



## **ANNUAL REPORT ON SUPPLY CHAIN DUE DILIGENCE**

### **Introduction**

Piran Rwanda Limited (which changed its name from Pella Rwanda Resources Limited on 27 April 2017) was awarded the Musha and Ntunga mining concessions by the Government of Rwanda on 05<sup>th</sup> August 2014 for a period of 25 years.

Piran Rwanda Limited was selected by the Rwandan Geology and Mines Department (GMD) and the Rwanda Natural Resources Authority (Currently Rwanda Mines, Petroleum and Gas Board (RMPGB)) as one of the model mines under pilot phase and is currently a significant private sector tax payer in Rwanda. Piran Rwanda Limited carries out both mining and ore processing, and resulting concentrate production is exported. Piran Rwanda has been inspected and approved as a certified mine site according to the ICGLR Certification Manual standards and procedures i.e. a Green-Flagged mine site.

The purpose of this document is to publicly report on due diligence for responsible supply chains of minerals in order to provide public confidence in the measures Piran Rwanda Limited is undertaking in accordance with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The company, including the Board of Directors, management and staff approach all matters of supply chain due diligence with the utmost seriousness and professionalism.

### **1. Conflict minerals policies, due diligence plans and management responsibilities**

The company has an initial policy in place and a due diligence plan that we will build on as our business matures. For example, our management team meets every week to discuss and ensure compliance with OECD Guidance and ITSCI procedures, specifically on tagging, packing of product for export, as well as compliance with Rwanda laws and regulations, ICGLR certification mechanisms and the Piran company policies which include, but are not limited to, a code of business ethics.

Importantly, Piran only processes and exports materials mined directly by the company or the two legally registered cooperatives associated with and overseen by us on our concession area. The company has no facility or interest to purchase, trade for, barter or in any way acquire materials mined outside of our legally licensed concession area. Therefore, Piran remains in control of its source material at all stages.

Concerning compliance, three separate actions are required and diligently followed:

- 1. Mining Phase:** Concentrates from the operations (Production) are weighed, sealed with Mine Tags (tagged) and recorded in the Mine Logbook provided by

ITSCI. All material is always under the control of company and/or contract officials.

Production is normally tagged in 70kgs bags and stored in a separate lockable container that is always under the control of company and/or contract officials.

- 2. Processing /upgrading Phase:** The above mentioned concentrates in 70 kgs bags are weighed again. The new weight (weight in) is recorded this time in a processing Logbook provided by ITSCI, and mine tags are removed and kept in a safe box. After Processing the concentrate is placed in drums and the new weight after process (weight out) is tagged with Negotiant tags. These are stored in a separate container ready for export. Again, the materials are always under the control of company and/or contract officials.

All of the above activities are performed under supervision of an independent Geology and Mine Department of the former Rwanda Natural Resources Authority (now Rwanda Mines, Petroleum and Gas Board) Tag Manager in the presence of our traceability staff and a security supervisor. The same procedure is followed whether concentrates are produced by artisanal miners operating in co-operatives on the Piran Rwanda concession or directly from the processing plant.

- 3. Export Phase:** On the day of export, the drums are emptied on a prepared floor for mixing. The preferred method of mixing as required by the third party laboratory representative is by hand. The same Negotiant tags used in Processing are reproduced in the Export Logbook and the net weight for export is the difference of the weight out of processing after removing the dust and samples weight. Again, this process is always under the control of the company and/or contract officials.

All operators involved in the export exercise are required to undergo a safety induction prior to work commencing. All involved in the area, including the third party laboratory representative, are required to use Personal Protective Equipment (PPE) including dust masks. After processing and continuous quartering of the concentrate, it is put in drums and the laboratory representative tag the drums after overseeing the entire process. Photos are taken of the process of quartering and filling the drums, the taking of samples for both the laboratory and the company, and the packing of drums. A container inspection is done by third party laboratory prior issuing a container inspection report. All the tags (Mine tags and Negotiant tags) are sent together with the concentrate in the container. Senior company management directly oversee the export process to ensure that all procedures are followed.

For every batch of concentrate for export the company ensures that all paperwork is done properly and involves all relevant stakeholders including the Government Tag Manager (always present), to Rwandan Customs (certificate of origin), and the ICGLR Certification Mechanism Unit (Certificate). The ITSCI exporter declaration form (C2 Form) is always completed and the ITSCI is notified of the export immediately. The company sends all relevant documents to ITSCI via e-mail, and the Tag Manager provides a hard copy of the Mining Logbook, Processing Logbook and Export receipts records to the local ITSCI representation Office. The GMD and the company also keep copies.

**2. Company resources/staff in place to manage due diligence over the sale of product from the operation**

We have increased our complement of staff to manage due diligence. The Tag collection/management/tagging/keeping/overseeing production (record keeping), processing and export and paperwork are always done by trained people and senior management is always directly involved in overseeing the process. We have recently recruited a specialised employee who will be dedicated solely to the chain of custody of Minerals and Documents (Traceability/compliance to ITSCI) in addition to other employees involved in sale of product due diligence..

