

MALAYSIA SMELTING CORPORATION BERHAD
2019 ANNUAL REPORT ON RESPONSIBLE MINERAL SOURCING

1. Company Information

Malaysia Smelting Corporation Berhad (“MSC”) is a public listed Malaysia-based tin producer with mining and smelting operations since 1901. MSC, one of the world’s largest tin producers is an international tin smelter and its smelting facility is located at No. 27, Jalan Pantai, 12000, Butterworth, Penang, Malaysia. MSC’s feed sources straddle the globe. For more details, please visit <http://www.msmelt.com/>. MSC constantly promotes responsible sourcing practices through its supply chain. MSC is a member of International Tin Association (ITA). MSC is a conflict free tin smelter and is listed under Responsible Minerals Assurance Program (RMAP) ID CID001105. The period covered by this report is the whole year 2019.

2. RMAP Assessment Summary

MSC is a full member of ITA Tin Supply Chain Initiative (iTSCi), which has developed a due diligence program for a better and transparent supply chain that will strengthen the security and improve the livelihoods in conflict areas. iTSCi also monitors the performance of due diligence and responsible sourcing activities of all members.

MSC had undergone its last RMAP assessment from June 19, 2018 to June 21, 2019. The assessment period was from March 1, 2018 until December 31, 2018. The assessment was conducted by PT UL International Indonesia.

3. Company Supply Chain Policy

MSC has developed and implemented its conflict free supply chain policy that meets the requirements of the audit global standards including the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area (CAHRA), the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act and the new European Union Regulations on Mineral Supply Chains. MSC will participate in initiatives that aim to address the CAHRA issues and those defined in the OECD Annex II to ensure that trade will continue and in compliance with requirements of the international community and will suspend or terminate business relationship with suppliers who



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supply materials from mines which come under the Annex II risk and who do not address known risks. The policy which has been widely disseminated to all stakeholders, was reviewed and approved by the Senior Management, which committed to support its implementation, and is available at <http://msmelt.com/policy-on-conflict-minerals.php>

4. Company Management System

MSC has developed and has implemented a due diligence management system that aligns with the Organisation for Economic Co-operation and Development (OECD) and the United Nations (UN) guidelines for company due diligence on minerals from CAHRA countries. A Senior Management has been appointed as a Management Representative responsible for the supply chain and due diligence. The Management representative reports directly to the CEO of the company. The Management Representative coordinates all jobs and responsibilities of various departments to ensure that all departments follow up their roles and implement the due diligence according to due diligence policy.

MSC will conduct once a year training for key staffs from relevant departments required in the due diligence. MSC will conduct additional training if there is an update in the RMAP/iTSCi program.

5. Internal System Control

Prior to starting any business, MSC will ensure all suppliers are conflict free and responsibly sourcing their materials. The suppliers must comply with MSC's due diligence and supply chain policy. MSC communicated the supply chain policy and responsible sourcing requirements to all suppliers in 2019. MSC has incorporated due diligence requirements into legally binding agreements with all suppliers. MSC has established robust policies and processes to prevent the entry of conflict minerals that may be mined illegally into its supply chain. For Grievances Mechanisms, MSC refers to <http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/grievance-mechanism/>

Record Keeping System

All relevant data (shipping documents) are safely kept in Commercial System database with secured password and will be maintained for five (5) years.

6. Risk Identification

MSC's supply chain will identify CAHRAs at a sub-national and mining sector level through the following sequential steps.

Step 1: Identify CAHRAs at a national level

Using information obtained through MSC Know Your Customer (KYC) of all of its suppliers, including origin and transit route for all primary material, MSC will identify and evaluate all countries in its supply chain for origin, route and beneficiary.

The following resources will be used to evaluate each of these supply chain elements to identify CAHRAs:

- ❖ US Dodd-Frank: Presence of armed conflict and widespread violence (Democratic Republic of the Congo) or transit risks (nine surrounding countries)
- ❖ Heidelberg Conflict Barometer : Presence of armed conflict and widespread violence.
- ❖ Fragile States Index's Human Rights and Rule of Law Indicator : Other risks of harm to people and rule of law.

Step 2: Identify CAHRAs at a sub-national level

MSC will evaluate the location of each supply chain element against threshold and criteria listed in the Heidelberg Conflict Barometer or in any relevant resources for example European Commission's non-binding guidelines for the identification of conflict-affected and high-risk areas and other supply chain risks to determine if the sub-national region warrants classification as a CAHRA.

7. Risk Assessment

This assessment of potential or actual risks of harm will be conducted for each supply chain element red flag as follows:

- ❖ Assess the material origin (including plausibility red flags):
- ❖ Clarify transit route
- ❖ Verify supplier or beneficiary location

For materials from Great Lake Regions, MSC uses iTSCi upstream program to ensure that all materials that are responsibly sourced from the areas. The ground assessment by iTSCi is important source of information to determine the transparency in the supply chain. MSC proactively visits supplier mine sites particularly at those areas without any upstream program to conduct KYC and due diligence.



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8. Risk Mitigation

MSC's supply chain policy identified two (2) actions to mitigate risks

- ❖ Terminate existing contracts with the subject supplier where risks of human rights abuses listed in Annex II of OECD are identified in the supply chain, or
- ❖ Work directly with suppliers to determine if actions have been taken or can be taken to mitigate risks that are not human rights abuses. If mitigation can be conducted, MSC will work with the supplier to identify affected stakeholders and develop a plan to collaborate on a mitigation plan and monitor progress over time and document such efforts.

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Management Representative

Malaysia Smelting Corporation Bhd.

