Malaysia Smelting Corporation Berhad

MSC'S COMPANY REPORT

"STEP 5 REPORT"

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Malaysia Smelting Corporation Berhad

1.0 Company Information

Legal entity name/Company name:	Malaysia Smelting Corporation Berhad
Registration Number:	43072-A
Registered address:	Lot 6,8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, Pelabuhan Utara, Pelabuhan Klang, 42920 Pulau Indah, Selangor, Malaysia **(CID004434)**
Smelter location(s):	As above. MSC is transitioning from Butterworth smelter, Penang to the new smelter at the above address. This report does not cover minerals and materials treated at the Butterworth smelter.
LME brand name(s):	Straits Refined Tin (MSCSRT) - 99.85% Sn conforms to ASTM B339:00 (Reapproved 2019) and BS EN 610: 1996
Main website & responsible sourcing pages:	www.msmelt.com, www.msmelt.com/policy-on-conflict-minerals.php
Report period:	1 April 2023 – 31 March 2024

1.1 Overview of Tin Smelting Operations

MSC's smelting business originally started in Butterworth and has been an on-going activity since 1902. Starting in 2017, MSC began the process to relocate its smelting operation to Pulau Indah. MSC's principal activity is the smelting of tin concentrates and other tin-bearing materials, and the production of refined tin. Typically, across the company, tin concentrates from primary sources account for almost 98% of the total intake while the balance is tin-bearing materials. The latter is also called Secondary Tin which is essentially materials recovered from post-application of tin in solders, chemicals etc.

The Pulau Indah smelter is equipped with a state-of-the-art TSL (Top Submerged Lance) furnace which is also called ISASMELT furnace. It is complemented by 2 Rotary Furnaces. The Pulau Indah smelter has a combined smelting capacity of 40,000 mt of tin concentrates per year. It is also equipped with a large refinery and ancillary plant and equipment capable of refining crude tin metal produced from the furnaces to LME grade tin metal. Besides the LME grade metal, MSC also produces premium grade tin with a guaranteed minimum tin content of 99.90% and 99.99% to meet customers' specialized requirements.

The smelter has a total of 180 employees which includes management staff.

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1.2 Scope of Minerals and/or Materials

The smelter receives tin concentrates either directly from primary tin mining operations (LSM) or from suppliers who deliver tin concentrates produced from artisanal and small-scale mines (ASM), ensuring a consistent supply of high-quality tin concentrates for the smelter. The smelter sometimes receives a small quantity of secondary tin bearing materials from recycling companies. MSC does not receive any other mineral by-products, part processed minerals like slags or other metals which are not secondary.

1.3 Sources of Minerals and/or Materials

Company-wide, typically 99.8% of our minerals are from primary tin mining operations, including 10% from our subsidiary company, while 0.2% are secondary tin bearing materials from recycling companies.

For the Pulau Indah smelter for the period 1 April 2023 to 31 March 2024 inputs are shown below:

Country	**% Of total intake**	**Notes**
DRC, Rwanda, Burundi	23%	Dodd Frank countries
Nigeria	42%	Non-CAHRA State
Malaysia	27%	-
Brazil	1 %	Non-CAHRA State
Others: • Australia • Spain • Mongolia • Secondary	7 %	Non-CAHRA State

The information provided in the table was validated by Environsense through the Tin Code which includes confirmation mine origin

1.4 Responsible Sourcing Commitments

We are proud to declare that our processes and actions strive to conform to the criteria of 7.3 of the Tin Code [including all Steps of due diligence when sourcing from CAHRA]. Our practices align with the OECD recommended risk-based five-step framework for mineral due diligence ensuring progressive improvement throughout our supply chain.

Through our participation in the Tin Code, we also aim to demonstrate our compliance with the LME Responsible Sourcing Rules track A.

This report describes our due diligence processes and actions, including our management system, risk assessment, management and disclosures, which supports customer compliance with Articles 4, 5 and 7 of Regulation (EU) 2017/821 laying down supply chain due diligence obligations for EU importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas.

