

# Avon Metals Ltd

Incorporating Avon Specialty Metals Ltd



## United Nations Global Compact

### Communication on Progress Covering Calendar Year 2016

05<sup>th</sup> December 2017

#### To our Stakeholders:

Avon Metals has been a signatory to the United Nations Global Compact since 2007, and we continue to align our operations and strategies with its ten principles in the four key areas of Human Rights, Labour, Environment and Anti-corruption.

Signing the Global Compact affirms our long-standing commitment to strive to conduct business responsibly, and where possible, we actively encourage our business partners and other key stakeholders to join the initiative.

Our Communication on Progress (COP) is made available to stakeholders through the UN Global Compact website ([www.unglobalcompact.org](http://www.unglobalcompact.org)) and our own corporate internet sites ([www.avonmetals.com](http://www.avonmetals.com)) and ([www.avonspecialtymetals.com](http://www.avonspecialtymetals.com)).

#### **EXECUTIVE SUMMARY**

**Avon Metals Ltd** (AML), is a metals recycling company whose main activity is the production of **15,000 metric tonnes per annum** of primary and secondary (scrap) based aluminium alloys in ingot form. These ingots are used by producers of aluminium products to ultimately make a wide range of everyday products. These include; beverage cans; pie case foil; car engines & wheels; aircraft engines and landing gear; building products - such as door and window frame extrusions and curtain walling.

The Company is also an important physical trader of various other primary and secondary (scrap) metals.

**Avon Specialty Metals Ltd** (ASML), is a subsidiary of Avon Metals Ltd whose main activity is in the ethical and responsible sourcing of Specialty Metals, including the processing and trading of up to **1,000 metric tonnes per annum** of metals such as Tantalum, Niobium, Molybdenum, Tungsten, Rhenium, Nickel/Cobalt Superalloys, and other special metals in various forms both from primary and secondary sources. ASML products are used by end users in the Superalloy, aerospace, power generation, tooling, powder metallurgy, petrochemical, hard metal & welding industries.

During the reporting period ASML successfully worked the Conflict Free Sourcing Initiative, [CFSI], to pilot a Downstream Non-Smelter Conflict Free accreditation scheme using the OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas. ASML was successfully accredited as a Conflict Free Supplier via a RCS 3<sup>rd</sup> Party Audit in 2016. ASML remains committed to ensuring it continues to source from conflict free suppliers and supporting its supply chain to maintain their own due diligence in these areas through education and guidance.

AML has demonstrated that a pragmatic approach to investing in our people, and protecting the environment through sustainable development, can be commercially viable.

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To further strengthen our Ethical and Sustainability ethos, AML is committed to following the GRI-4 guidelines on Sustainability.

## **MISSION STATEMENT**

To maximise shareholder value through the manufacture and timely supply of high quality, ethically produced, eco-friendly innovative metals and alloy products and services to our global customers, whilst inspiring a safe, dynamic and challenging environment that enriches the lives of our employees and the communities within our sphere of influence.

## **INTRODUCTION TO OUR SUSTAINABILITY PHILOSOPHY**

Sustainability, or sustainable development, is often defined as acting in a manner that meets the needs of today without hindering future generations.

Since 2006, Avon Metals Ltd made a conscious decision to embark on a pioneering journey towards implementing, measuring and reporting sustainability.

Sustainability is more than just an initiative for AML - it is a philosophy that permeates right through the company influencing every single activity and decision. AML is committed to this philosophy and to continuous improvement on our road towards total sustainability. We seek to create a world class brand that will motivate customers, employees, suppliers and communities to partner with us for mutual long term benefit.

In its pursuits to achieve sustainability, Avon has cultivated new markets and forged new partnerships in a diverse array of market sectors ranging from aerospace and automotive, to alternative renewable energy sources and commercial applications for our process residues.

Progress is benchmarked against realistic internal and external business targets. Reliable measurement is essential to guarantee continued monitoring, careful evaluation, committed implementation and tangible results.

Continuous improvement is our aim, and to this end we have accredited ISO9001 & AS9100 Quality Management Systems, ISO14001 Environmental Management System and ISO50001 Energy Management System in place to ensure we continue to develop and improve the businesses into the future.

Input from stakeholders & shareholders alike will be actively sought and encouraged to ensure that we continue to implement best practices. We strive to exceed stakeholder expectations and improve the quality of life through our products and actions, and we will communicate transparently our vision, objectives and performance.

**Steven Munnoch, Managing Director December 2017**

A handwritten signature in black ink, appearing to read 'Steven Munnoch'. The signature is fluid and cursive, with a long horizontal stroke at the end.

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## The Ten Principles

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

### Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

### Labour

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labour;
- **Principle 5:** the effective abolition of child labour; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

### Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

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## HUMAN RIGHTS

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

Avon Metals works with suppliers who share our commitment to human rights and encourages our suppliers to meet or work towards the OECD guidelines on responsible sourcing.

Avon Metals Supplier Code of Conduct, required of all third party suppliers, encourages engagement with key human rights issues such as child labour, discrimination and working conditions throughout the Supply Chain.

In the past reporting period 2016, Avon Metals has not been subject to any investigations, legal cases, incidents or breaches of Avon's Code of Business Conduct, and in particular none related to human rights abuses.

The H&S OHSAS18001/ISO45001 Standard is currently being implemented, with 3<sup>rd</sup> party accreditation targeted for 2018.

Avon Specialty Metals has acknowledged the Securities and Exchange Commission final rule pursuant to section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to the use of conflict minerals, related to Tantalum and Tungsten in ASML's case. Avon has developed a Conflict Minerals Policy which was implemented companywide in 2013 and is available to the public on our website at the following address.

