

London Bullion Market Association (LBMA)

Responsible Gold Guidance Responsible Silver Guidance

Full Assessment Summary Report

(ISO19011:2011)

Solar Applied Materials Technology Corporation



Assessment Information	
Refiner name:	Solar Applied Materials Technology Corporation
Refiner location:	<ol style="list-style-type: none"> 1) Solar Headquarters: No.1, Gonye 3rd Rd., Tainan Technology Industrial Park, Tainan City, 70995 Taiwan 2) Solar Park: No.1, Sec. 2, Huanyuan E. Rd., Liuying District, Tainan City, 73659 Taiwan 3) ESTP Plant: No. 16, Gong 1st Rd., Environmental Science & Technology Park, Liuying District, Tainan City, 73659 Taiwan
Refiner contact person: Name, Title: Email: Phone:	James Kuo, Quality System Manager james.kuo@solartech.com.tw + 886-6-5110123 #6362
Lead auditor and audit firm	Jane Dan Resource Consulting Services (RCS) Global
Dates and location of onsite assessment	<ol style="list-style-type: none"> 1) March 12 & 15, 2019: assessment conducted at Solar Headquarters; 2) March 13, 2019: assessment conducted at Solar Park; 3) March 14, 2019: assessment conducted at ESTP Plant.

LBMA Refiner Assessment Report	
Assessment objectives:	
<p>The objective of the assessment was to determine whether the refiner's management system, including procedures, processes and management practices, complies with Version 7 of the LBMA Responsible Gold Guidance (RGG) and Version 1 of the LBMA Responsible Silver Guidance (RSG), last updated on 1 September 2017.</p>	
Assessment scope:	
<i>Refiner location(s) included in the assessment scope</i>	All three facilities owned by Solar Applied Materials Technology Corporation (SOLAR) were in the scope and visited during the assessment. They comprised: <ol style="list-style-type: none"> 1) Solar Headquarters: No.1, Gonye 3rd Rd., Tainan Technology Industrial Park, Tainan City, 70995 Taiwan 2) Solar Park: No.1, Sec. 2, Huanyuan E. Rd., Liuying District, Tainan City, 73659 Taiwan 3) ESTP Plant: No. 16, Gong 1st Rd., Environmental Science & Technology Park, Liuying District, Tainan City, 73659 Taiwan
<i>Assessment period</i>	January 1, 2018 – December 31, 2018
Assessment methodology:	

The refiner was assessed based on the ISO19011:2011 standard including assessment preparation, onsite assessment, reporting & follow-up, and addressed all areas covered by the LBMA RGG and RSG. In addition, the auditor reviewed a sample of 20 counterparties files out of a total of 161 counterparties, and 125 out of 7,930 transactional files, as per the LBMA Third Party Audit Guidance sampling recommendations for low-risk refiners.

Assessment summary:

I. Introduction

- SOLAR was founded in 1978 and currently has around 1,000 employees. SOLAR offers key materials and an integrated service model for optoelectronics, information technology, petrochemicals and consumer electronics industries. The company has four major categories of products, including precious chemicals, special chemicals, resources recycling and gold and/or silver targets. SOLAR is certified by ISO 9001, OHSAS 18000, and ISO 14001 standards.
- This is a full assessment for both gold and silver bearing materials. The previous assessments for gold were conducted by the same auditor from RCS Global in 2016 and 2017 separately, who has familiarity with SOLAR's management system and processes.
- SOLAR owns three facilities at three sites with product and production flows related to gold and silver as follows:
 - ✓ Solar Headquarters (HQ):
 - Industrial product manufacture
 - Gold target, silver target, or gold-silver alloy target (Melting → forging → rolling → treatment → machining → cleansing → packing)
 - ✓ ESTP Plant:
 - Gold and/or silver recovery from waste scraps
 - Incineration → grinding → blending → dissolution → filtration → precipitation → cleansing → drying → casting → crude gold and/or silver ingot
 - ✓ Solar Park:
 - Secondary refining to high purity ingot before further processing into final gold or silver product
 - Refining (Spraying → dissolution → reduction → cleansing → high purity ingot)
 - LBMA gold or silver bullion (Melting → cooling → finishing → cleansing → marking → weighing → LBMA gold or silver bullion)
 - Potassium gold or silver cyanide (Rolling → cutting → annealing → electrolysis → crystallization → drying/cleansing → Potassium gold or silver cyanide)
 - Gold or silver slug (Continuous casting → drawing → cutting → cleaning/polishing → drying → packing)
 - Gold or silver target bonding service (Machining → Bonding → Warpage correction → cleaning/polishing → drying → packing)
- SOLAR sourced and/or processed a total of 7,930 transactions of recycled gold and/or silver from 161 active counterparties during the audit period (January 1, 2018 - December 31, 2018). The company did not source any mined gold or silver during the period. None of the transactions and counterparties were categorised as being part of a high-risk supply chain based on due diligence documents provided and management interview.
- The Country of Origin Annex was completed and verified as part of this assessment.

