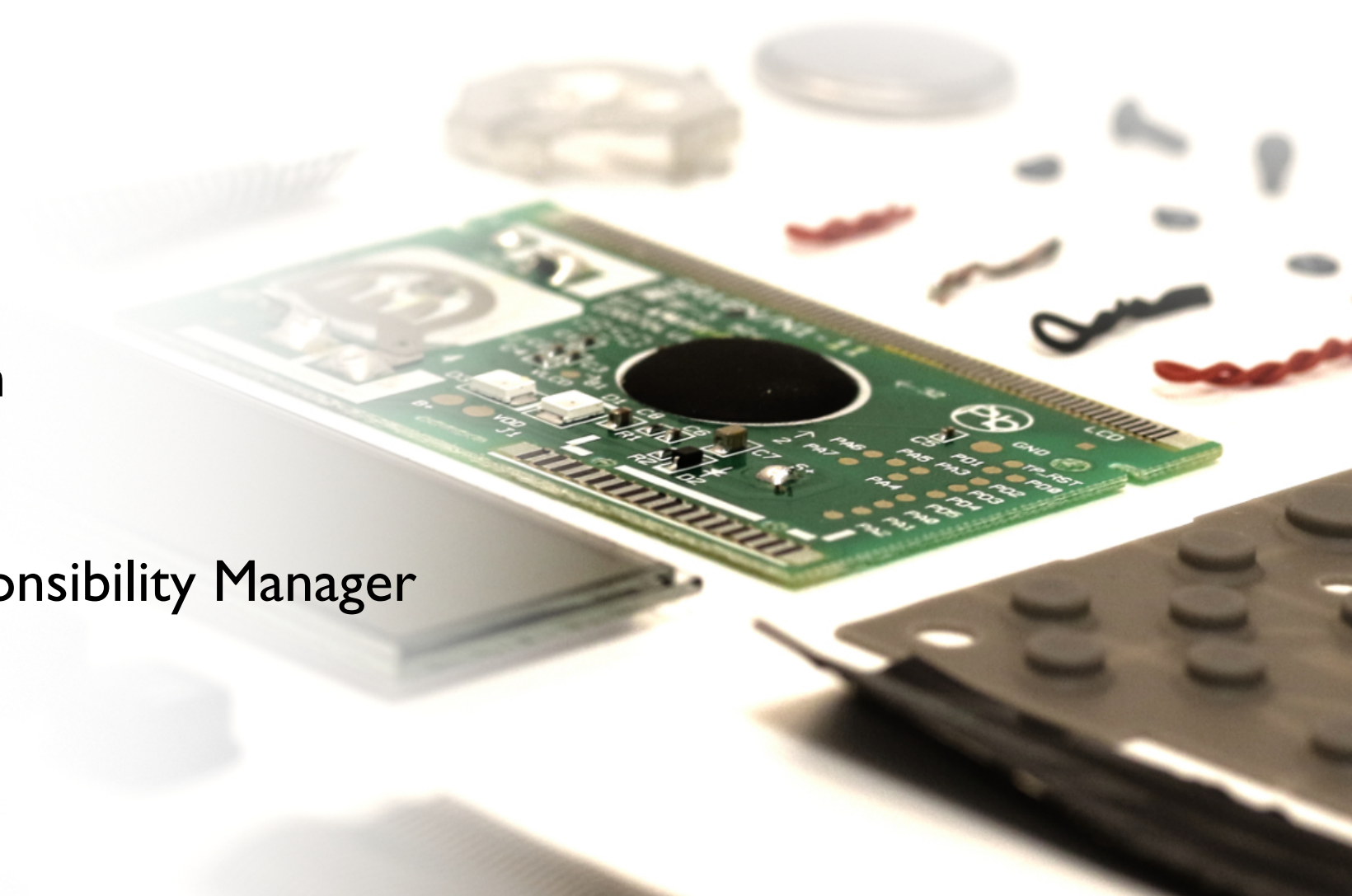


Claigan Webinar

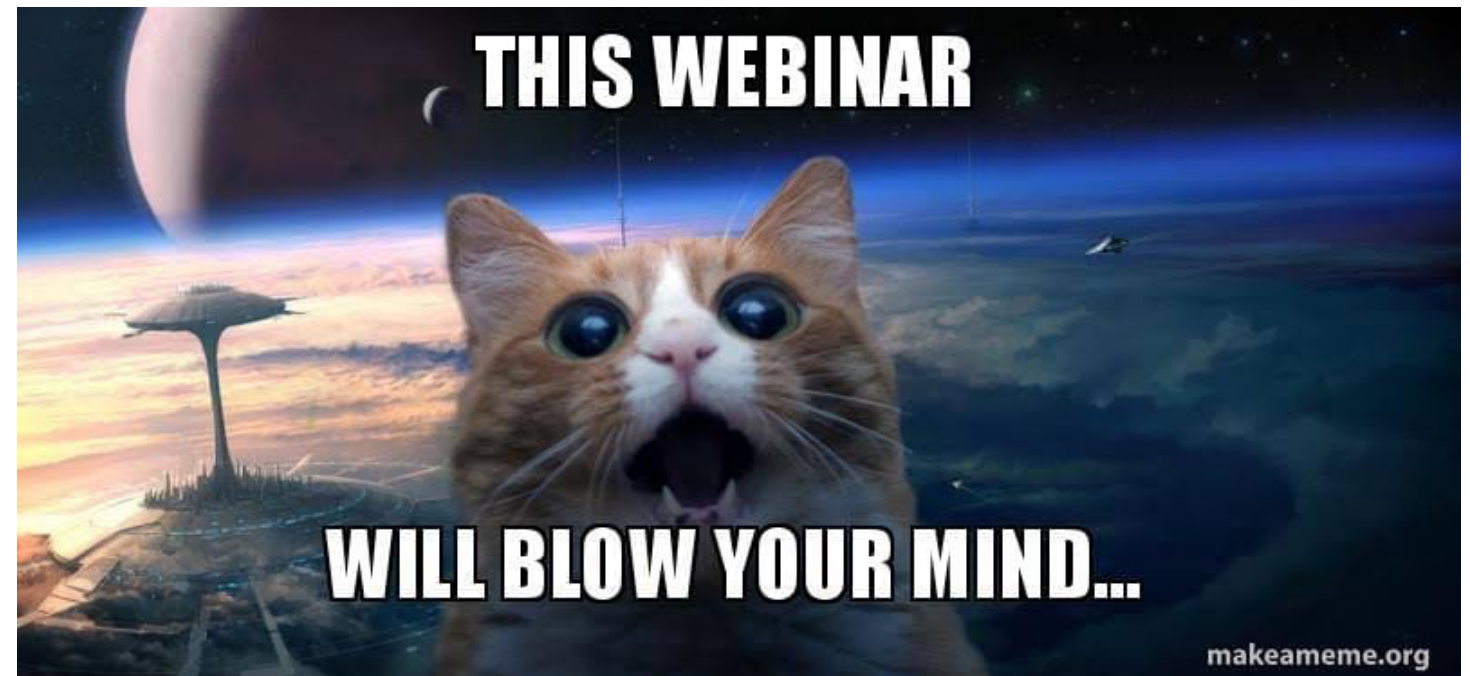
Uighur Forced Labor Prevention Act

Presented by:
Bruce Calder
VP Consulting Services at Claigan
And
Dr Tim Holt
Operations and Corporate Responsibility Manager
November 9 2022



Overview - Agenda

- UFLPA
 - Overview
 - Outputs required
 - Rebuttable presumption
 - And due diligence
 - Code of conduct
 - Due diligence packages
 - Supplier
 - Product family
 - High risk suppliers
 - Smelters sourcing from the region
 - Due diligence samples
- Summary + Q&A