<http://www.avonspecialtymetals.com/conflict-minerals/4594083226>

ASML was Audited by RCS, a third-party auditing company during 2016, as part of the CFSI pilot program to introduce a downstream non-smelter conflict free accreditation program. This program is based around the requirements OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas. ASML was found to be compliant with the OECD guidelines and one of 6 downstream companies accredited as conflict free in 2016.

AML and ASML acknowledge the UK Modern Day Slavery Act 2015, the statement for their 2015/2016 is as follows.

## *The Remet Company Ltd Statement UK Modern Day Slavery Act 2015*

Part 6 of The United Kingdom Modern Slavery Act 2015 requires a commercial organisation that supplies goods or services and has a turnover not less than £36 million to prepare a slavery and human trafficking statement for each financial year of the organisation.

A slavery and human trafficking statement for a financial year is:-

- A) A statement of steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place –
  - a. In any of its supply chains, and
  - b. In any part of its own business, or
- B) A statement that the organisation has taken not such steps.

Below is the statement for the financial year July 1<sup>st</sup> 2015 to June 30<sup>th</sup> 2016 for The Remet Company Ltd, incorporating Avon Metals Ltd and Avon Specialty Metals Ltd.

### 1. About The Remet Company Ltd

**The Remet Company Ltd** is a non-ferrous scrap metal trading business, moving approximately 60,000 mt of material per annum and enjoys long standing relationships with suppliers and customers alike, across the UK, Europe, the Americas and Asia. Remet is based in Canning Town, London, UK.

The Remet Company Ltd also has two subsidiaries Avon Metals Ltd and Avon Specialty Metals Ltd based in Gloucester, UK.

**Avon Metals Ltd** is an award-winning manufacturer of specification aluminium alloy ingots and a physical processor and trader of scrap Aluminium and an extensive range of other metals and alloys. Originally established over 60 years ago, we are widely regarded as an important global trader in both on and off-exchange metals and we trade in accordance with internationally recognised specifications laid down by the LME, BMRA, MMTA, BIR and ISRI.

Avon Metals Ltd is one of only a few in the world to be both AS9100 Aerospace and ISO 14001 Environmentally approved. The company holds many further customer-specific approvals as well as internationally recognised standards and merits from the likes of BAe Systems and 3 Queens Awards for International Trade and Sustainable Development.

We are an ethically sound, socially responsible company. Our core values are based around honesty, integrity, flexibility, reliability, financial stability and forming strategic long term relationships and partnerships with our customers and suppliers alike. Our heritage, pedigree and consistently high quality performance makes us the Number One supplier of choice to many major blue chip metal companies around the world.

**Avon Specialty Metals Ltd** is an ethically responsible specialty metals company, involved primarily in the processing and trading of the metals Tantalum, Niobium, Molybdenum, Tungsten and Rhenium

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in various forms. ASML also works with Nickel and Cobalt revert alloys and an extensive range of other exotic minor metals.

Avon Specialty Metals Ltd products are used by end users in the Superalloy, aerospace, power generation, tooling, powder metallurgy, petrochemical, hard metal & welding industries.

Avon Specialty Metals Ltd has been instrumental in developing non-smelter conflict free accreditation process with the internationally recognised Conflict Free Sourcing Initiative CFSI run by the EICC and GeSI.

## 2. Our Supply Chain

Our operations are supported by an international supply chain for goods and services. This supply chain includes suppliers of secondary (scrap) metal, primary metal, energy, supporting materials, skilled labour and services required for our operations and the supply of a wide range of legal, technical and administrative professional services.

## 3. Company Governance and Policy

The board governs the Company and oversees our sustainability approach. The Technical Director with the support of the company's legal counsel and external advisors assists the Board in overseeing health, safety, environment and community (HSEC) matters, including climate change, human rights, HSEC-related risk control and legal and regulatory compliance, sustainability reporting and overall HSEC performance.

The policy framework we apply to our own businesses and our supply chain is consistent with our overarching company human rights commitments to act in a manner consistent with the United Nations (UN) Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and the UN Global Compact principles.

These human rights commitments will be reflected in our Codes of Business Conduct which is under development and due to be published in 2017.

The Codes of Business Conduct will outline our commitment to uphold ethical business practices and to meet or exceed applicable legal requirements. The Codes will apply to all Remet employees, directors, officers, contractors and suppliers (where under relevant contractual obligation) and controlled entities, regardless of location or role and non-controlled joint ventures and minority interests are to be encouraged to adopt similar principles and standards.

The Codes of Business Conduct will require the human rights implications of all our activities to be considered and for due diligence to be undertaken on our partners and contractors to assess their alignment with human rights. The Codes will specifically prohibit the use of suppliers who breach laws or regulations or use child or forced labour or physical punishment to discipline employees, even if allowed by local law. The Codes will require members of our workforce to report to management any evidence of child or forced labour or the inhumane treatment of employees in our operations or those linked to our Company.