MSC is committed in ensuring that tin materials it sources meets all regulatory requirements both at national and international level to the best of its ability. MSC is a custom tin smelter hence it may source its tin materials from many countries across the globe.

Malaysia Smelting Corporation Berhad [197801006055 (43072-A)]
Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park,
West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia.
Tel:(+603) 3102 3083 Fax: (+603) 3102 3080

MSC (PI smelter) underwent an ISAE assurance engagement which validated the content of our public report for the period 1st April 2023 to 31st March 2024. The audit reviewed our conformance with all relevant steps of the ITA-RMI Assessment Criteria for tin smelting companies (v2) for minerals and materials received, *including steps on due diligence for CAHRA*.

MSC's main source of feed materials from Central Africa normally comes from DRC, Rwanda and Burundi. MSC had played a pivotal role in advising its suppliers in these countries to source from responsible ASM operations well before May 2008, which is before the laws on responsible minerals sourcing were passed. MSC had also worked closely with International Tin Association (ITA), previously ITRI to formulate a protocol to set out processes to ensure tin minerals can be sourced responsibly out of DRC, Rwanda and Burundi to avoid the involvement of illegal armed group/s in the process and use of tin minerals to fuel armed conflict. This work supports the implementation of the OECD due diligence guidance.

1.5 Joint Initiative(s) Alignment

MSC is a member of ITSCI (International Tin Supply Chain Initiative) and has an in-depth knowledge of how the ITSCI upstream supply chain has evolved since its inception in 2010. MSC has sent its personnel to DRC and Rwanda to assess how the tagging and incident mechanism works and the role of the stakeholders and local authorities in the process. MSC personnel have also participated in many OECD forums to help the company understand the implementation of due diligence guidelines. MSC is also familiar with the tag data processing facility at the ITA's office in the UK. As a founding member of ITRI as ITA was known earlier, MSC has worked hand in hand with ITA in the formation of the due diligence process in the early years. The reason for this is that MSC has been sourcing from Central Africa from the late 90's.

The ITSCI programme became the corner stone for the first responsible materials to come out of DRC, Rwanda and Burundi effective 1st April 2011. Smelters were identified as the pinch point in the OECD Due Diligence guidelines hence the Conflict Free Smelter (CFS) audits began from that date. ITSCI supported minerals, provided by ITSCI members, flowed to MSC and were successfully audited under the CFSP (now known as RMI's RMAP).

MSC continues to make full use of the proven ITSCI process which is a joint initiative mechanism. A joint initiative is an industry-wide initiative enabling cooperation between companies, on responsible supply chain management meeting the due diligence principles, standards and processes of the OECD Guidance which may assist in establishing a system of controls over the supply chain to build leverage, overcome practical challenges and effectively discharge the due diligence recommendations contained in the OECD Guidance. The joint initiative may establish suitably qualified and independent on-the-ground assessment teams, including to report on risks, recommend risk management, engage stakeholders and measure progress as well as having information systems jointly accessible by companies.

ITSCI provides extensive information to MSC which is reviewed on a regular basis. This joint initiative has worked very well since its inception.

Besides the standard reports, ITSCI also immediately alerts the smelter of any high-level incidents at the mine sites or transport routes which may require inquiry or further risk management by ITSCI personnel on the ground.

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ITSCI has the support of the local authorities, civil societies and even suppliers who are ITSCI members. The heart of the ITSCI programme is the tagging system which supports the risk management aspects. The tagging system has stood the test of time, 12 years since it began.

Although MSC has long term experience with the ITSCI programme and our staff have visited the ground to observe how the initiative operates, we do not rest on our laurels and continue to follow developments and improvements.

ITSCI has undergone several independent evaluations, see below:

- 2011 Conformance and compatibility analysis: CFS, ITSCI, and the OECD due diligence guidance
- 2018 Alignment Assessment as part of the OECD pilot[1]
- 2023 Alignment Assessment by Kumi Consulting[2]

We are pleased that these evaluations have shown continual development of the scope and systems of ITSCI, and the initiative has now been confirmed to be 'fully aligned' with the OECD Guidance by an assessment to the OECD methodology[3] by a fully qualified assessor. MSC understands that 'fully aligned' means that ITSCI standards and implementation processes are aligned with OECD recommendations. We understand alignment is critically important for credibility of any initiative.

