

BENA FASTENINGS INC. COBALT POLICY

1.0 Purpose:

BENA FASTENINGS INC. is a part of global group of companies that must comply with laws and regulations where we do business. In areas where there are not laws and regulations, we strive to use industry standard and best practices; this policy relates to the responsible sourcing of cobalt.

This policy lays the framework to have BENA FASTENINGS INC. avoid knowingly using cobalt from sources that support or fund inhumane treatment, including human trafficking, slavery, forced labor, child labor, torture and war crimes in known Conflict Affected and High-Risk Areas (CAHRA).

This policy is not intended to completely ban procurement of cobalt or other products from CAHRAs, but to promote sourcing from responsible sources in the regions.

2.0 Scope

This policy applies to BENA FASTENINGS INC. entities world-wide, including BENA FASTENINGS INC. subsidiaries, joint ventures, affiliated companies and distributors in which BENA FASTENINGS INC. has a controlling ownership interest or management responsibility.

3.0 References

[Organization for Economic Co-operation and Development \(OECD\) Guidelines](#)

[Responsible Minerals Initiative Guidelines](#)

4.0 Policy

Following are the primary tenets of our policy:

- 4.1 BENA FASTENINGS INC. will make reasonable efforts to:
 - a. know and to require that each BENA FASTENINGS INC. supplier disclose to BENA FASTENINGS INC., the sources of cobalt used in its products; and
 - b. to eliminate procurement, as soon as commercially practical, of products containing cobalt obtained from sources that fund or support inhumane treatment from CAHRAs.
- 4.2 BENA FASTENINGS INC. will monitor legal requirements for responsible sourcing of Cobalt, and will comply accordingly. BENA FASTENINGS INC. will require that our suppliers assist the Company to comply with the requirements for any related laws and rules globally.

COBALT POLICY FAQs

Responsible Sourcing of Cobalt FAQs

What are conflict minerals?

The concept of conflict resources emerged by the end of the 1990s and is used to describe diamonds mined by slave labor in Angola and Sierra Leone to finance rebellions. Within the U.S. lexicon, [Section 1502 of Dodd-Frank Wall Street Reform and Consumer Protection Act](#) specifies conflict minerals as tin (cassiterite), tungsten (wolframite), tantalum (columbite-tantalite, or coltan), and gold, or 3TG, mined in the Democratic Republic of Congo (DRC) and the nine countries that surround it.

The term “conflict minerals” has been expanded to include other conflict-affected and high-risk areas (CAHRAs) and regions of devastating conflict using illegal labor (including forced or underaged labor); and where the sale of these resources are used to finance further conflict. Per European Union regulations ([REGULATION \(EU\) 2017/821 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 May 2017](#)), conflict minerals has been expanded to include ores and other composites of 3TG.

Is cobalt a conflict mineral?

Currently, cobalt is not classified under any regulation as a conflict mineral. BENA FASTENINGS INC. has developed and posted a policy on the management of the cobalt supply chain. Any reporting that BENA FASTENINGS INC. does for cobalt sourcing is voluntary. However, this does not discount the importance of responsible sourcing.

What is the penalty for using conflict minerals?

Currently, any penalties for non-compliance to conflict minerals laws are handled differently depending on the country involved.

How do I report the use of conflict minerals?

Whether you are legally obligated to report conflict minerals depends on the country that has jurisdiction over the company's operations. BENA FASTENINGS INC. reports to Canada and the European Union.

In the U.S. and Canada, conflict minerals should be reported if they are present in products produced by the company, and there is no minimum limit.

In the European Union, conflict minerals reporting is required if the metal or mineral exceeds the threshold stated by the law. With non-compliance, the European Commission issues an order that the entity should address the non-conformance by a given deadline. Should the deadline pass, and the issue is not addressed to the satisfaction of the European Union, the practice is to follow up with the firm to ensure it does so. While this is not yet mandatory, the European Union is encouraging companies to begin assessing their supply chains, and making improvements where necessary, as the regulation will be enforced beginning January 1, 2021.

If cobalt is not a conflict mineral, what is the issue with sourcing cobalt?

The sale of cobalt has been historically used to fund conflict activities, and has been a source of potential human rights violations, including slavery and illegal child labor. While not every mine in these countries uses illegal or forced labor for their mining practices, nor are all using the proceeds from the mining activities to fund conflict, these practices continue to persist. It is estimated that approximately 40,000 children as young as age 7 are exploited by these mining activities. This does not consider the number of children who are affected by the indirectly related activities of war and other conflict.