## 4. Codes of Business Conduct

At the core of Remet's ethical trading practice, for all our goods and services, we engage our suppliers through a commercial framework that will be aligned with our Codes of Business Conduct which is currently under development. This will frame the daily activities and decisions of the

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Company and are the foundation for developing and implementing management systems at our operations (including with our suppliers) across all jurisdictions in which the Company operates. Our Requirements for Supply will set the minimum mandatory HSEC and business conduct requirements for all Remet suppliers and will include the following:

- Child labour - Children must not be hired to work before completing their compulsory education (as determined by applicable local laws). Notwithstanding local requirements, the minimum age for entry into employment must not be younger than 15 years of age.
- Forced or compulsory labour - The supplier must affirm there is no forced, bonded or involuntary labour.
- Freedom of association - The supplier must:
  - adopt an open attitude towards the legitimate activities of trade unions;
  - allow their workers' representatives to carry out their legitimate representative functions in the workplace and not be discriminated against.
- Living wage - Wages and benefits paid for a standard working week must satisfy, at a minimum, national legal standards or local industry benchmarks, whichever is higher. In nation states where no minimum wage legislation exists, the supplier must seek to establish a living wage that provides an adequate standard of living for all its employees and their dependants.
- Non-discrimination and diversity - The supplier must:
  - provide a work environment in which everyone is treated fairly and cultural, ethnic, religious or other diversity factors such as gender are respected;
  - offer employment on the basis of merit;
  - not base decisions regarding employment on attributes unrelated to job performance (including but not limited to, race, colour, gender, religion, personal associations, national origin, age, disability, political beliefs, marital status, sexual orientation and family responsibilities).

Decisions relating to suppliers, customers, contractors and other stakeholders must also be based on merit.

- Workplace health and safety - The supplier must provide:
  - safe and healthy working facilities and appropriate precautionary measures to protect employees from work-related hazards and anticipated dangers in the workplace;
  - workers with regular and recorded health and safety training;
  - clean and safe accommodation that meets the basic needs of the workers (where provision is applicable).

The supplier must:

- follow all relevant legislation, regulations and directives in the countries in which the contract activities are undertaken to provide a safe and healthy workplace;
- implement systems for the prevention of occupational injury and illness, including standards for fire safety; emergency preparedness and response plans; occupational or industrial hygiene standards; appropriate lighting and ventilation; machinery safeguarding; reporting and investigation of occupational injuries and illness; reasonable access to potable water;

- assign responsibility for health and safety to a management representative.
- Treatment of employees - The supplier must create and maintain an environment that treats all employees with dignity and respect and must not use any threats of violence, sexual exploitation or abuse, verbal or psychological harassment or abuse.
- Community interaction - The supplier, and in turn its employees, must treat members of the community with dignity and respect. They must not impact on the health, safety or wellbeing of members of the community by engaging in activities such as threatening behaviour, violence, sexual exploitation or abuse, verbal or psychological harassment or abuse.

Our Codes of Business Conduct will provide the framework with a view to ensuring that our suppliers comply with our values.

While the requirements contained in the Codes of Business Conduct are not new, our current terms and conditions for Supply will be further strengthened by its formal adoption during 2017.

The contents of the Codes of Business Conduct will be progressively incorporated into the Company's supply processes. All Remet companies will be expected to identify and document key potential human rights risks in their own businesses and their supply chains. Remet Companies are required to consider risk areas relevant to the extractives sector and company supplied apparel, including forced and child labour; community health, safety and wellbeing; diversity and non-discrimination; freedom of association and collective bargaining; gender impacts; security and law enforcement; and workplace health and safety, and to assess performance against the UN Universal Declaration of Human Rights, Principles 1 and 2 of the UN Global Compact and host country legislation governing human rights issues. If risk is identified, and subsequently confirmed, that supplier will be disqualified until such time that risk is mitigated. In this way Remet is adopting a Zero Tolerance Policy to Human Rights abuses.

## 5. Training

Employees are provided with the Codes of Business Conduct (which includes the human rights commitments and standards described in the policy section above) upon commencement with Remet or its subsidiary companies, and it is a condition of employment to behave in accordance with the Code. Awareness training is also provided to complement Codes document.

Our Code requires suppliers to be given access to the current edition and helped to understand our compliance and business conduct expectations as outlined in the Code. In support of this, a separate Guidance for Suppliers document is to be compiled which will assist in their own compliance processes.

## 6. Managing sustainability risk

The priority for our sustainability framework is identifying and managing material risks. Risks that are identified as material to our business are assessed with consideration of the potential health, safety, environmental, community, reputational, legal and financial impacts. Risk severity is assessed according to the most severe associated impact, which allows us to understand the potential causes and impacts in the context of business plans.

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We assess supply categories according to commercial dependency and supplier risk, on a tiered approach. Engagement with each supplier is determined by the risk level and, if required, we work together to develop a plan to ensure the supplier meets our requirements throughout the relationship.

No Remet supplier has been disqualified in relation to forced or compulsory labour or human trafficking during the period July 1<sup>st</sup> 2015 to June 30<sup>th</sup> 2016. We, however, recognise the need to focus more systematically and effectively on the potential for forced or compulsory labour or human trafficking in our supply chain, and to keep our assessment of the risk profile of this issue for our business under review.

### 7. Access to remedy: reporting mechanisms

Our Codes of Business Conduct requires every Remet company to put in place a complaints and grievance mechanism for people potentially impacted by its activities. These mechanisms are required to:

- be scaled to the country context, risks and adverse impacts;
- use an understandable and transparent process;
- be culturally appropriate;
- be readily accessible to all segments of the affected host communities;
- be available without retribution;
- not impede access to judicial or administrative remedies;
- acknowledge, investigate and document all complaints and grievances;
- undertake appropriate remedial actions where a complaint is legitimate;
- advise complainants of the remedial action promptly and document outcomes.

### 8. Next steps

A review of company policy and practice in relation to certain key human rights issues will occur in 2017 as part of our continuous improvement ethos. This review will incorporate human rights related aspects of supply chain management to ensure consistent high performance across all Remet Companies.

The publishing of the Codes of Business Conduct is planned for 2017 and assist towards Remet and its subsidiary companies maintaining a very low risk of forced or compulsory labour or human trafficking in its supply chains.

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Our policies on Human Rights and Conflict Minerals are included below.