Uyghur Legislation US Federal H.R. 6256 (Forced Labor)

- Uyghur Forced Labor Prevention Act
- Enacted by US Congress December 23 2021
 - Link: <https://www.cbp.gov/trade/forced-labor/UFLPA>
 - “To ensure that goods made with forced labor in the Xinjiang Uyghur Autonomous Region of the People’s Republic of China do not enter the United States market, and for other purposes.”
- Managed by U.S. Customs and Border Protection



Enforcement

- Enforcement
 - By U.S. Customs and Border Protection
 - By seizure by 'rebuttable presumption' at importation into the US
- Rebuttable presumption
 - A presumption that imports of all goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region are made with forced labor.
 - And are prohibited from entry into the United States.
 - The presumption is rebuttable by the importer with clear and convincing evidence that the good, ware, article, or merchandise was not mined, produced, or manufactured wholly or in part by forced labor.



U.S. Customs and
Border Protection

UFLPA Compliance Concerns In Practice

1.

Seizure at Import

The concern that your product is at risk of being seized at importation

2.

Customer is concerned about potential seizure at import

Your customer is concerned that your product may be seized at importation

3.

Customer is concerned that a component provided could lead to seizure at import

A customer is concerned a component supplied by you may lead to seizure at importation

UFLPA Compliance Strategies In Practice

1. **Seizure at Import**

A due diligence package prepared for each product family or supplier either
a) Showing no sourcing from the region,
or
b) Due diligence of no forced labor
2. **Customer is concerned about potential seizure at import**

Clear statement to customer of code of ethics regarding forced labor and due diligence process for UFLPA
3. **Customer is concerned that a component provided could lead to seizure at import**

Clear statement to customer of code of ethics regarding forced labor and due diligence process for UFLPA.

With option for due diligence documentation upon request.

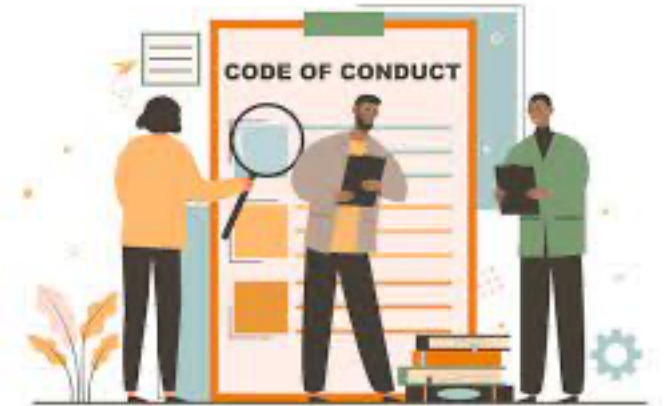
What you need

- Updated corporate code of ethics / conduct
 - Includes provisions regarding forced labor and, preferably, UFLPA
- Updated supplier code of ethics / conduct
 - Includes provisions regarding forced labor and, preferably, UFLPA
- Due diligence package for UFLPA
 - Per supplier, or
 - Per product family

Claigan

Code of Ethics

- Claigan supports
 - Review of current
 - Corporate code of conduct/ethics, and/or
 - Supplier code of conduct/ethics
 - Update or creation of
 - Corporate code of conduct/ethics, and/or
 - Supplier code of conduct/ethics



H.R. 6256 (Forced Labor) Claigan Due Diligence Package

- Due diligence package per
 - Supplier, and/or
 - Product family
- Single document summarizing
 - Sourcing
 - Risks
 - Due diligence including
 - Suppliers
 - Product types
 - Sanctioned entities
 - High risk sub tier suppliers
 - Audit requirements for high risk suppliers