II. Assessment of level of compliance for refiner's system, process, procedures and practice according to LBMA RGG and LBMA RSG

SOLAR had updated its management procedures and implementation tools based on version 7 of the LBMA RGG and version 1 of the LBMA RSG. SOLAR demonstrated a robust risk management system and its performance during this assessment is satisfactory and no corrective actions are requested.

Step 1: Establish strong company management systems

- SOLAR had updated its Supply Chain Policy on February 26, 2019 to align with the LBMA Responsible Gold Guidance, LBMA Silver Guidance and LPPM Platinum/Palladium Guidance, which is consistent with the Model Policy set forth in *Annex II of OECD Due Diligence Guidances for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance)*. It had been made publicly available at http://www.solartech.com.tw/tw/responsibility_supply_policy.html.
- The company had created an internal management structure to support supply chain due diligence activities. This consisted of
 - ✓ Assigning responsibility for responsible minerals sourcing to the company Compliance Officer who reported directly to the General Manager.
 - ✓ The establishment of a Due Diligence Assessment Committee with members consisting of supervisors of different business units.
 - ✓ Relevant functional departments including precious metals business, production, sourcing, sales, quality system, and warehouse participated in the implementation of due diligence practices. The role and responsibility of each department was documented.
- A bi-annual Management Review of due diligence practices was defined. The latest review was conducted on February 16, 2019. The related records were maintained, including sourcing practices and analysis, supply chain risk assessment, study of the LBMA RGG version 8, LPPM update, internal procedures, future training plans, etc.
- Annual training and irregular refresher trainings were developed. The latest internal training sessions on internal due diligence procedures and know-your-customer format were held on October 3, 2018 and January 15, 2019 separately. The latest external training on AML was held on December 26, 2018 with sales department, compliance department, financial department and top management attended. Training materials and attendance lists were maintained. The interview with the management team revealed that its members were familiar with LBMA guidances and sourcing requirements.
- Updated *Responsible Minerals and High-Risk Areas Management Procedure* (document number: ESQP-0038): defined scope, organization structure, identification and assessment risks, criteria for Low-risk/Middle-risk/High-risk/Prohibit-trading supply chain, Know Your Counterparty process, management review, training, etc.
- *Due Diligence Management Guidance* (document number: RIC-SP-GI0001): defined the transactions monitoring and consistent verification process.
- The company's ERP system (Oracle Application System) was utilized for storing information about Purchase Orders and Solar Merchandise Authorizations: gold and/or silver-bearing materials received, shipment and inventory were controlled and recorded; unique reference number to each input and output were given.
- Documents control (document number: ESQP-0004): defined that due diligence records will be maintained for a period of at least five (5) years.
- Payment through official bank transfer was implemented, and cash transactions were not allowed. No cash trading cases happened through the audit period.