### **AVON METALS LTD POLICY ON HUMAN RIGHTS**

The objective of this policy is to minimise risks to Avon Metals from a breach of international Human Rights standards by the company or by association with business partners and suppliers. It aims to protect the business by providing a framework of fundamental principles of Human Rights by which Avon Metals Ltd will be guided in the conduct of its business.

#### **Background**

Human rights can be defined as basic rights that allow individuals the freedom to lead a dignified life, free from fear or want, and free to express independent beliefs. Avon Metals Ltd supports the principles of Human Rights set out in the Universal Declaration of Human Rights (UNDHR), International Labor Organization's Declaration on Fundamental Principles and Rights at Work and is a signatory of the United Nations Global Compact.

#### **Scope**

This Policy applies to all Avon Metals Ltd operations, including wholly or majority owned subsidiaries and associated companies where Avon Metals Ltd has management control. Particular attention is required by procurement functions when considering material tenders, third party contracts, business partners, suppliers and their supply chains where practical. It is not feasible to assess every supplier and the entirety of their supply chain.

While we do not have a direct influence over our business partners' operations, we look to engage with them and demonstrate our own internal standards. Where local legislation conflicts with this statement, we will comply with the law while seeking to promote best practice through our own conduct.

The role of companies and Human Rights has no single universal set of principles. We continue to monitor international developments and adhere with best practice such as the UNDHR and UN Global Compact whilst being mindful of national and cultural differences.

#### **Statement of principles**

Avon Metals Ltd respects and supports the following:

- The right to equal opportunity and non-discriminatory treatment
- The right to security of person
- The rights of children
- The freedom of association and right to collective bargaining
- It will not use forced or compulsory labour
- It will provide a safe and healthy workplace
- It will pay workers a fair wage
- It will not pay bribes
- It will ensure that the company's services and products are not used to abuse human rights

#### **Employees**

Avon Metals Ltd employees are required to comply with our Business Principles, Brand Beliefs and code of conduct through our human resources policies and procedures.

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## **Business partners and suppliers**

Avon Metals Ltd will strive to ensure that procurement functions (dealing with material tenders, third party contracts and suppliers and functions dealing with business partners (commercial lines, joint ventures, etc) endeavour to seek partners upholding the same principles through their operations and supply chains where practical.

## **Customers**

Avon Metals Ltd will seek to ensure that its products and services are not used to abuse human rights. Avon Metals Ltd will regularly appraise the social and economic climate of every country where we do business.

## **Conflict Minerals Sourcing Policy Statement**

Avon Specialty Metals is a UK based recycler of refractory metals and high temperature alloys, including Tantalum and Tungsten in their metallic and alloyed forms. Our company handles 1) Secondary (scrap) 2) recycled products made exclusively from scrap 3) primary products from approved RMI CFSP smelters. Our company does not handle any minerals or ores and as such is not involved in materials subject to Class 7 Transportation Regulations. Our company does not currently handle Tin or Gold.

We condemn the unlawful exploitation of mineral resources from any locations in the world and we fully support the goal of ending violence, human rights violations, and environmental devastation in the Democratic Republic of the Congo (DRC), and its surrounding countries – known as the “Conflict Region”. We are firmly committed to supporting a conflict-free not Congo-free supply chain. By that we mean responsible sourcing of conflict minerals (Tantalum, Tin, Tungsten & Gold “3TG”) from the region, provided that such minerals do not directly or indirectly finance or benefit armed groups. As part of this commitment we have adopted a continuous improvement policy within our own organisation to only purchase materials that are guaranteed to be conflict-free and that meet all the relevant criteria stipulated by the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

We acknowledge the final “Conflict Minerals Rule” issued by the U.S. Securities and Exchange Commission (“SEC”) issued under Section 1502 of the 2012 Dodd-Frank Wall Street Reform and Consumer Protection Act and we are committed to assisting our customers with their due diligence and disclosure requirements required to comply with the legislation. To this end, ASM pledges to only source and procure metals from those companies who agree to abide by the requirements of our Supplier Code of Conduct, which prohibits human rights abuses including forced or compulsory labour, child labour and unethical practices.

Additionally, ASM’s Shareholders are active voluntary supporters of the following initiatives and organisations – Responsible Minerals Initiative (RMI), United Nations Global Compact, World Economic Forum (Partnership Against Corruption), Global Reporting Initiative (GRI), Minor Metals Trade Association (MMTA), Tantalum Niobium International Study Center (TIC).

In support of our Conflict Minerals Sourcing Policy, ASM undertakes to: -

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- Exercise due diligence with relevant suppliers consistent with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and encourage our suppliers in turn roll this out to their suppliers.
- Incorporate the principles of this Policy into our legally binding Purchase Contracts and monitor all transactions.
- Provide, and expect our suppliers to co-operate in providing, due diligence information to confirm that any 3TG metals in our supply chain are conflict free.
- Voluntarily exercise the same due diligence for other metals out of scope - such as Cobalt and Niobium.
- Rely on industry initiatives, such as the Conflict Free Smelter Program (CFSP), to validate that all metals we procure are from either a) conflict free smelters on the CFSP approved smelter list or b) scrap/recycled sources. For more information on please visit [www.responsiblemineralsinitiative.org](http://www.responsiblemineralsinitiative.org)
- Ensure that traceability data will be maintained and recorded by suppliers for 5 years and provided to ASM upon request.
- Collaborate with our suppliers and others on industry-wide solutions to enable products that are DRC conflict-free.
- Publicly communicate our policy and progress via our corporate website, annual Corporate Responsibility Report and Supplier Code of Conduct.
- Strive to assist our customers and supply chain partners in implementing their own conflict minerals compliance programs.
- Require all of our suppliers to provide us with completed conflict minerals declarations using the RMI Conflict Minerals Reporting Template (CMRT) [www.responsiblemineralsinitiative.org/conflict-minerals-reporting-template](http://www.responsiblemineralsinitiative.org/conflict-minerals-reporting-template)
- Commission 3rd party audit of ASM's processes to assure our procurement processes remain conflict free.