Uyghur Forced Labor Prevention Act (UFLPA) Supplier Declaration Form		
SECTION I – Supplier Information		
1. Supplier Name and Principal Office Address		2. Supplier Country
3. Supplier Manufacturing Address		4. Supplier Manufacturing Country
5. Supplier Email Address		6. Supplier Phone Number
SECTION II – UFLPA Risks		
7. Is this Supplier located in China? Yes No	8. Is this Supplier located in Xinjiang Province? Yes No	9. Does this Supplier produce, manufacture, or provide cotton products? Yes No
10. Does this Supplier produce, manufacture, or provide tomato products? Yes No		11. Does this Supplier produce, manufacture, or provide polysilicon products? Yes No
12. Is Supplier connected to a high-risk sub-tier supplier? Yes No		13. Insert Comments for High-Risk Sub-Tier Supplier
14. Based on evidence, please indicate Supplier's current risk category Tier 1 Tier 2 Tier 3		
SECTION III – Tier 1 Supplier Risk Category		

Claigan Service (UFLPA) Due Diligence Packages

Start

Supplier List

- List of part / materials suppliers

Risk Evaluation

Tier 1 (High Risk)

- Located in Xinjiang,
- High risk material, or
- High risk supplier / smelter

Tier 2 (Medium Risk)

- Located in China but not Xinjiang, and
- No high risk material / supplier

Tier 3 (Low Risk)

- Not located in China, and
- No high risk material / supplier

Due Diligence

Tier 1 Due Diligence

- Needs an audit,
- Signs customer code of conduct

Tier 2 Due Diligence

- Signs customer code of conduct

Tier 3 Due Diligence

- Signs customer code of conduct, or
- Has code of conduct including forced labor provision

US Customs Package

Per supplier Due Diligence Package (In pdf)



Due Diligence Package Outputs

- Per supplier
 - Pdf due diligence package with
 - Summary form
 - Terms and criteria
 - Supporting documentation
 - Actions for next year for high risk suppliers
- Per product family
 - Option for combined due diligence packages from product families including multiple suppliers

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Yes No	Yes No	Yes No
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Yes No		Yes No
12. Is Supplier connected to a high-risk sub-tier supplier?		13. Insert Comments for High-Risk Sub-Tier Supplier
Yes No		
14. Based on evidence, please indicate Supplier's current risk category		
Tier 1 Tier 2 Tier 3		
SECTION III – Tier 1 Supplier Risk Category		

Needed for Due Diligence Packages

- Information needed for due diligence packages
 - Supplier information
 - Names of suppliers
 - Locations of suppliers
 - Supplier code of ethics provisions
 - Do you have a code of ethics to be completed by suppliers?
 - Does the code of ethics include provisions on forced labor and UFLPA?

Pragmatic Forward Looking Approach

- Supply chains are complicated and grey areas exist
 - These grey areas are usually in verification of statements for high risk suppliers and are not solvable overnight
 - And every company will have them
- For some high risk suppliers, actions for year 2 will be identified
 - These could include
 - Audit requirements
 - Change of supplier requirements
 - More detailed information

Common High Risk Situation

Not solvable instantly

- Gold smelters sourcing from Xinjiang region
 - Mining in this region requires due diligence information to be able to rebut a presumption of non-compliance
 - Every major supply chain will include these smelters
- For these smelters,
 - Not solvable instantly
 - All electronics have this issue
 - Over the next year,
 - The smelters either need to be removed from the supply chain, or
 - Provide audit or certified information regarding forced labour

Claigan Smelter RCOI/Due Diligence

- Claigan has provided smelter RCOI/due diligence to clients for a decade
- Full investigation into each smelter's sourcing practices
 - Working directly with smelters
 - Independent research
 - Reports by UN Group of Experts, NGO's, etc.
 - Evaluate government data on global mining
- Original focus on 3TG's in covered countries
 - Expanded to include cobalt, mica (moving into copper, nickel, etc.)
 - Links to other CSR issues (e.g. smuggling, environmental, forced labour, etc.)
 - CAHRA's, Russia, Xinjiang