MSC has always striven to remain engaged in high-risk areas and achieve progressive improvements despite all the challenges that this brings. We recognise that 'full alignment' does not mean either the initiative or the companies/our suppliers that participate in it are perfect, and we are alert to possible need for MSC to take our own additional actions.

While making full use of support and information provided by ITSCI, MSC is mindful that this does not remove our own continuing responsibilities for due diligence and purchase decisions according to our own supply chain circumstances. We keep in mind the scope[4] of ITSCI to make sure it remains relevant for our purposes.

ITSCI provides us with good information but we would appreciate additional training and more regular updates on how ITSCI recommends that we can make the best use of that information for our own due diligence so we can keep our own management systems up to date.

We sometimes found ITSCI's mine baseline reports to have extensive redactions. While MSC is sensitive to commercial confidentiality we have encouraged ITSCI to update the format of these important reports.

Since MSC takes significant tonnages of minerals supported by ITSCI, we understand the lack of infrastructure in the DRC and need for manual processes but hope that ITSCI can improve data systems to speed up traceability reporting. We are encouraged to hear that ITSCI introduced electronic data collection in Burundi and similar system would be very helpful for Rwanda and DRC.

[1] https://www.itsci.org//07/31/itsci-achieves-highest-rating-in-independent-oecd-alignment-study/
[2] https://www.itsci.org/2023/201806/08/second-independent-assessment-finds-itsci-fully-aligned-with-the-oecd-guidance/
[3] https://mneguidelines.oecd.org/industry-initiatives-alignment-assessment-minerals.htm
[4] https://www.itsci.org/wp-content/uploads/2023/10/Factsheet-Scope-of-the-ITSCI-Programme_FINAL.pdf

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As an ITSCI member, MSC receives regular information regarding its supply chain. Further information on how ITSCI operates, as well as the type of and example information is available publicly on the ITSCI website.

2.0 Company Management System

2.1 Supply Chain Policy

Our supply chain policy reflects our unwavering commitment to responsible practices in mineral sourcing. We are dedicated to implementing the OECD Due Diligence Guidance for Responsible Supply Chains in the mineral sector.

Our company sets rigorous standards aligned with OECD Annex II risks, ensuring that our practices avoid contributing directly or indirectly to, abuse of human rights, forced labour and violence towards children and women.

Our supply chain policy is reviewed and updated, if necessary, annually. This regular review process allows us to align our supply chain policy should there be any changes to the OECD Due Diligence Guidance.

Our supply chain policy is made public Here: https://www.msmelt.com/global_files/docs/responsible-minerals-sourcing-policy-2023-rv-9-jan.pdf

MSC believes strongly in engagement hence our strategy is to continue to trade while ongoing mitigation measures are undertaken whenever possible, although we recognise that the most serious abuses cannot be mitigated and require disengagement

We follow a detailed procedure to identify and assess red flag and a risk assessment strategy to identify and manage risks in our supply chain. This requires a combination of industry-specific knowledge, supplier assessments, and ongoing assessment to manage risk.

We adopt mitigation and disengagement timescales as far as practical to address identified risks aligned with those set out in OECD Annex II. These timescales are designed to encourage timely response as far as is practical from the stakeholders.

As a company we express our general support to the 12 principles of the Extractive Industries Transparency Initiative (EITI) and support its implementation through appropriate reporting as relevant and are working on a public statement.

Since MSC sources from DRC, Rwanda and Burundi, it works closely with ITSCI, and reviews reports from ITSCI on incidents which includes recommendations for risk mitigation. This includes close interaction with Suppliers who are exporting tin ore from the area reported by ITSCI.

Even though ITSCI has full visibility about situation on the ground and provides exhaustive report on an incident which triggers risk assessment and risk mitigation, final decision still rests with MSC as part of its commitment as an upstream company as described in the OECD due diligence guidance.