ASM seeks to establish long-term relationships and work with suppliers to drive meaningful, lasting and sustainable improvements. Where risks in our supply chain are identified we will work with suppliers to assess and mitigate these risks in accordance with OECD Guidelines, and in particular *“Annex II: Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas”*. We will cease trade relationships with any suppliers who are found to be in deliberate or persistent breach of our Sourcing Policy and OECD Guidelines.

## **Grievance Mechanism & Reporting**

This Policy will be reviewed regularly and updated as required. Concerns regarding the content or execution of this Policy can be reported directly to ASM's Board of Directors through our official grievance channels: - Email: [conflictfree@avonspecialtymetals.com](mailto:conflictfree@avonspecialtymetals.com) or alternatively please call our Hotline: + 44 1452 874506 (UK)

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## LABOUR

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

As covered by our Human Rights Policy, Avon Metals respects the freedom of its individual employees to join, or chose not to join, legally authorised, trade unions, associations or organisations.

As of the end of 2016, none of Avon's employees have taken the option to join legally authorised, trade unions, associations or organisations.

During the reporting period 2016 there were no strikes or lockouts at Avon Metals.

**Principle 4:** the elimination of all forms of forced and compulsory labour

As covered by our Human Rights Policy, Avon Metals states it will not use forced or compulsory labour.

All Avon Metals employees work for the company as a result of need or want. No one is forced to work for Avon Metals. Avon Metals is solely based in the United Kingdom and abides fully with UK and European Law and as such prohibit the use of any forced labour, including slavery, servitude or prison labour.

Avon Specialty Metals has implemented a Conflict Free Minerals policy, which aims to eliminate amongst other things, all forms of forced and compulsory labour in our supply chain.

AML and ASML acknowledge the UK Modern Day Slavery Act 2015, and issued a statement for their 2015/2016 financial year see above.

**Principle 5:** the effective abolition of child labour

As covered by our Human Rights Policy, Avon Metals recognises the rights of children.

Avon Metals does not employ child labour. Avon Metals is solely based in the United Kingdom and abides fully with UK and European Law with respect legal age for employment.

Avon Metals has implemented a Conflict Free Minerals policy, which aims to eliminate amongst other things, all forms of child labour in our supply chain.

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

As covered by our Human Rights Policy, Avon Metals states the right to equal opportunity and non-discriminatory treatment.

Avon Metals views as unacceptable any form of harassment, or unfair or unlawful discrimination based on race, age, gender, colour, sexual orientation, disability or national origin, whether by employees, temporary employees, managers, customers, vendors or Avon Metals' visitors.

All employees are made aware of our zero-tolerance stance towards discrimination of any kind.

An Employee Conduct Code Manual has been issued.

English Lessons are provided for speakers of other languages.

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## Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges

**Principle 8:** undertake initiatives to promote greater environmental responsibility

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies

Avon Metals is a forward thinking, environmentally conscious company, and we have made a pledge to reduce our carbon footprint as far as practically and economically possible.

As renewable technologies become ever more efficient and cost effective, Avon Metals will investigate where such technologies can be implemented to offset our primary energy usage.

AML core business is centred about the procurement and recycling of scrap metals predominantly Aluminium, but also a whole host of other metals. Many of these secondary materials are reprocessed into new alloys for onward use in a vast range of industries or refined or traded on to be incorporated into new alloys or parts.

This activity is significantly less energy intensive than the production of those metals via primary routes.

Secondary Production is the process of recycling aluminium scrap into aluminium that can be used again—an environmentally sound process that is 92 percent more energy efficient than primary production.

Similarly, the majority of ASML's input raw materials are derived from secondary sources and are subsequently processed so that they may re-enter the supply chain at a fraction of the specific energy that is required to smelt the primary metal

Together with this sustainable business plan Avon has also committed to minimise the impact on the environment as much as possible.

Avon Metals have ISO 14001 environmental management system certification in place which is accredited by ABS Quality Evaluations, Inc. An independent accreditation body.

The Company is also an active member of the Climate Change Levy scheme operated by the DTI and is an active member of an industry sector Climate Change Agreement run by ALFED. We continue to work hard to ensure that we not only meet but beat our specific energy targets as laid down by that agreement.

In 2016, work continued to lower processing temperatures and improve cycle time to minimise kW/hrs per tonne.

In 2016 Avon Metals Ltd gained ISO50001 accreditation of their Energy Management System, this has a direct system to continually review the companies energy consumption and investigate ways of reducing the energy it consumes.

In the reporting period 2016 Avon Metals continued to make improvements in sound abatement to the local area. The movement of scrap metal around the plant can be very noisy. A number of initiatives have been implemented to minimise the escape of noise from the site. These have included the installation sound dissipation vents, acoustic dampening roller doors, trees around the

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site boundaries to absorb noise and we have restricted our scrap movement hours from 7:00 hrs - 22:00 hrs to 7:00 hrs - 19:00 hrs.

Avon Metals continues to source aluminium packaging waste, foils, cans, food containers etc for remelting into new alloys. This in the first instant, stops this material going for landfill disposal and secondly reduces the requirement for primary aluminium which is significantly more energy dense due to the energy required to smelt aluminium ore.