Zijin Mining

- Two smelters affected
 - Gold Refinery of Zijin Mining Group Co., Ltd. (CID002243)
 - Luoyang Zijin Yinhui Gold Refinery Co., Ltd. (CID001093)
- Parent Company Zijin Mining owns
 - Sawaya'erdun Gold mine (in development)
 - Ashele Copper mine in Xinjiang (operational)



Copper Anode Slime

- Why is a Copper mine relevant to a gold refinery?
 - Copper Anode Slime
 - By-product of copper refining process
 - Contains gold among other elements
 - Can be refined into gold bars
- Copper mined in Xinjiang can be a source of gold in your supply chain



Shandong Gold

- Shandong Gold Smelting Co., Ltd. (CID001916)
 - Acquired Hengxing Gold Holdings Limited in 2020-2021
 - Operates Gold Mountain Mine in Xinjiang



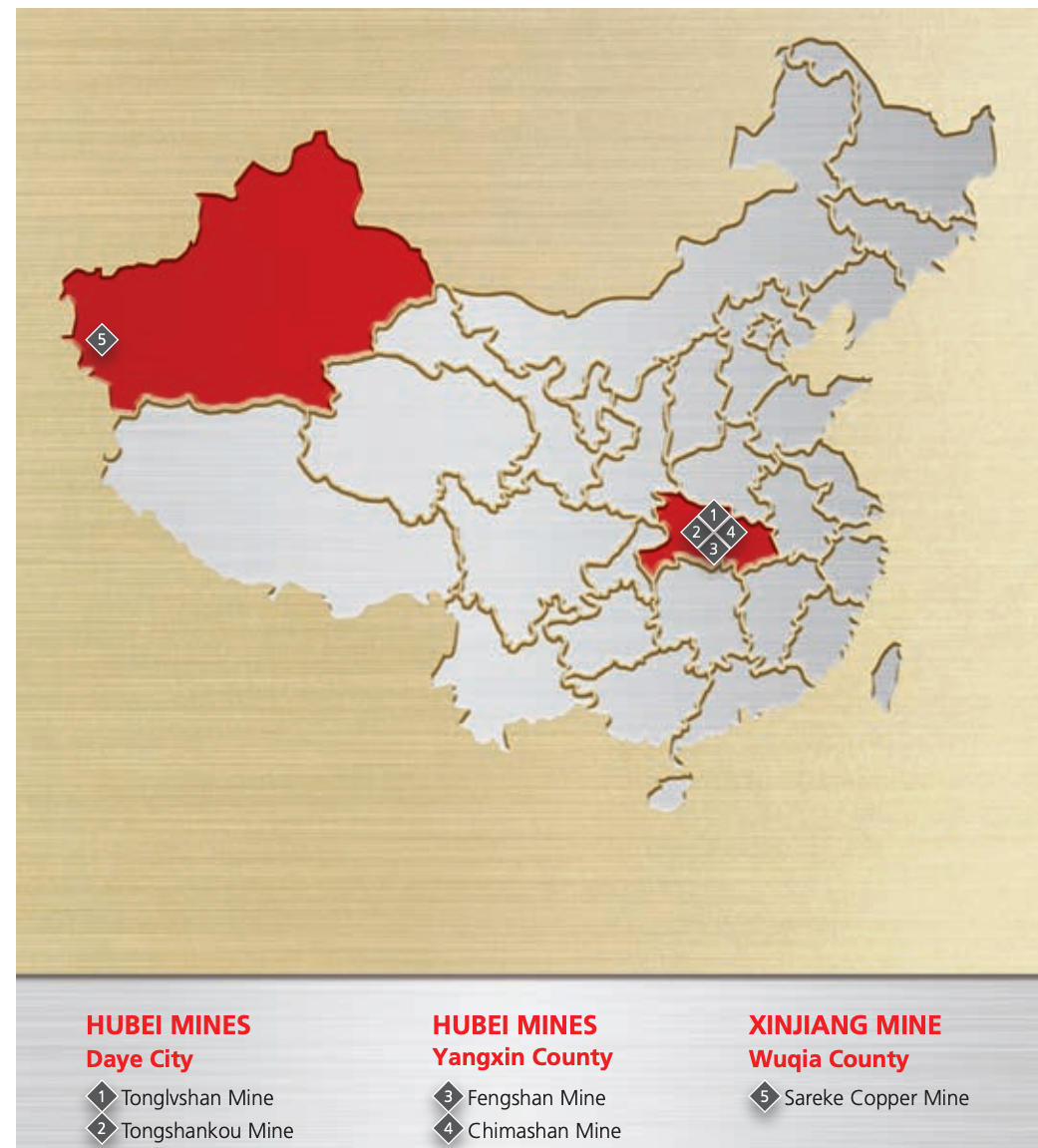
Shandong Zhaojin

- Shandong Zhaojin Gold & Silver Refinery (CID001622)
 - References several gold/copper mining/smelting operations in Xinjiang in their 2021 Annual Report
 - Company profile states “The main gold business covers Shandong, Xinjiang...and other major gold-producing regions in the country”



Daye Non-Ferrous Metals Mining

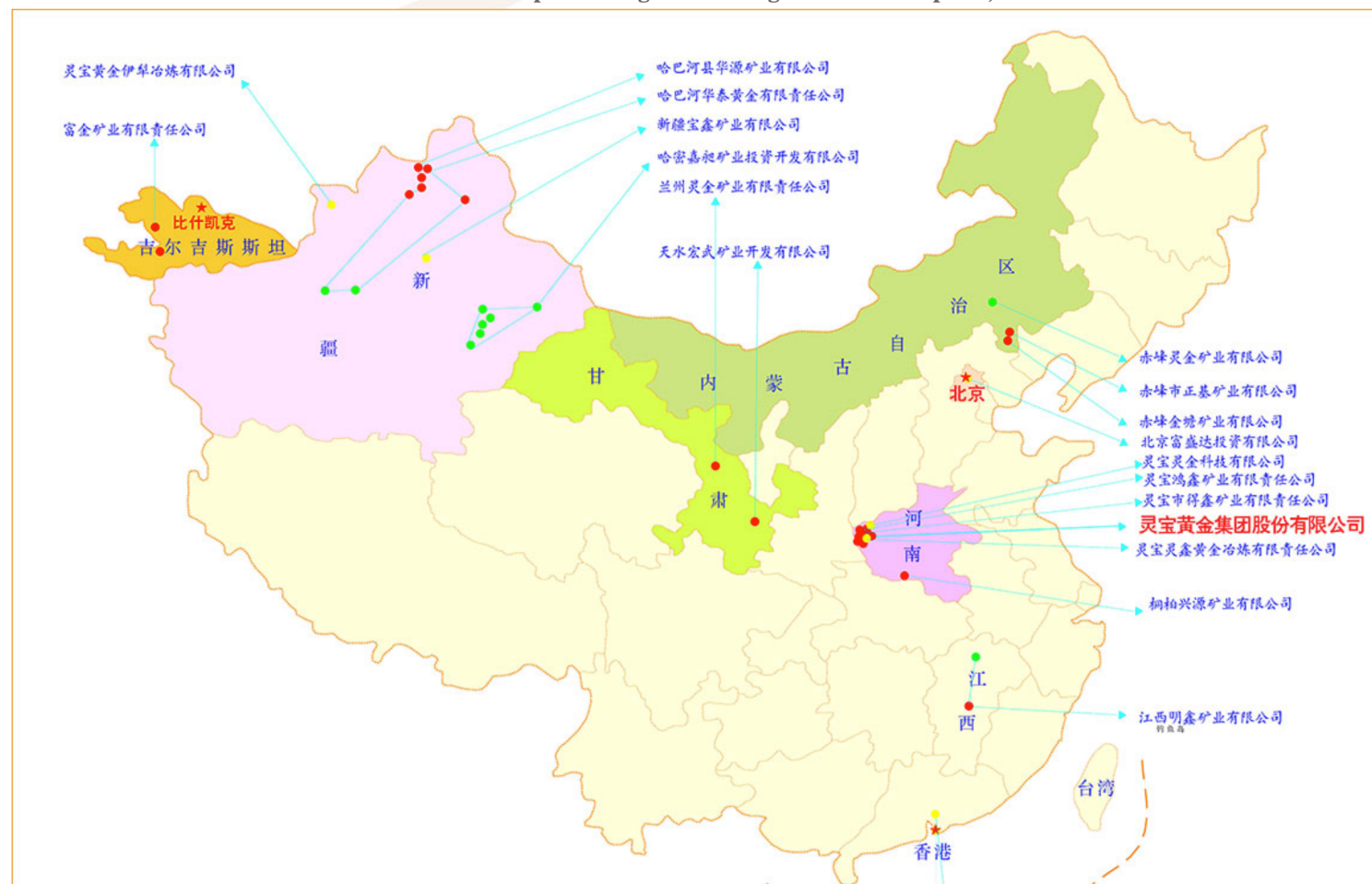
- Daye Non-Ferrous Metals Mining Ltd. (CID000343)
- Source from Sareke copper mine
 - Produce refined gold from copper anode slime