2.2 Management Structure for Due Diligence

MSC has a robust management structure in place. The core team has been together for over a decade now and supported by well trained staff. Three of the staff have spent time on the ground in DRC. The management representative (MR) has a direct reporting line to the GCEO which underscores company's commitment towards responsible sourcing.

Responsibilities and accountabilities of key personnel in the sourcing team are well documented in their Job Descriptions. The MR who heads the sourcing team has overall responsibility on determining strategy to respond to identified risks, planning and follow up. As mentioned above, three of the team members have been exposed to on the ground assessment carried out by ITSCI. One of them also participated in an on the ground assessment of a LSM with a 3rd party assessor in DRC in 2020. The valuable experience gained has brought about greater professionalism in the work carried out by the sourcing team. The team members have also participated in webinars conducted by RMI and ITA.

MSC communicates with its suppliers on almost routine basis given the nature of its business. Request for information or data from suppliers are either via email, virtual meeting or phone calls and this includes information about risk and what is expected of them. The same medium is used when communicating the same to staff or senior management and important decisions are confirmed in writing.

2.3 Grievance or Whistleblowing Procedure

At MSC we are dedicated to maintaining open and transparent channels for reporting grievances or whistleblowing. The grievance procedure provides an avenue for reporting issues related to sourcing. Please refer to MSC Grievance Procedure for full details at www.msmelt.com/grievance-mechanism.php.

MSC is also member of other external organisations and initiatives which provide relevant mechanisms, including:

- *ITA's Tin Code:* https://www.internationaltin.org/wp-content/uploads/2021/03/210529-ITA-Tin-Code-Resolution-Procedure_v1.pdf
- *ITSCI*: https://www.itsci.org/contact/

2.4 Information Gathering from Suppliers for Red Flag Review

MSC has a procedure to evaluate the plausibility of a mineral's stated origin and to assess red flags in accordance with Step 2A of the ITA-RMI Joint Assessment Criteria for Tin Smelters v2 (25 March 2021). It relies on the Company's List of CAHRA, and information gathered through other due diligence processes including on countries of mineral origin, transport and transit and relevant supplier activities and influence for all primary material.

We maintain an up-to-date list of our immediate suppliers, which includes those providing, and potentially providing, minerals and materials relevant to our operations.

We are working towards requesting all of the below information from all immediate suppliers and others we know in the supply chain:

- Detailed information of the minerals and materials.
- Know Your Customer (KYC) documentation and verification to further ensure compliance and mitigate risks.

- Country of origin and the supplier as relevant.
- Information on the transit or transport routes used to deliver to our smelter.
- Data about the weights and date of shipment of mineral and materials.
- Declarations regarding beneficial ownership and sanctions checks.
- Our supplier's Conflict-Affected and High-Risk Areas (CAHRA) list and their related locations and activities

We request information from our immediate suppliers through clauses embedded in the contract and urge those suppliers to work with others up the supply chain to share information. Nevertheless, we have challenges in collecting all the information.

We make continual efforts to increase the extent of our information on our supply chain for red flag review and we have complete documentation for red flag review for 90% of our minerals and sufficient information on the remaining 10% to assess origin and transport routes. We have been able to collect company information on 90% of our suppliers, while continuing efforts to increase engagement/responses for all relevant suppliers. The ultimate beneficiary of 13% of non- Malaysian (International) minerals supply information was not obtained and this percentage did not involve mineral supply from CAHRAs.

2.5 Chain of Custody or Traceability System Description

We have implemented a robust chain of custody and traceability system to identify locations and operators to the mine of origin when sourcing from CAHRA. This is well document when using an upstream joint initiative mechanism like ITSCI in DRC, Rwanda and Burundi and the adjoining countries. We use our best endeavour when sourcing from other CAHRA where there is absence of an upstream mechanism but note that there were no minerals from other CAHRA during the reporting period.

