

Conflict Free Raw Materials Purchasing Policy of Solikamsk Magnesium Works OAO

A. INTRODUCTION.

Top Management of Solikamsk Magnesium Works OAO (“Solikamsk”) read the United Nations Resolutions №S/2010/1952 and №S/2010/596 describing the nature of conflict in the Democratic Republic Of Congo (DRC – Zaire) and in the 11th countries adjoining DRC as well as the UN Committee findings that operations to mine minerals containing tantalum, tungsten, tin and gold (3T&G) on the territory of these 12 countries are either under control of armed bloody terroristic troops that terrorize and perform genocide on this territory, or these troops legalize these raw materials through these mines and/or even certain authorized officials in these countries, and sales of these 3T&G minerals constitute the main source of finance to fire and continue the conflict in this area. That is that the territory of these 12th countries is further referred to as the “Conflict Area” and mineral mined and/or processed in this Conflict Area are further referred to as “Conflict Minerals” for short, independently whether processed, or not.

Solikamsk condemns bloody rebels, activities of individuals, entities, agencies and/or organizations whose directly and/or indirectly support, and/or finance the rebels operating in the Conflict Area, in particular, through the way of purchase of these Conflict Minerals.

Top Management of SMW supports to Rules in the Section 1502 Dodd-Frank Wall Street Reform & Consumer Protection Act, Conflict Minerals Rules of the US Securities & Exchange Commission as well as activities of Organization of Economic Cooperation & Development (OECD) and the both Electronic Industry associations, Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI), as well as other entities supporting the UN in resolution of the conflict and/or operating under aegis of the UN Security Council.

B.PROCESSING OF TANTALUM RAW MATERIALS BY SOLIKAMSK MAGNESIUM WORKS

In accordance with Charter of the company, production of magnesium, rare metals and chemical products, and providing the services are priority activities of Solikamsk.

Tantalum chemicals are produced among products manufactured in Rare Metals Operations of the company and loparite, that is mined and supplied by Lovozerskiy Mining & Concentration Works OOO, Revda, Murmansk Region, THE RUSSIAN FEDERATION, is the main mineral processed by SMW and this mineral is the only source of tantalum of Solikamsk for now.

In the case of purchase of tantalum containing minerals other than loparite, Solikamsk will follow principles described in Sections B and C of this Policy, Due Diligence Guidance provided in the Chapter IX of the UN Security Council Resolution №S/2010/596 and Due Diligence Guidance of OECD as well as Audit Instructions issued by EICC/GeSI in this respect.

Solikamsk does not use in its operation either of tungsten, tin and gold minerals for now and does not schedule to use either of those, nevertheless, if either of these minerals is processed by Solikamsk, all regulations listed above as well as all issues discussed in Sections C and D of this Policy below, are applicable to such materials at the same extent as for tantalum minerals.

C. PURPOSES OF THIS POLICY

Purposes of this Policy are to support the image of Solikamsk as the reliable and responsible supplier of conflict free tantalum products for all the customers around the Globe as well as avoidance of Conflict Minerals from the company’s supply chain, according to definition of Conflict Minerals above.

D. ACTIONS TO MEET REQUIREMENTS OF THIS POLICY

After study of all the circumstances described by the UN Committee for DRC in UN Council Resolution №S/2010/596 as well as requirements prescribed by Section 1502 Dodd-Frank Wall Street Reform & Consumer Protection Act, Conflict Minerals Rules of The US Securities & Exchange Commission, OECD Due Diligence Guidance and EICC/GeSI Conflict Free Smelter Audit Instruction,

Top Management of Solikamsk assumes the following obligations:

- Do not purchase any Conflict Minerals and do not use in operations any raw material semi-products including residues and scraps (except “Excluded Scraps”) made with use of Conflict Minerals originated and/or processed in the following 12 countries:
 1. Democratic Republic of Congo – DRC
 2. Republic of Congo
 3. Kenya
 4. Tanzania
 5. Republic of Sudan (Sudan)
 6. South Sudan
 7. Burundi
 8. Rwanda
 9. Uganda
 10. Central African Republic
 11. Zambia
 12. Angola

Even if materials are offered allegedly legal with official certifications of State Authorities, or by internationally recognized respectful entity, without paying attention to any price incentives.

- In the case of purchase of tantalum minerals and/or raw material semi-products including scraps and residues (except “Excluded Scrap”) allegedly declared as originated from the following 59 countries suspected in legalization and/or use of Conflict Materials:

1. Algeria, 2. Benin, 3. Botswana, 4. Burkina-Faso, 5. Cameroon, 6. Canary Islands, 7. Cape Verde, 8. Ceuta, 9. Chad, 10. Comoros, 11. Cote d’Ivoire, 12. Djibouti, 13. Egypt, 14. Equatorial Guinea, 15. Eritrea, 16. Ethiopia, 17. Gabon, 18. Gambia, 19. Ghana, 20. Guinea, 21. Guinea-Bissau, 22. Hong Kong, 23. Lesoto, 24. Liberia, 25. Lybia, 26. Madagascar, 27. Madeira, 28. Malawi, 29. Mali, 30. Mauritania, 31. Mauritius, 32. Mayotte, 33. Melilla, 34. Morocco, 35. Mozambique, 36. Namibia, 37. Niger, 38. Nigeria, 39. Reunion, 40. Saint Helene, 41. San Tome and Principe, 42. Senegal, 43. Seychelles, 44. Sierra Leone, 45. Somalia, 46. South Africa (SAR, South African Republic), 47. Swaziland, 48. Togo, 49. Tunisia, 50. Western Sahara, 51. Zimbabwe, 52. Singapore, 53. Japan, 54. USA (The United States of America, The US, The United States), 55. Belgium, 56. Germany, 57. Great Britain (United Kingdom, GB, UK), 58. UAE (United Arabian Emirates), 59. Oman

Solikamsk will follow principles of due diligence described in the Annex 11 to the Process Card “Purchases” of Solikamsk Integrated Environmental & Quality Management System (IEQMS) in accordance with rules for the Level 2 countries and may perform certain other actions to be sure that offered materials do not contain any involvement of Conflict Minerals.

In the case of purchases of tantalum minerals and/or semi-products including residues and scraps (except “Excluded Scraps”) allegedly declared as originated from countries not listed above, including Russia, countries of Customs Union Russia-Kazakhstan-Belorussia and other CIS countries, Solikamsk will continue to follow principles of due diligence described in Annex 11 to Process Card “Purchases” of IEQMS in accordance with rules for the Level 1 countries and may perform certain other actions to be sure that offered materials do not contain any involvement of Conflict Minerals.

- Follow Electronic Industry Code of Conduct to the extent permitted by Russian legislation

- Strictly follow transport regulations with respect to transportation of dangerous substances including 7 Class materials, if appear.

E. FINAL ISSUES

1. This Policy is published on Solikamsk official web-site www.smw.ucoz.ru in Russian and in English translation under link http://smw.ucoz.ru/index/sistema_kachestva/0-40
2. This Policy is communicated to employees of the Company who uses Process Card "Purchases" of IEQMS of Solikamsk, and description of actions how to meet requirements of this Policy are described in Annex 11 to this Process Card.
3. This Policy is communicated to Solikamsk tantalum materials main suppliers and all other supplier will be also duly informed with terms and conditions of this Policy at the time of the first contact.

This Policy is put into effect since 10 October 2011.

Acting General Director of Solikamsk Magnesium Works OAO
Chief Engineer of the Company

_____ Dmitriy L. Melnikov