## **STATEMENT OF CONTINUED SUPPORT FOR THE UN GLOBAL COMPACT'S CEO WATER MANDATE**

Water is essential for sustaining life. However, this valuable resource is distributed unevenly throughout the world and is also often used wastefully and polluted. This is resulting in severe ecological damage, disease, food shortages and violent conflicts. By developing and promoting solutions to support efficient and responsible consumption of water, Avon Metals is committed to conserving one of the most crucial of all raw materials.

As an active UNGC signatory, Avon Metals are also part of the CEO Water Mandate which focuses on achieving more sustainable consumption of this essential resource. By joining the CEO Water Mandate, Avon Metals commits to setting meaningful water reduction targets and tracking and reporting water usage, and has indicated its commitment to adhere to a comprehensive approach to water management. The Mandate is broken into six key areas: direct operations; supply chain and watershed management; collective action; public policy; community engagement; and transparency. Each key area concludes with a pledge for signers to commit to a number of related actions. The basic requirements of the mandate are reported in the following sections, and whilst Avon Metals is committed to water conservation, **not all of** the pledges contained in the mandate are applicable to Avon Metals, but feel it is important to report them all, should they become applicable in the future.

### **Background and Overview**

This initiative grew out of a highly collaborative partnership between the United Nations Global Compact, the Government of Sweden and a group of committed companies and specialized organizations dealing with the problems of water scarcity and sanitation. Launched at the Leaders Summit in July 2007, it is designed as a private-public initiative with a focus on developing strategies and solutions to contribute positively to the emerging global water crisis. The CEO Water Mandate will seek to engage a critical mass of companies from around the world, willing to undertake serious efforts, in partnership with other stakeholders, to address this challenge. Whenever possible, this initiative will coordinate efforts and work with existing water programs – both global and local – in order to maximize impact.

As leaders of business organizations, we recognize that the private sector has an important stake in helping to address the water challenge faced by the world today. It is increasingly clear that lack of access to clean water and sanitation in many parts of the world causes great suffering in humanitarian, social, environmental and economic terms, and seriously undermines development goals. We also recognize the following:

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- Water stress is expected to worsen in many parts of the world as a result of factors including urbanization and population growth, increasing food production, changing consumption patterns, industrialization, water pollution, and climate change.
- The main user of fresh water is agriculture. Though much less is used in manufacturing and services, these sectors can still contribute positively.
- Scarcity and related problems pose material risks but can also, when well managed, create opportunities for improvement and innovation.
- Unsafe drinking water and lack of appropriate sanitation profoundly affect the health and well-being of billions of people, including those who are our customers and employees. In this regard, we note the 2010 resolutions by the UN Human Rights Council and the UN General Assembly recognizing the human right to safe drinking water and sanitation.
- Companies can have a direct impact on water management in their own business, as well as an indirect impact by encouraging and facilitating actions by those in their supply chains to improve water management.
- In order to operate in a sustainable manner, and contribute to the vision of the UN Global Compact and the realization of the Millennium Development Goals, companies have a responsibility to make water-resources management a priority.
- Individual and collective efforts – involving partnership with the public sector and civil society and through the supply chain – will be required to adequately address this crisis.

Recognizing these facts, and the positive role that the international business community can play, we hereby present this “CEO Water Mandate” and invite other business leaders to endorse its vision and objectives, and to adopt its strategic framework. The CEO Water Mandate is voluntary and aspirational. Nonetheless it represents a commitment to action. Its structure covers six key areas and is designed to assist companies in developing a comprehensive approach to water management. The six areas are: Direct Operations; Supply Chain and Watershed Management; Collective Action; Public Policy; Community Engagement; and Transparency.

Water and sanitation management are vital in both developing and developed economies. Certain areas of the world are experiencing, or are expected to experience, acute water stress. These areas are identified and discussed in the Global Environment Outlook Report and Global International Waters Assessment, published by the United Nations Environment Programme (UNEP), and the Human Development Report 2006, published by the United Nations Development Programme (UNDP).

## **Direct Operations**

Virtually all business organizations, whether small or large, utilize water in the production of their goods and services. The extent of this use varies across industrial and economic sectors. For instance, water-infrastructure companies play a direct role in working with governments and municipalities to manage water and wastewater systems. In other cases, water is a primary

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ingredient in an organization's final product. Water is also crucial in the manufacturing or development process of many companies. In still others, water is a primary resource in the supply chain.

In areas of water stress, rapid industrialization and economic development place significant demands on water resources.

Therefore, we pledge to undertake the following actions, where appropriate, over time:

- Conduct a comprehensive water-use assessment to understand the extent to which the company uses water in the direct production of goods and services.
- Set targets for our operations related to water conservation and waste-water treatment, framed in a corporate cleaner production and consumption strategy.
- Seek to invest in and use new technologies to achieve these goals.
- Raise awareness of water sustainability within corporate culture.
- Include water sustainability considerations in business decision making – e.g., facility-siting, due diligence, and production processes.

## Supply Chain and Watershed Management

In recent years more and more business organizations have focused on issues and activities along their supply chains – recognizing that many impacts are beyond their direct control. With respect to water, this understanding is quite new, with many companies just beginning to examine the degree to which their suppliers utilize water in their operations.

The role of agriculture is particularly important as it accounts for 70 percent of all fresh water withdrawn, and must play a primary role in helping to address improved water management.

At the same time, companies operating in communities and areas of water stress increasingly see that as local stakeholders they have an interest and can play a role in helping to protect and manage the area watershed – understanding and recognizing the leading role that governments and local authorities must play.

Therefore, we pledge to undertake the following actions, where appropriate, over time:

- Encourage suppliers to improve their water conservation, quality monitoring, waste-water treatment, and recycling practices.
- Build capacities to analyze and respond to watershed risk.
- Encourage and facilitate suppliers in conducting assessments of water usage and impacts.
- Share water sustainability practices – established and emerging – with suppliers.
- Encourage major suppliers to report regularly on progress achieved related to goals.