Our system utilizes unique identifiers to record the locations and operators along the mineral supply chain, from the point of origin to the export, and documents on to the smelter. The ITSCI website describes how ITSCI supports local traceability in region; Once a mine is identified and approved, traceability is implemented by the relevant government agents. ITSCI issues tags to those government agents for use at the approved sites, and the agents record relevant data associated with each bag of mineral as the tags are applied. The agents are regularly on site and are responsible for assuring the source of minerals tagged. Similar data recording takes place at processor and exporter locations and all data is transmitted, either by internet or phone network to the ITSCI data centre where it is verified and checked for errors and anomalies. ITSCI field teams support the government by training agents and following up on any potential issues of fraud or other challenges.

Each mineral shipment is assigned a unique tracking code at the time of export from the ITSCI supported country, allowing its journey to the smelter to be monitored. Once MSC receives minerals through this system we will report the receipt to ITSCI. We will then request from ITSCI the information that we need on the full supply chain back to the mines. At MSC, third-party surveyors will also help to independently verify which physical tags we received.

This system provides us with the information needed from mines, local traders and exporters for further risk assessment on our minerals from CAHRA. This includes for example the locations where minerals are mined, consolidated, processed and upgraded as mentioned in OECD Step 1C1.

We aim to refer to the Extractive Industries Transparency Initiative (EITI) information available on actors in our supply chain when they publish company reports for example in DRC, the most current reported time[5]is from 2021.

A description of the externally operated systems we utilize is published in Joint Initiative website which are publicly available: (https://www.itsci.org/info/).

2.6 Statement on EITI Principles and Reporting

MSC is committed to supporting the 12 general principles and implementation of the Extractive Industries Transparency Initiative (EITI), recognizing the importance of transparency and accountability in the natural resource sector.

While MSC PI as a smelter is not in scope of formal EITI reporting, and is not located in an EITI implementing country, nevertheless we ensure that all relevant taxes, fees and/or royalties are paid to our government.

When sourcing from CAHRA, we take additional steps to evaluate and encourage EITI implementation in our supply chain by understanding which CAHRA are also EITI implementing countries. When sourcing from large scale mining companies in scope of EITI reporting, we ask those suppliers to provide evidence of fulfilling those requirements. In the relevant period MSC sourced from three CAHRA (DRC, Rwanda and Burundi) of which it identified the DRC as an EITI implementing country. MSC did source material from a large-scale supplier in the DRC in scope of EITI reporting during the said period.

3.0 Risk Assessment

3.1 Assessment of Red Flag Review

At MSC, our red flag review (RFR) process is integral to our commitment to responsible mineral sourcing.

CAHRAs are determined through a comprehensive assessment and methodology that is updated annually and is based on the company's evaluation of countries covered by US Dodd Frank Section 1502, countries and areas associated with tin on the EU's indicative and non-exhaustive list of Conflict-Affected and High-Risk Areas and where we know of areas not in scope of those methodologies or that we consider to require a more localised assessment, we refer to credible information sources including supplier declarations, local information from the country, and publicly available data such as: Heidelberg Conflict Barometer, Fragile States Index's Human Rights (Political Indicator P3) and Governance Risk and relevant sanctions lists including UN Security Council, EU, US, UK sanctions.

Information from our suppliers including beneficial ownership is recorded for evaluation through our KYC process.

Anomalies and plausibility of supplies are assessed through a multi-step process including request for clarification from suppliers as necessary on quantity of minerals delivered. In order to have a general understanding of tin production areas (to compare to the CAHRA), reference is made to reserves and production figures found in ITA website, as well as other ITA member data and data from ITSCI on exports:

[5] See https://eiti.org/documents/democratic-republic-congo-2020-2021-eiti-report

- https://www.internationaltin.org/tin-supply/
- https://www.itsci.org/mineral-tonnage-data/

All the above is then evaluated for any red flags indicating any association with CAHRAs using our process. Our red flag review involves comparison of information available to us against various criteria.

The RFR outcome is reported to the Chief Operating Officer, who has overall responsibility for our due diligence process.

