

MALAYSIA SMELTING CORPORATION BERHAD
2022 PUBLIC DUE DILLIGENCE REPORT

1. Company Information

Malaysia Smelting Corporation Berhad (“MSC”) is a public listed Malaysia-based tin producer with mining and smelting operations since 1901. MSC which is one of the world’s largest tin producers is an international custom tin smelter. It’s smelting facilities are located in Butterworth, Penang and Pulau Indah, Selangor respectively. MSC’s feed sources straddle the globe. For more details, please visit <http://www.msmelt.com/>. MSC constantly promotes responsible sourcing practices throughout its supply chain and is a member of the International Tin Association (ITA).

2. RMAP Assessment Summary

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

MSC BW was successfully assessed in February 2022 and it remains on the Conformant List. The next assessment for MSC BW will be sometime in 2024.

MSC PI will be assessed by PT UL in January 2024 for the period 2022/23 and it will be the maiden audit for the new smelting site.

3. Company Supply Chain Policy

MSC has developed and implemented its conflict free supply chain policy that meets the requirements of the global audit 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 participates 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. MSC will suspend or terminate business relationship with suppliers who

supply materials from mines which come under the Annex II risk and those who do not address known risks. The policy which has been widely disseminated to all stakeholders, was reviewed and approved by the Senior Management, who are 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 Organization 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 personnel has been appointed as Management Representative who is responsible for supply chain and due diligence. The Management Representative reports directly to the GCEO of the company. The Management Representative coordinates all jobs and responsibilities of various departments to ensure that all departments follow through and implement due diligence processes according to the due diligence policy. MSC conducts annual training for key staff from relevant departments required in the due diligence process. MSC will carry out additional training whenever there is an update in the RMAP/ITSCI program.

5. Internal Control System Prior to starting any business, MSC will ensure that all suppliers are conflict free and are responsibly sourcing their materials. The suppliers must comply with MSC's due diligence and supply chain policy. MSC had communicated the supply chain policy and responsible sourcing requirements to all suppliers in 2022. MSC has also incorporated due diligence requirements into legally binding agreements with all suppliers and have established robust policies and processes to prevent the entry of conflict minerals that may be mined illegally into its supply chain. For Grievance Mechanisms, MSC refers to <https://www.msmelt.com/policy-on-conflict-minerals.php>

6. Record Keeping System

All relevant data (shipping documents) are safely documented for the duration of 5 years.

7. Risk Identification

In accordance with the Internal Control System, the responsible sourcing team implements procedures to identify and assess risks when sourcing from conflict-affected and high-risk areas (CAHRAs).

7.1 CAHRA identification process: MSC has established a procedure to identify CAHRAs and determines CAHRAs on the basis of:

- a. Dodd-Frank Wall Street Reform and Consumer Protection Act ‘US Dodd-Frank Act’ Section 1502 <https://www.sec.gov/rules/final/2012/34-67716.pdf>
- b. Heidelberg Conflict Barometer: Presence of armed conflict and widespread violence <https://hiik.de/conflict-barometer/current-version/?lang=en>
- c. Global Peace Index: To measure global peacefulness <https://www.visionofhumanity.org/maps>
- d. Fragile States Index: Human Rights and Rule of Law Indicator <http://ffp.statesindex.org>
- e. EU CAHRA List <https://www.cahraslist.net>

7.2 KYC procedure: MSC has implemented a KYC questionnaire to collect information such as supplier identity, legal status, ultimate beneficiary, due diligence conducted by the suppliers, origin of material and transport routes. MSC’s due diligence team have reviewed the information provided and have conducted checks against sanctions list under US, UN and EU. In case incomplete information is found in the KYC form, MSC will then ask the supplier to provide additional information. At the time this report was being prepared there was no warning signal whatsoever related to the submitted KYC forms.

7.3 Chain of custody/origin determination: MSC requires origin information for each material transaction and ensures that it is able to understand the transaction origin and transportation route, as well as direct suppliers’ names and locations.

7.4 Review and verify information: MSC’s responsible sourcing team will review and compare all information against its CAHRA list, relevant sanctions list, local laws and internal sourcing requirements. MSC reviews documentation provided by the suppliers and also cross checks against external sources and the news media. Whenever discrepancies are identified or clarification is needed, MSC will communicate with the suppliers and will request for the required information or an update.