## Collective Action

While individual organizational efforts will be critical in helping to address the water challenge, collective efforts – across sectors and societal spheres – will also be required. Such multi-stakeholder collaboration can draw on significant expertise, capacities and resources. Utilizing frameworks such as the UN Global Compact, companies can participate in collective efforts to address water sustainability.

Therefore, we pledge to undertake the following actions, where appropriate, over time:

- Build closer ties with civil society organizations, especially at the regional and local levels.
- Work with national, regional and local governments and public authorities to address water sustainability issues and policies, as well as with relevant international institutions – e.g., the UNEP Global Programme of Action.
- Encourage development and use of new technologies, including efficient irrigation methods, new plant varieties, drought resistance, water efficiency and salt tolerance.
- Be actively involved in the UN Global Compact’s Country Networks.
- Support the work of existing water initiatives involving the private sector – e.g., the Global Water Challenge; UNICEF’s Water, Environment and Sanitation Program; IFRC Water and Sanitation Program; the World Economic Forum Water Initiative – and collaborate with other relevant UN bodies and intergovernmental organizations – e.g., the World Health Organization, the Organisation for Economic Co-operation and Development, and the World Bank Group

## Public Policy

Actions such as those proposed in this Mandate will only be sustainable and efficient if embedded in effective global, regional and local water governance structures with the right incentives for water efficiency and allocation. As a consequence, the topic of water sustainability is increasingly rising to the top of the international policy agenda as governments, multilateral organizations and other stakeholders, including civil society, debate the challenge.

Some of these discussions relate to government policy and regulation; others focus on the interplay of regulatory and voluntary efforts; while still others involve efforts to create the proper environment and enabling spaces for partnerships and collective efforts to flourish. Basic issues of water governance and the market value of water remain to be resolved and are fundamental to making progress in water management.

Therefore, we pledge to undertake the following actions, where appropriate, over time:

- Contribute inputs and recommendations in the formulation of government regulation and in the creation of market mechanisms in ways that drive the water sustainability agenda.

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- Exercise “business statesmanship” by being advocates for water sustainability in global and local policy discussions, clearly presenting the role and responsibility of the private sector in supporting integrated water resource management.
- Partner with governments, businesses, civil society and other stakeholders – for example specialized institutes such as the Stockholm International Water Institute, UNEP Collaborating Centre on Water and Environment, and UNESCO’s Institute for Water Education – to advance the body of knowledge, intelligence and tools.
- Join and/or support special policy-oriented bodies and associated frameworks – e.g., UNEP’s Water Policy and Strategy; UNDP’s Water Governance Programme.

### Community Engagement

Companies operate not in a vacuum but in a broader societal context. Indeed, it is increasingly recognized that businesses are part of the social fabric of the communities in which they operate – and as corporate citizens share in the responsibility of the sustainability and wellbeing of these communities. More and more companies – both multinationals operating abroad and local enterprise – see that supporting or actively engaging with communities and grass-roots organizations and initiatives is in their enlightened self-interest.

Therefore, we pledge to undertake the following actions, where appropriate, over time:

- Endeavor to understand the water and sanitation challenges in the communities where we operate and how our businesses impact those challenges.
- Be active members of the local community, and encourage or provide support to local government, groups and initiatives seeking to advance the water and sanitation agendas.
- Undertake water-resource education and awareness campaigns in partnership with local stakeholders.
- Work with public authorities and their agents to support – when appropriate – the development of adequate water infrastructure, including water and sanitation delivery systems.

### Transparency

Transparency goes to the heart of accountability. Leading companies recognize that transparency and disclosure are crucial in terms of meeting the expectations of a wide group of stakeholders. Such efforts help companies focus on continuous improvement and turning principles into results – a process which is crucial in terms of realizing gains and building trust.

Therefore, we pledge to undertake the following actions, where appropriate, over time:

- Include a description of actions and investments undertaken in relation to The CEO Water Mandate in our annual Communications on Progress for the UN Global Compact, making reference

to relevant performance indicators such as the water indicators found in the Global Reporting Initiative (GRI) Guidelines.

- Publish and share our water strategies (including targets and results as well as areas for improvement) in relevant corporate reports, using – where appropriate – the water indicators found in the GRI Guidelines.
- Be transparent in dealings and conversations with governments and other public authorities on water issues.

## Anti-Corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery

In an effort to combat global corruption, the World Economic Forum Partnering Against Corruption Initiative (PACI) was formally launched by CEOs from the Engineering & Construction, Energy and Metals and Mining industries in January 2004. PACI is business driven global initiative with commitment from the top.

The PACI is the only global business-driven, anti-corruption initiative; it commits corporate leaders to action. It brings together companies in multiple industries from all over the world, regardless of their membership in the World Economic Forum or the size of their company. By signing the PACI Principles, signatory companies like Avon Metals commit to having a zero tolerance policy towards bribery and to developing and implementing or maintaining a broad-based, anti-corruption programme to guide the behaviour of their employees.

The PACI's mission is to develop multi-industry principles and practices that will result in a competitive level playing field, based on integrity, fairness and ethical conduct. The PACI Principles for Countering Bribery, create a common language on corruption and bribery valid for all industries firmly believing that corruption cannot be countered without leadership and commitment from the top.

These principles also apply to key business relationships with controlled subsidiaries, joint ventures, agents and other intermediaries, as well as contractors and suppliers. Effectiveness is ensured by a self-assessment process, which allows for companies to receive expert feedback on their anti-corruption programmes.