We assess and monitor supplier beneficial owners either entity or person for any associations with sanctions risks. We use both US and EU sanction lists as well as OFAC

Suppliers in DRC, Rwanda and Burundi who are members of ITSCI have provided extensive ownership information to ITSCI which is summarised in member descriptions online.

Red flags are triggered when tin minerals originate from or have been transported via a conflict affected or high-risk area where there is a reasonable risk of mixing. Red flag will also be triggered when minerals are received from a country that has limited resources or if the amount supplied is beyond its plausible production level.

3.2 Record Keeping

We believe in meticulous record-keeping which is essential to maintaining transparency, accountability, and compliance in our mineral sourcing operations. We maintain electronic/physical records of receipts and suppliers in a centralized and secure database. Reviews, assessments, and decisions pertaining to our due diligence processes are also digitally recorded. Any red flag reviews, supplier assessments, risk evaluations, and mitigation decisions are also captured electronically.

Our record-keeping is primarily electronic, as it can be securely kept. Records related to receipts and suppliers are retained for a minimum of five years.

3.3 On-the-ground Assessments

As a member of ITA, we to subscribe to responsible sourcing from the early days. ITSCI became the first upstream mechanism system in central Africa hence MSC was quick to use ITSCI given its expertise and knowledge to carry out on-the-ground assessments to gather essential information from CAHRA (Conflict-Affected and High-Risk Areas) supply areas in DRC, Rwanda and Burundi.

The on-the-ground team comprises experienced professionals, including geologists, compliance experts, and community liaison officers. They possess the necessary skills and independence as in the Joint Initiative program.

As explained on the ITSCI website, the on the ground teams perform many activities including the following:

> ITSCI supports all stakeholders in the practical implementation of the theoretical recommendations of the OECD Due Diligence Guidance. We provide advice to companies and authorities daily regarding policies, procedures, assessments, risk management and reporting,

and organise official training events for different stakeholder groups, including the local committees and high-level officials.

Our field staff get to know their local area and work with local authorities, landowners and mining communities to identify new mine sites. They then visit to check expected production levels, security and other conditions, and report to ITSCI management. If conditions are acceptable the sites are integrated into the traceability and monitoring system. These initial mine baseline reports are updated as necessary as the mine begins to produce and circumstance change, and since our field teams use the same transport routes to reach the mines they can look out for illegal activity on their travels. Information on individual mine location and production is not made public since that is commercially valuable information that can affect price and competition. In the DRC, we participate in the official one-off 'validation' missions when they occur but do not use these as the sole basis for integrating sites.

ITSCI aims to have information on every aspect of trade in the upstream supply chain on a continual basis, not just through occasional audit. We have many sources of information at the local and international level and use this information to identify plausible allegations of risks associated either with breach of ITSCI procedures and/or risks that relate to OECD Annex II. Our incident reporting team gather reports most commonly from field staff and members companies, evaluate their level of seriousness, and ensure that the risk is reasonably plausible before recording it for further action. ITSCI communicates the most serious incidents to our member companies as soon as sufficient information is available to suggest a real risk.

Once a plausible risk has been identified, the stakeholders that are implicated are contacted for their input and reaction. Following receipt of additional information and clarification over a period, the ITSCI reporting team summarise events according to all available information, suggest actions for different parties to resolve risks, and follow up to report on whether those action have been successfully completed. Of course, all companies are ultimately responsible for decisions on risks and whether they continue to purchase minerals affected, but in most cases the actions suggested by ITSCI are considered appropriate.

In the same way as we involve community whistleblowers in risk reporting, we also involve local communities in risk resolution. ITSCI establishes and facilitates meetings of the stakeholders both close to the mining areas, as well as at country or province level. The aim of these meetings is to allow discussion of issues that arise, suggest, and participate in resolution of risks. These stakeholder meetings typically involve mining authorities, police, army and other agencies, civil society and companies.