- The sourcing requirements were communicated to all counterparties and the written acknowledgement was requested.
- SOLAR Participated in a local bureau project on anti-money laundering and combatting the financing of terrorism (AML-CFT) since the January 2018, through which SOLAR has access to search for the suspicious suppliers or beneficial owners.
- A grievance mechanism for both internal employees and external parties with supporting procedure was documented in the *Integrity Manual* (REG-LAW-0011_01), and reporting platform was added into the Supply Chain Policy as:
http://www.solartech.com.tw/tw/responsibility_business_conduct.html .
 Based on management interview, no any compliants received through the audit period.

Step 2: Identify and assess risk in the supply chain

- SOLAR defined supply chain risks in accordance with Annex II of the *OECD Guidance*.
- SOLAR defined the conflict-affected and high-risk areas (CAHRAs) criteria based on (1) Heidelberg Conflict Barometer; (2) the covered countries listed by the Dodd Frank Act; (3) Control Risk Worldmap; and (4) INFORM worldmap. No suppliers, beneficial owners, transportation route or country of origin are at the CAHRAs.
- SOLAR designed *Questionnaire – Precious Metal Supplier Information* based on LBMA Toolkit to conduct the know-your-customer (KYC) process. Meanwhile, *Conflict metals and Precious Metal Sourcing Policy Form* was sent to counterparties for commitment to comply with responsible sourcing policy. Besides collecting KYC information from the counterparties, SOLAR searched and assessed its counterparties’ information from public sources. SOLAR was a member of a local bureau (Taiwan Depository and Clearing Corporation) and able to access to sanction lists and AML-CFT database worldwide.
- SOLAR established the risk assessment procedures with consideration of KYC Questionnaire, origin of gold and silver, appearance of recycled materials, transportation route and etc. The following tools were developed to collect information and assess the supplying counterparties:
 - ✓ *Previous metals Supply Chain Risk Assessment Forms* – Different supplier types were assessed using different forms; the contents covered basic information about location, business type, disclosure of financial report and beneficial owners, whether listed on stock exchange etc.).
 - ✓ *Comprehensive Assessment Form* - Different suppliers types were assessed using different forms; the contents covered information on materials sourcing channels, production capacity, due diligence practices, supplying status to SOLAR, history of government punishment or fine, whether company or beneficial owners are listed on sanctions lists etc.)
- Implementation of the supply chain risk assessment:
 - ✓ Each counterparty was assessed based on two, above-noted approaches, and the sum of two assessment scores was used to decide whether the counterparty was Low-risk/Middle-risk/High-risk/Prohibit-trading supply chain.
 - ✓ Assessment aspects covered the minimum criteria defined in LBMA guidances. Additional due diligence measures regarding gold were also taken by SOLAR. For example, a recycler counterparty was requested to provide a previous form for supplying recycled gold.
 - ✓ Based on the assessment documents review, there was no high-risk supplier or sourcing in 2018.
- SOLAR maintained and filed traceability records for each transaction, including the incoming material photos, gross/net weight, assay, purchasing records, warehouse releasing and receiving

records, invoice, packing list, air waybill, custom declaration, bill of lading, transportation records, etc..

- ✓ A total of 125 gold and silver transactions covering different materials type and suppliers were sampled for verification. No inconsistencies were found.
- Pending storage area was separated for suspicious materials or receipts with inconsistencies. No such case happened in 2018.
- SOLAR maintained and updated the LBMA Good Delivery Listed refiners.

Step 3: Design and implement a management strategy to respond to identified risks

- SOLAR established a risk mitigation process and three (3) strategies were defined: conditional trade with mitigation; disengaging trade till re-assessment and re-approval; prohibit trade. An internal reporting process was defined.
- There was no high-risk suppliers or high-risk sourcing identified in 2018. Eleven (11) counterparties were classified as Middle-risk during the assessment. SOLAR worked with all counterparties to design a Corrective Action Plan (CAP) and conducted a follow-up review. Documents including supplier questionnaires, assessment records, CAPs, counterparties' feedback, and the General Manager's approval were provided to the auditor for review.

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

- It is the third calendar year for SOLAR to have LBMA RGG audit, and the first time to have LBMA RSG audit. A copy of the assessment report will be shared with the LBMA Chief Executive for review against their published requirements for refiners.