In cases where the mines do not finance conflict, there are still questions about the labor conditions of the miners. Artisan miners of cobalt are at risk for chronic respiratory problems and pain from mining (Amnesty International¹). Poorly constructed mines with little structural support and ventilation are common. Miners may work between 12 – 24 hours per day with little or no breaks.

Where is cobalt mined?

It is estimated that 60% – 85% of the world's cobalt supply is sourced from the DRC or covered countries (Sudan, Uganda, Rwanda, Burundi, Tanzania, Zambia, Angola, Congo Republic, Central African Republic).

What happens if BENA FASTENINGS INC. does not voluntarily disclose its cobalt sourcing information?

Currently, there is no legal penalty for choosing to not disclose a company's cobalt sourcing information, however, this could change as new legislation is implemented.

Why is BENA FASTENINGS INC. increasingly interested in cobalt and where it comes from?

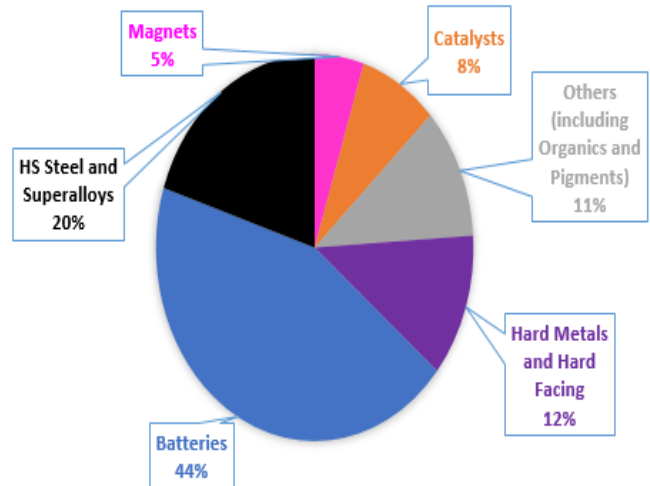
- a) know and to require that each BENA FASTENINGS INC. supplier disclose to BENA FASTENINGS INC., the sources of cobalt used in its products; and
- b) to eliminate procurement, as soon as commercially practical, of products containing cobalt obtained from sources that fund or support inhumane treatment from Conflict Affected and High-Risk Areas (CAHRAs).

¹<https://www.amnesty.org/en/documents/afr62/3183/2016/en/>/<https://www.amnesty.org/en/documents/afr62/3183/2016/en/>

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How is cobalt used in the automotive industry?

The largest use for cobalt is for batteries, with 44% of the world's supply being used for this purpose. Cobalt has other applications in the automotive industry, including 32% being used for strengthening metals and making super alloys and super steel. Cobalt in catalysts and magnets count for 8% and 5% total usage, respectively. Other uses of cobalt, including organic compounds and pigments, account for 11% of total consumption.



Is anyone else participating in the responsible sourcing of cobalt?

Governments and several influential organizations have begun encouraging their members to embrace the responsible sourcing of conflict minerals.

The Responsible Minerals Initiative (RMI, formerly the Conflict-Free Sourcing Initiative, or CFSI) has been working to provide an international framework that entities can use to review their supply chain and perform due diligence as required. This framework is based on guidance from the Organization of Economic Co-operative Development (OECD). Many other industry groups are also taking advocacy positions on cobalt, many of which BENA FASTENINGS INC. has an active membership in. These include:

- Automotive Industry Action Group (AIAG).
- Association of Equipment Manufacturers (AEM).
- European Association of Internal Combustion Engine Manufacturers (EUROMOT).
- The European Battery Alliance (EBA).

Who in BENA FASTENINGS INC. manages the responsible sourcing process?

The group managing BENA FASTENINGS INC.' compliance to responsible sourcing is Restricted Substances & Product Disclosure (a discipline of Environmental Strategy and Compliance), who seeks advice from stakeholders such as purchasing, trade compliance, legal and ethics, and compliance as needed to address issues.

What is the reporting process for cobalt?

Reporting for cobalt will be incorporated into the current conflict minerals reporting practice. This is an annual exercise. Restricted Substances and Product Disclosure will send a survey to BENA FASTENINGS INC.' Tier 1 direct material suppliers. The survey responses are analyzed to ensure compliance to the applicable legislation. Non-compliant responses will have further due diligence applied, where direct material suppliers work cross-functionally with purchasing, legal, and ethics and compliance to mitigate the risk. Survey responses are validated and rolled up into a report sent to customers (upon request), and the report detailing the conflict minerals reporting activities is submitted to the appropriate government agency. The BENA FASTENINGS INC. Inc. Conflict Minerals Reporting Template can be made available upon request.