

SAMT Platinum Compliance Report 2022

February 2023



Table 1: Refiner's details	
Refiner name:	Solar Applied Materials Technology Corporation (henceforth "SOLAR")
Refiner location:	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
Reporting year-end	December 31, 2022
Time period of compliance	January 1, 2022 – December 31, 2022
Date of Report	February 13, 2023
Senior Management responsible for this report:	Chii-Feng Huang, Chairman
<p>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 Platinum sputtering targets. SOLAR is certified by ISO 9001, IATF 16949, OHSAS 18000, ISO 14001, and ISO 50001 standards. SOLAR also published the first version of its ESG Report 2021 as part of its commitment to promote sustainability as a core corporate value, disclose ESG Information.</p>	

Table 2: Summary of activities undertaken to demonstrate compliance
<p>Step 1: COMPANY MANAGEMENT SYSTEMS</p> <p>Compliance Statement with Requirement: We have fully complied with Step 1: Establish strong management systems as detailed below:</p> <p>1. Has the refiner adopted a company policy regarding due diligence supply chains of Platinum?</p> <p>Comments and Demonstration of Compliance:</p> <ul style="list-style-type: none"> ○ SOLAR established its Responsible Minerals Management Procedure in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, according to with the model set out in Annex II. The Procedure was amended in February 2023 per Step 1.1 of the Responsible Platinum Guidance (RPPG V.4). Environmental, social and governance (ESG) factors consider in Solar's Platinum primary supply chains, per Step 1.1 of the Responsible Platinum/Palladium Guidance. ○ SOLAR updated its Raw Materials Responsible Sourcing and Supply Chain Commitment on March 28, 2019 so that it extended to environmental and sustainability responsibilities as required by the <i>LPPM Responsible Sourcing Guidance Version 4</i>. The Commitment is available at our website: https://www.solartech.com.tw/download/0/106/ ○ SOLAR puts very much emphasis on issues related to climate change and the development of products to mitigate it. Since 2022, SOLAR has obtained carbon footprint data for at least

eight key products in order to identify the hot spots of carbon emissions within the organization, and then they will serve as the bases of improvement in carbon reduction.

Related Environmental Sustainability Policy are available at our website:

https://www.solartech.com.tw/en/esg/environmental_sustainability/

- Supply Chain Policy is
- Approved by Chairman. The Chairman is the Director of the Board.
- It is reviewed annually and update as and when circumstances require.
- Communicated to all relevant staff through internal meeting. Also posted on company website <https://www.solartech.com.tw/download/0/98/>

2. Has the refiner set up an internal management structure to support supply chain due diligence?

- SOLAR had created an internal management structure to support supply chain due diligence activities.

Comments and Demonstration of Compliance:

- This consisted of
 - ✓ Chairman, Mr. Chii Feng Huang, who is a Director of the Board, assigns relevant members to establish a due diligence committee.
 - ✓ Assigning responsibility for responsible minerals sourcing to the company Compliance Officer (Ms. Jamie Chen) who reported directly to the Chairman (Mr. C.F. Huang). The establishment of a Due Diligence Assessment Committee with members consisting of supervisors of different business units. The committee will hold a meeting to review the process of due diligence per year and report to Chairman.
 - ✓ 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.
 - ✓ Annual Management Review of due diligence practices was defined. The latest review with 18 participants was conducted on February 14, 2023. The related records were maintained, including sourcing practices and analysis, supply chain risk assessment, audit schedule etc. The corrective action is requested sales and precious metals trading personnel must include KYC process status during handover work when resigning.
 - ✓ Payment through official bank transfer was implemented, and cash transactions were not allowed.

3. Has the refiner established a strong internal system of due diligence, controls and transparency over the supply chains of Platinum, including traceability and identification of other supply chain actors?