7.5 Result of risk identification

Based on risk identification process, MSC has both high-risk sourcing and low-risk sourcing. Furthermore, some supply chains have triggered red flag.

8. Risk Assessment (HIGH RISK SOURCING ONLY)

Desktop based research or on the ground assessment will be conducted for each supply chain which is a red flag to ascertain if there is a risk of any form of torture, cruelty, inhuman and degrading treatment, any form of forced or compulsory labour, child labour, other gross human rights violations, war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide, direct or indirect support to non-state armed groups, direct or indirect support to private security forces, bribery and fraudulent misrepresentation of the origin of minerals, such as money laundering or non-payment of taxes, fees and royalties (together the “Annex II risks”).

For materials from Great Lakes Region, MSC uses iTSCi upstream assurance program to ensure that all materials are responsibly sourced from the areas. The ground assessment by iTSCi is an important source of information to determine the transparency in the supply chain. For each high-risk sourcing transaction, iTSCi provides the following documents:

1. Incident summary reports as they become available
2. Mine Visit Recommendations including a list of mine sites with potential risks (it is advised that the companies sourcing from these mine sites conduct enhanced due diligence and risk assessment).
3. Monthly country and region report, which reviews the general situation on the ground.
4. Data summary and other reports

For material which triggers red flag, MSC will conduct subnational review and/or work with suppliers to conduct site view to verify whether or not the supply chain involves any OECD Annex II risks. MSC has conducted further due diligence to review these documents from the upstream program against information in the public domain and the actual transaction information to assess the level of risk. If there is insufficient information to identify and assess risks, MSC will conduct on-the-ground assessment.

MSC has stopped sourcing from a country in EU which has begun waging war with a neighboring country.

8.1 Results of Risk Assessment

Raw materials originating from CAHRA countries like DRC and Rwanda have been subjected to comprehensive on the ground assessment by ITSCI assurance mechanism and the materials are fully tagged to ensure chain of custody from mine to smelter complete with full documentation to support this. No OECD Annex II risks were identified.

Raw material from other regions triggered red flag, subnational review and risk assessment was carried out on sources from Nigeria and Brazil using CAHRA identification process, KYC procedure and review of chain of custody and after due review of records and on the ground-assessment provided to us, we have concluded that the materials from both countries are low-risk sources.

9. Risk Mitigation (HIGH RISK SOURCING ONLY)

MSC has an elaborate risk mitigation plan based on the identification and assessment of supply chain risk(s) accordance with the OECD Guidance Annex II Model Policy. MSC focuses on reading ITSCI reports and documents, such as incident reports, management assessment reports, and corporate audit reports. The following measures are also taken to mitigate risks.

- a. Conduct further desktop-based research by reviewing relevant documents from upstream programs against information in public domain and actual transaction information.
- b. Request the following documented information from all suppliers: supplier's due diligence plan including KYC questionnaire, company registration certificate or company business license and mining certificate (in case of mining companies).
- c. Pay close attention to governance information related to the local company's operations/country context.
- d. Collect chain-of-custody documentation for each transaction in supply chain to understand the source of transaction and transportation route.
- e. Conduct due diligence on suppliers in high-risk areas through mine visits, document inspections and interviews with miners, consultation with local communities and other stakeholders
- f. Suppliers are actively encouraged to take part in the RMAP program to understand the risk in their supply chain on the sourced minerals.

9.1 Results of Risk Mitigation

Risk mitigation measures adopted by upstream assurance program like ITSCI has been effective in minimizing risk or complete elimination of risk in CAHRA countries DRC and Rwanda. We continue to engage with ITSCI to enhance the effectiveness of their process by providing feedback during our discussions with them and also provide feedback from our suppliers who have been sourcing from these countries.

With respect to sourcing from Brazil, we have urged our suppliers to engage with their local partners to continue to support risk mitigation measures with the latter's stakeholders and even mining authorities where they operate.

With respect to sourcing from Nigeria, MSC will keep monitoring the material from the country, including but not limited to checking supplier's security policy on material transiting through CAHRA area, container integrity checking etc.

10. Summary

MSC has always maintained a high standard of due diligence which covers risk assessment and mitigation of such risks as highlighted above. For the year of 2022, we continued to use the risk assessment tools and other resources to determine raw materials originating from Conflict-Affected and High-Risk Areas. These sources were scrutinized with respect to supply chain and direct engagement with suppliers and we have concluded that the materials sourced were fully compliant and conflict free.



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