Lingbao Gold

- Lingbao Gold Co., Ltd. (CID001056)
 - Own and operates several gold mines in Xinjiang
 - Details in their 2021 Annual Report

Distribution map of mining area of Lingbao Gold Group Co., Ltd.



Summary of Gold Refineries

- Claigan has so far identified 6 gold refineries with connections to Xinjiang
- In all cases, the information comes directly from the company (e.g. Annual Reports, maps on website, etc.)
- 3 of 6 are RMAP Conformant (4 of 6 LBMA Good Delivery)
 - Not all LBMA Reasonable Assurance Reports discuss forced labour/Xinjiang
 - But some do!
 - “Through investigation to identify if suppliers have activities of forced labor, violation of human rights, illegal uses of child labor and ethnic discrimination, to check if any suppliers from Xinjiang area.”
 - Global Witness has called out LBMA for “concerns that Responsible Sourcing Programme fails to curtail human rights abuse and illicit gold in the supply chain”

Sources

- Zijin (CID002243, CID001093)
 - https://www.zijinmining.com/global/zijin_zh.htm
 - <https://www.zijinmining.com/global/program-detail-71787.htm>
 - <https://www.zijinmining.com/global/program-detail-71776.htm>
- Shandong Gold (CID001916)
 - <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042803171.pdf>
- Shandong Zhaojin (CID001622)
 - <https://en.zhaojin.com.cn/upload/file/2022/04/22/cdea3397bcb6436fa603104d1d10ec4f.pdf>

Sources

- Daye Non-Ferrous (CID000343)
 - http://www.hk661.com/html/bus_mineral.php
- Lingbao Gold (CID001056)
 - <https://doc.irasia.com/listco/hk/lingbao/annual/2021/ar2021.pdf>
- LBMA Reasonable Assurance Reports
 - Key each term “LBMA RGG and LBMA RSG Independent Reasonable Assurance Report For third-party audits based on ISAE 3000”

What you need

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 - Includes provisions regarding forced labor and, preferably, UFLPA
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 - Includes provisions regarding forced labor and, preferably, UFLPA
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 - Per supplier, or
 - Per product family

Today and Tomorrow

- Today
 - Code of conduct / ethics with forced labor and UFLPA
 - Corporate version, and
 - Supplier version (may be the same)
 - Due diligence package by supplier
 - And by product family (where relevant)
- Future (next year)
 - Updated packages
 - Address the high risk sources that require due diligence for rebuttal
 - Example - suppliers using smelters sourcing from the region

Claigan UFLPA Services

- Code of conduct / ethics
 - Review and update
 - Corporate
 - Supplier
 - Customer facing statement

Q&A

- Due diligence packages
 - Per supplier, and
 - Per product family

info@claigan.com