Comments and Demonstration of Compliance:

- Incoming Precious Metals Document SOP (document number: RIC-SP-GI0001): defined the transactions monitoring and consistent verification process, including the documents verification of contracts, invoices, packing lists, bill of lading or airway bill, content of analysis, import customs declaration form, receiving notes with weights and photos, local delivery notices. Adding purchasing control notices of silver per internal meeting results on May 5, 2022 and November 18, 2022, effective November 18, 2022. 1. All material receiving notes should be including photos. – If the tier 1 suppliers are smelters/refiners, they should trace back to the original lot or reference number, unprocessed type description and photos, weights of receiving material and silver product. – If the tier 1 suppliers are traders, they should trace

back to the original lot or reference number, unprocessed type description and photos (the material type should be the same between receiving and delivery to direct supplier, the same lot or reference number for identification and the same weights), weights of receiving material and silver product. 2. Country or origin: It can be provided by direct suppliers which should not come from CAHRAs. 3. Content of Analysis: It can be provided by direct suppliers and laboratory with related or reference lot number for identification. 4. The direct suppliers conducted KYC to their suppliers (Tier 1 suppliers of Solar) must cover no money laundering and assessment of the material, etc.

- The company's ERP system (Oracle Application System) was utilized for storing information about Purchase Orders and Solar Merchandise Authorizations: Platinum bearing materials received, shipment and inventory were controlled and recorded; unique reference number to each input and output were given.
- Record Management Procedure (document number: ESQP-0004): defined that due diligence records will be preserved for a period of at least five (5) years.
- Annual training and irregular refresher trainings were developed. The latest internal training sessions on "Responsible Minerals Management Procedure ver.8" and practical operation Q&A were held on February 14, 2023. Training materials and attendance lists of 29 employees were maintained.

4. Has the refiner strengthened company engagement with Platinum supplying counterparties, and where possible, assist Platinum supplying counterparties in building due diligence capabilities?

Comments and Demonstration of Compliance:

- 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.
- SOLAR noted EITI is related to extractive companies, such as mines, gas and oil which is not covered in SOLAR's business scope. Thus, they do not state support EITI in their Supply Chain Policy.

5. Has the refiner established a company - wide communication mechanism to promote broad based employee participation and risk identification to management?

Comments and Demonstration of Compliance:

- SOLAR have implemented a confidential grievance mechanism at the company website for both internal employees and external stakeholders to voice concerns over the supply chain or a newly identified risk which is accepted anonymously grievance. Supporting procedure was documented in the *Integrity Manual* (REG-LAW-0011), and reporting platform was added into the Supply Chain Policy as: <https://www.solartech.com.tw/download/0/98/>
- Point of contact for enquiry on conflict-free raw materials :
ComplianceOffice@solartech.com.tw
- Solar values integrity and ethical corporate management. If you find any unethical behavior in SOLAR employees, please email Assistant Vice President Ou at service@solartech.com.tw or call 886-6-5110123 Ext. 6201.

- No issues were reported through company-wide communication mechanism through the reporting period.

Step 2: RISK IDENTIFICATION AND ASSESSMENT

Compliance Statement with Requirement:

We have fully complied with Step 2: Identify and assess risks in the supply chain.

1. Does the refiner have a process to identify risks in the supply chain?

SOLAR has a process to identify and assess supply chain risks in accordance with Annex II of the OECD Guidance and environmental, social and governance (ESG) factors.

Compliance Statement with Requirement:

- 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; (4) INFORM worldmap; and (5) Regulation (EU) 2017/821. No suppliers, beneficial owners, transportation route or country of origin are at the CAHRAs.
- SOLAR designed *Questionnaire – Precious Metal Supplier Information* based on LPPM 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. The purchasing department is responsible to collect the KYC information and enter into inter ERP System. It will be reviewed by supervisor and final approval by Compliance Officer. If there is any concern or missing record, the Compliance Officer will reject and request to provide supporting documents or updated information in system.

2. Does the refiner assess risks in light of the standards of their due diligence system?

SOLAR assesses the risk in light of the standards of our due diligence system.

