses the Conflict Minerals Reporting Template (CMRT) provided by the suppliers to validate the sourcing data received from them. In case there is a change in the conformance status of a Smelter, or a new Smelter is added, the Quality Assurance Coordinator will request an updated CMRT.

4.3.5 **Collection of ‘dynamic’ information:** The Quality Assurance Coordinator uses grievance reports as well as peer company and media information, to identify potential responsible sourcing risk situations. The coordinator investigates those reports as they apply to the elements of responsible sourcing risk. The result of this risk identification is documented and presented to the Technical Director, for action as described in the Risk Management Process.

4.3.6 The Quality Assurance Coordinator uses the established digital supply chain traceability platform to review data provided by suppliers on the countries of origin, transport, and transit for the relevant minerals.

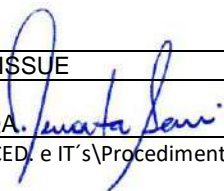

4.4 Assessing risk and engaging action: The Quality Assurance Coordinator examines each identified supply participant comparing their business situation (such as location, transport, transit, and chain of custody) with the red flag criteria to identify risk.

4.4.1 In instances where a red flag is identified or suspected, the Quality Assurance Coordinator examines to detail the factual circumstances of the red-flagged operations, supply chains, and business partners. The Quality Assurance Coordinator records the results of this assessment, noting the companies, their position in the supply chain, the corresponding assessment of risk and the action taken (referral to Technical Director or no action needed);

4.4.2 The Quality Assurance Coordinator notifies the Technical Director Manager of the situation(s) circumstances where a red flag criterion is encountered, for their management under the Risk Management Process;

4.4.3 The Quality Assurance Coordinator receives an updated report of the outcome of the risk management evaluation of those companies that were referred to the Technical Director, and updates that information in their records.

4.5 **Responding to change:** The Procurement Department notifies the Quality Assurance Coordinator when a new supplier is being considered. The Quality Assurance Coordinator performs a risk identification of the proposed supplier, and notifies the Technical Director, who then evaluates any risk. The Technical Director informs the Senior Management if the evaluation identifies a ‘red flag’ or other significant risk and then updates Procurement with the information.

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5- COMMUNICATION / REGISTER

5.1 COMMUNICATION

- 5.1.1 Internal Reports: The Quality Assurance Coordinator provides quarterly reports to the Technical Director, outlining the activity undertaken to identify responsible sourcing risk, and the evolution of that supply chain risk. The information in this quarterly status report includes all red flags that have been encountered, those situations where sufficient information is lacking, and those where a response has not been obtained.
- 5.1.2 The Quality Assurance Coordinator also updates the Procurement Department of the current risk status of all suppliers. Reporting on the management and follow-up of risk events is discussed in the Risk Management Process.
- 5.1.3 Public Reports: In accordance with Step Five of the OECD Guidance, Soft Metais will publish an annual due diligence report on the Company Management Systems, Risk Assessment and Management, and Audits. The quarterly reports submitted by the Quality Assurance Coordinator, as well as any other records collected during the course of the reporting year, will serve as the basis of the public report. The Quality Assurance Coordinator is responsible for the timely elaboration of the report. The writing process is taking into consideration the RMI Public Due Diligence Report Writing Guidance. The report is submitted to the Technical Director for approval and is subsequently published on the companies website and available to the public for online review and download.
- 5.1.4 Meetings: Every six months, the Quality Assurance Coordinator and the Technical Director have a meeting to discuss the implementation of the due diligence process and any related challenges and opportunities. The minutes of those meetings are kept and can be made available for audits upon request. The six-month interval does not preclude the arrangement of additional meetings, for example in the case of red flag situations.
- 5.1.5 Training: The Quality Assurance Coordinator provides due diligence management system training at least once a year for key staff from all relevant departments involved with implementing the due diligence process.


5.2 REGISTER:

- 5.2.1 The Quality Assurance Coordinator maintains records in accordance with the Quality Records document. For each identified supply chain participant, the Quality Assurance Coordinator records the result of the quarterly review, including changes from the previous review. In addition, respective due diligence and material transaction information will also be kept in a digital format through the usage of a supply chain traceability platform.

- Quarterly Evaluation of Suppliers

- 5.2.2 In accordance with the OECD Guidance, due diligence documentation will be kept for five years. Documentation of incoming tin shipments is stored on the digital traceability platform. As a security measure, the platform is blockchain based and thus provides immutable records of data. Additionally, quality data sheets, including data on the provenance of materials, are collected and archived as physical copies on the Soft Metais premises.

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6- DOCUMENTS DISTRIBUTION

- Pasta 1 - DCO; Vendas.
- Pasta 2 - DAD; RH; TI, Facilities.
- Pasta 3 - DTE; GQ; Laboratório Químico, Depto. Técnico.
- Pasta 4 - DIN; Produção, Engenharia, PCP, Adm. de Materiais;
- Pasta 5 - DFI, Controller, Contador, Assis. Financeiro

7- REVISION CONTROL

Revision	Date	Reason for change
000	13/02/2023	Initial Issue
001	19/05/2023	Changing the name of the technical director who approves the document
002	16/08/2023	Inclusion of items 4.3.4 ; 4.3.6 and 5.2.2

8- ACCEPTANCE FROM THE DEPARTAMENT INVOLVED: the Boards are under the responsibility of the same Director who approved the document.

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