**3. Sources of information used to assess any risks of conflict connections, either by way of company investigations, information obtained from the ITSCI, or from other sources.**

Rwanda is a peaceful country without any armed conflicts. We ensure that everyone recruited by the company is at least 18 years old, and we carry out due diligence on all suppliers to make sure that we do not buy any equipment, goods or services from any supplier involved in illegal mining/buying or conflict minerals in general, directly or indirectly.

We always consult with the ITSCI representation office in Rwanda, the Government of Rwanda and relevant authorities whenever we need guidance or advice, and keep them updated on our progress.

Illegal mining and illegal buying on the concession is one of the challenges we face. Following a strengthening of the company's relationship with the communities, incidents of illegal mining have reduced considerably. We still consider this to be a major problem and understand the underlying contributing factors. In our quest for risk mitigation and addressing the socio economic problems in the area, Piran Rwanda recently appointed two appropriately experienced, senior professionals who will assist in identifying and addressing the risks as well as increasing the

corporate social influence of the company. Maintaining a social licence to operate remains a priority for the company.

We work closely with the community and local government authorities, the Police and the Military to exchange information. Some illegal miners and illegal buyers have been identified, prosecuted and found guilty by the court.

**4. Sharing data and information on our supply chain with customers, directly or through ITSCI systems, to help protect the business commercial/confidential information.**

We maintain open communications with all our stakeholders by organising regular meetings and via other means of communication. We currently sell all production to one client and the ITSCI is kept informed through the export reports we share immediately following each export.

**5. Participation in EITI reporting**

We ensure that all taxes, fees, and royalties related to mineral extraction, trade and export from Piran Rwanda Limited are paid to the appropriate Rwandan government authorities and we keep the government informed of all details regarding our mineral sales and related taxes/fees payments through our monthly, quarterly and yearly reports as well as through the Application Form we send to International Conference on the Great Lakes Region (ICGLR) Certification Mechanism when applying for the ICGLR certificate

**6. On the ground assessments, and using information provided by ITSCI locally**

The company only sells minerals mined and processed on our concession, and therefore focuses on internal controls and processes, and on ensuring that all employees, contractors, and the legally registered cooperatives we work with comply with best practices in supply chain due diligence.

**7. Assessment of the risks we face e.g. untagged mineral, unknown suppliers, security etc)**

As already mentioned there is no security issue in Rwanda. We do not buy minerals from third parties and only export minerals mined and processed on our concession. The only risk we are dealing with is continued (albeit reduced) illegal mining activity on the concession and the resulting serious or fatal accidents.

Piran has very proactively put continued efforts into reducing the illegal mining crisis within the area of our concession through creation of employment opportunities and organising local artisanal miners to organise legally under

Rwandan law through cooperatives so that they can be employed by the company. Moreover, it is Piran's aim to develop and maintain good relationships with the local authorities to address challenges in the community. The efforts in this area have been intensified in recent months and the number and level of training of security personnel increased.

#### **8. Participation in stakeholder discussions either locally or internationally (OECD)**

We are an active member of the Rwanda Mining Association (RMA) and use this forum to discuss a wide range of issues, challenges and opportunities with other mining and trading companies. We participate in various meetings/workshops/consultative dialogues such as the Regional Certification Mechanism (RCM) and due diligence trainings, meetings with the Mining Stakeholders (Private Sector Federation, Rwanda Mining Association, Government institutions namely the Ministry of Natural Resources (MINIRENA), Rwanda Natural Resources (RNRA – now Rwanda Mines, Petroleum and Gas Board), Ministry of Finance (MINECOFIN), Rwanda Development Board (RDB), Ministry of Commerce (MINICOM) and Rwanda Revenue Authority (RRA).

We also participated in a Key Stakeholder Workshop on supporting Artisanal Mining and Markets in Rwanda, a workshop that was organised by UK Department for International Development (DFID) to help in designing a new innovative approach to improve market systems for mining in Rwanda. We also participated in a workshop organised by the Government of Rwanda in partnership with OECD on Responsible Mineral Supply Chains. It was aiming at equipping participants with knowledge on the OECD Due Diligence Guidance.

Further participation has included workshops such as an Annual Consultative Tax Compliance dialogue, and a thematic working group (TWG) to share and discuss with all stakeholders the "*Progress and implementation on Economic Development and Poverty Reduction Strategy II (EDPRS 2) core indicators and Key Planned Activities of 2016/17 and progress on its implementation (Emphasize put on mining sector)*".

#### **9. Monitoring performance of our suppliers**

As mentioned above, we are not supplied with minerals as we only process and export our own mined products.

#### **10. An update on activities from your previous report (essential) illustrated**

This is our first report.