Comments and Demonstration of Compliance:

- Updated *Responsible Minerals Management Procedure* (document number: ESQP-0038): defined scope, organization structure, identification and assessment risks, criteria for Low-risk/Medium-risk/High-risk/Prohibit-trading supply chain, Know Your Counterparty process, management review, training, etc. The ESG risks are also considered into process.
- SOLAR established the risk assessment procedures with consideration of KYC Questionnaire, origin of Platinum, 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/Medium-risk/High-risk/Prohibit-trading supply chain.
 - ✓ Assessment aspects covered the minimum criteria defined in LPPM guidances.
- In Y2022, SOLAR has conducted due diligence for its potential and current suppliers where necessary. We mainly sourced from recycled Platinum and no high-risk happened among the purchases.
- Pending storage area was separated for suspicious materials or receipts with inconsistencies. No such case happened in Y2022.
- SOLAR maintained and updated the LPPM Good Delivery Listed refiners.
- The number of transactions is 8,064 in Y2022. 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..
- No zero-tolerance and high-risk suppliers are identified.

3. Has the Refiner undertaken EDD measures for identified high-risk supply chains?

Comments and Demonstration of Compliance:

- Solar takes EDD measures for identified high-risk supply chains, that is, completes Site visit report (No. DESQP-0038-0001) , and executes the review CAP plan, which can only be carried out trade after approval by the Chairman. The risk assessments will be conducted annually or any new suppliers. In Y2022, there are no high-risk supplier or transactions identified. No EDD are implemented.

Step 3: RISK MANAGEMENT

Does the Refiner have a process to respond to the identified risks by either (i) mitigating the risk while continuing to trade, (ii) mitigating the risk while suspending trade or (iii) disengagement from the risk?

Comments and Demonstration of Compliance:

- 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.
- As a result of risk assessment on the Platinum-containing materials which we purchased during the reporting year, internal risk classification for all suppliers (Platinum 52 suppliers) are low risks
- The Compliance Office will monitor and track performance for risk mitigation. There are 6 months for suppliers to make corrective actions. During this period, the supplier will be suspended for trading. If no actions taken or not meet Solar's requirement, it will be under disengated trade.
- The Compliance Office will report to Chairman who is the Director of the Board if there is any instance on high-risk supply chains. And the mitigation plan will be implemented accordingly.
- No such instance happened in reporting period. Thus, no mitigation plan is implemented.

Step 4: INDEPENDENT THIRD-PARTY ASSURANCE

Compliance Statement with Requirement:

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence. Selecting an Assurance Provider on LPPM's Approved Service Provider List.

Comments and Demonstration of Compliance:

- SOLAR engaged with the audit body RCS Global Ltd will be executed in March 1~3, 2023. It is the fourth calendar year for SOLAR to have LPPM RPPG audit. A copy of the assessment report, Compliance Report along with the Assurance Report will be shared with the LPPM Chief Executive for review against their published requirements for refiners. There is no high and medium-risk non-conformance identified during the current audit period.

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 5: Report on supply chain due diligence.

Comments

- SOLAR posted its supply chain policy and the Compliance Report along with the Assurance Report will be published on SOLAR company website.
<https://www.solartech.com.tw/download/0/95/>

Table 3: Management conclusion

Is the refiner in compliance with the requirements of the LPPM Responsible Platinum Guidance and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict - Affected and High - Risk Areas for the reporting period?

Yes, SOLAR implemented effective management systems, procedures, processes and practices to conform to the requirements of above guidances as explained above in Table 2, for the reporting year ended 31 December 2022.

SOLAR is committed to continuous improvement and that is monitored internally on a regular basis. Any corrective actions identified will be implemented shortly.

Table 4: Other report comments

If readers of this report wish to provide any feedback to SOLAR, please contact the compliance officer at: jamie.chen@solartech.com.tw