Step 5: Report on supply chain due diligence

- SOLAR posted its supply chain policy and the LBMA annual Summary Report in public with appropriate regard for security, proprietary information and the legal rights of other supply chain actors.

Statement of the confidential nature of the contents:

All data contained in this assessment report, as well as all information obtained during the performance of the certification, is private and confidential between the auditing firm and the refiner.

Any significant or inherent limitations or areas not covered that were within the assessment scope:

There were no significant or inherent limitations or areas not covered within the assessment scope.

Assessment criteria:

- The auditor took into account all relevant objective evidences provided by SOLAR. Relevant evidence was either qualitative or quantitative as far as it was appropriate and sufficient to support the auditor's conclusions. Appropriate evidence was relevant and reliable. Sufficient evidence referred to the amount of evidence provided to allow the auditor to reach a conclusion.
- Any actual or potential gaps in the refiner's systems in regards to the LBMA requirements were rated in accordance to the level of risk each presented to the credibility and integrity of the LBMA Responsible Gold and Silver programs for the responsible sourcing of gold and/or silver-bearing materials.

Refiner Feedback

SOLAR maintains and implements management systems based on LBMA RGG and RSG, including updated procedures and tools, risk assessment, management responsibility, transactions verification and records keeping. Meanwhile, SOLAR is in the process to comply with LPPM Responsible Platinum/Palladium Guidance.

SOLAR accepted the assessment result. There were no unresolved diverging opinions between the auditor and the refiner. With respect to two (2) Observations issued this time, SOLAR was very open and showed a willingness to make continuous improvement.

Distribution List

This report is issued for the benefit of SOLAR and will be shared within SOLAR's three facilities. The final version of this Refiner Assessment Report and the LBMA Summary Report will be submitted by the auditing body to the LBMA Chief Executive. In accordance with Step 5 of the LBMA RGG, SOLAR will make the LBMA Summary Report available to the public.

Assessment Findings:				
Category/subcategory	Non-compliance/Observation: Include evidence found to substantiate the non-compliance as well as frequency of its occurrence.	Recommended corrective action	Timeframe for implementing corrective actions	Refiner comments
None				

Assessment Conclusions	Compliant	Low	Medium	High	Zero Tolerance
Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:	X				

ASSESSMENT CONCLUSIONS							
Refer to the LBMA Third-Party Audit Guidance, Appendix 1 to determine the level of conformance for each sub-category ¹ .							
				Non Compliance – risk level			
	CATEGORY	SUBCATEGORY	Compliant	Low	Medium	High	Zero Tolerance
A.	General Information						
B.	Step 1: Establish strong company management systems	1.1:	x				
		1.2	x				
		1.3	x				
		1.4	x				

ASSESSMENT CONCLUSIONS							
Refer to the LBMA Third-Party Audit Guidance, Appendix 1 to determine the level of conformance for each sub-category ¹ .							
				Non Compliance – risk level			
CATEGORY	SUBCATEGORY	Compliant	Low	Medium	High	Zero Tolerance	
	1.5	x					
C.	Step 2: Identify and assess risk in the supply chain	2.1	x				
		2.2	x				
		2.3	x				
D.	Step 3: Design and implement a management strategy to respond to identified risks	3.1	x				
		3.2	x				
		3.3	x				
		3.4	x				
E.	Step 4: Arrange for an independent third-party audit of the supply chain due diligence	4.1	x				
F.	Step 5: Report on supply chain due diligence	5.1	x				

The Auditors confirm that:

- ✓ The information provided by the Refiner is true and accurate to the best knowledge of the Auditor preparing this report.
- ✓ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous.
- ✓ The Auditor has acted in a manner deemed ethical, truthful, accurate professional, independent and objective.
- ✓ The Auditor is properly qualified to carry out the assessment at this Refiner's facility.

Lead Auditor: Jane Dan

Signature: *Jane Dan*

Date: March 25, 2019