The PACI places the private sector in a unique position to guide governments' and international organizations' strategies and policies on anti-corruption and has built strong relationships with the key players and institutions from the global anti-corruption landscape.

The text of Avon Metals Ltd Business Ethics and Anti-Corruption Policy is shown below.

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## BUSINESS ETHICS & ANTI CORRUPTION POLICY

### POLICY STATEMENT

It is the policy of Avon Metals Ltd to conduct business in an honest and ethical manner. A zero-tolerance approach is applied to bribery and corruption at every level in the business. This policy provides guidance in accordance with the Bribery Act 2010 but if you are concerned about any business dealing, irrespective of the ACT, you should report this immediately to your Manager or a Director.

This policy applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff, home workers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with the Company, its subsidiaries or their employees (collectively referred to as **workers** in this policy, whether located in the UK or overseas). It also applies to third parties. In this policy, **third party** means any individual or organisation you come into contact with during the course of your work, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers, and government and public bodies, including their advisors, representatives and officials, politicians and political parties.

The Company will monitor the effectiveness of this policy regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. It does not form part of your contractual terms.

### WHAT IS BRIBERY?

A bribe is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage. This may include offering a potential client tickets to a major sporting event but only if they agree to do business with the Company. Bribes may not be obvious. For instance, if a supplier gives your nephew a job, but makes it clear that in return they expect you to use your influence in the business for their benefit, this would be unlawful. It would also be an offence to arrange to pay an additional amount a foreign official to speed up an administrative process, such as clearing our goods through customs.

The aim of this policy is not however to prohibit normal and appropriate hospitality being given to or received from third parties. Gifts or hospitality must not however be given or received with the intention of influencing a third party to provide a business or personal advantage. You should ensure:

- The gift or hospitality offered or received complies with local law;
- Is given in the name of the Company, not in your name;
- It does not include cash or a cash equivalent (such as gift certificates or vouchers);
- It is appropriate. For example, in the UK it is customary for small gifts to be given at Christmas;
- Considering the reason for the gift, it is appropriate in terms of type, value and timing;
- It is given openly, not secretly; and is not offered to or accepted from government officials or representatives, or politicians or political parties, without the prior approval of a Director.

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It is not acceptable for you (or someone on your behalf):

- To give, promise to give, or offer, payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward an advantage already given;
- Accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them or a business advantage will be provided by the Company in return;
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation of a business advantage;
- Threaten or retaliate against another worker who has refused to commit a bribery offence or who has raised concerns under this policy; or
- Engage in any activity that might lead to a breach of this policy.

## **YOUR RESPONSIBILITIES**

You must ensure that you read, understand and comply with this policy. The policy is communicated to all new workers as part of their induction process and is communicated, with relevant training, to existing workers. The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Company.

You must notify your Manager or a Director as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. For example, if a client or potential client offers you something to gain a business advantage, or indicates to you that a gift or payment is required to secure their business.

The Company is required to keep financial records which will evidence the business reason for making payments to third parties. You must therefore declare and keep a written record of all hospitality or gifts accepted or offered, and ensure that all expenses claims relating to hospitality, gifts or expenses incurred are submitted in accordance with the expenses policy and specifically record the reason for the expenditure.

Any employee who breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct.

## **RED FLAGS**

In the industry sector in which the Company operates, the following circumstances are considered to be the areas where risks are most likely and which may raise concerns under various anti-bribery and anti-corruption laws. The list is not intended to be exhaustive and is for illustrative purposes only.

- You become aware that a third party engages in, or has been accused of engaging in, improper business practices;
- A third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;
- A third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services;
- You receive an invoice from a third party that appears to be non-standard or customised;
- You are offered an unusually generous gift or offered lavish hospitality by a third party;

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## RAISING CONCERNS

You are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage or if you are offered a bribe by a third party, are asked to make one, or suspect that this may happen in the future,. If you are unsure whether a particular act constitutes bribery or corruption, or if you have any other queries, these should be raised with your Manager or a Director.

The Company encourages openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken. The Company is committed to ensuring no one suffers any detriment or unfavourable treatment as a result of refusing to take part in bribery or corruption, or because they report something in good faith. If you believe you have received any such treatment, you should raise the issue initially with your Manager and if it is not remedied, and you are an employee, you should raise it formally through the grievance procedure.

## Current and Future Projects

Avon Metals continues to assess projects that have the potential to reduce our environmental impact.

After raw material procurement, energy procurement is the next biggest cost for Avon Metals. Avon Metals fully supported the implementation of UK ESOS initiative in 2015, and implemented an ISO50001 Energy Management System to compliment the ISO14001 Environment Management System. This system was fully accredited in June 2016.

Rain water capture and recycling and heat recovery systems have been identified as possible initiatives to save or recover valuable resources. In addition, we will also assess areas in which solar energy maybe utilised to supply electricity to business support buildings.

Virtually all the water consumed at Avon is related to process cooling. Where possible, closed circuit systems are used to minimise water consumption. As to the non-closed circuit cooling systems, they have been designed to ensure that over 95% of the water used is returned to the atmosphere as pure steam thus reducing loading on water treatment plants and returning pure water to the environment.

Avon Metals has started to investigate novel equipment enhancements with the main aim of improving metal recovery and thereby reducing specific energy to manufacture our products.

Avon Metals continues to look for opportunities to further support its sustainability Ethos related to all aspects of its business.

Avon Metals is looking at developing a Codes and Business Ethics document to bring all our corporate responsibilities into one document.

Steven Munnoch, Managing Director

December, 2017.

A handwritten signature in black ink, appearing to read 'Steven Munnoch', written over a light blue horizontal line.