The on-the-ground team plays a vital role in providing information that is useful for our risk assessment and management. ITSCI's team provides extensive information including on i) military presence at mine sites, transport routes or mineral trading points, and ii) OECD Annex II serious abuses associated with the mineral trade committed by non-state armed groups, public or private security forces or other parties via incident reporting. As an ITSCI member MSC can contact ITSCI to clarify any points should we need to for our own due diligence. As explained in section 2.5, ITSCI teams also support any clarification we request on traceability information, as per section 3.1, assist us to understand suppliers, and section 2.3, provide whistleblowing. For details and examples of information provide by ITSCI please refer to https://www.itsci.org/info/.

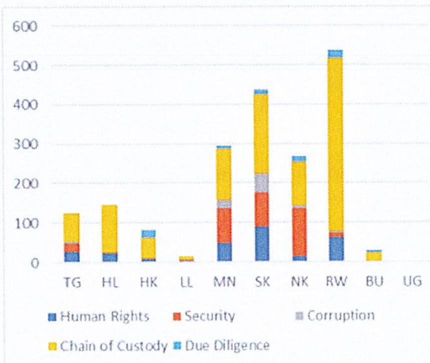
A document identifying information sources provided by ITSCI and how they relate to RMAP2017 evidence requirements is publicly available here. This document outlines the types of information that results from activity of on-the-ground teams, for example, how monthly reports provide regular updates on local security and political situations, including possible risks; on production trends, including changes in economics or market dynamics on the ground; and on stakeholder engagement, including multistakeholder meetings. With regard to mine visit reports RMAP2017 notes that these can be available from suppliers or other representatives. ITSCI visits and assessment at and around all mines are independent of any company and provided to MSC on a confidential basis linked to our supply chain transactions.

As stated in Section 4.2, ITSCI incidents are made public after the tracking and monitoring of incidents is complete while, as an ITSCI member MSC benefits by receiving this information on a timely and regular basis via monthly and other reports. Our customers and other companies in the supply chain are also able to access the same detailed and timely information as ITSCI members. The online incident tables show outcomes for each and every risk including which have been;

- Resolved –The ITSCI team and/or involved stakeholders have agreed and implemented actions which have resulted in satisfactory mitigation.
- Unresolved –The involved stakeholders may not have agreed, or commonly have not effectively implemented all recommended mitigation actions.
- Inconclusive – The ITSCI team do not find sufficient evidence to support an allegation or need for mitigation.

Outcomes from the on-the-ground team activity which MSC considers in our company assessments are also reported by ITSCI publicly on a quarterly basis here. For example, the number of incidents, and their risk type from the last quarter of 2023 can be seen below.

Risk Incident Monitoring



Country	Province or Region	TOTAL	Open	Closed	Level 1	Security	Child Labour
DRC	Tanganyika	113	113	60	17	21	3
	Haut-Lomami	144	144	106	2	3	1
	Haut-Katanga	82	82	43	1	1	2
	Lualaba	13	13	11	0	2	0
	Maniema	241	241	134	70	88	3
	South Kivu	385	385	229	58	86	5
	North Kivu	246	246	128	84	123	4
Rwanda	All	511	511	235	9	8	1
Burundi	All	29	29	18	0	0	0
Uganda	All	0	0	0	0	0	0
REGIONAL	TOTAL	1764	1764	964	241	332	19

Incidents falling under 2 or more categories are not included in the total figures, however, please refer to the chart which accounts for multiple type incidents

In 2023, ITSCI provided information relating to, 2,740 mines which were visited 8,433 times. The on-the-ground activity resulted in 1,763 incidents, partly raised through the promotion of whistleblowing via 2,017 radio spots. The teams facilitated the discussion of incidents by establishing and supporting regular stakeholder meetings in 58 locations across the DRC and another 16 locations in Rwanda. On-the-ground work also implemented 988 training sessions on due diligence[6].

As explained above, extensive information is yielded from the work of the on-the-ground teams which can be seen via the provided links and which is therefore not repeated here. The teams are continually present and situations and outcomes rapidly change with updated information shared with MSC.

We review all reports and information provided by ITSCI on a regular basis and we will also reach out to them should we desire more information on any particular incident or event on the ground where they operate. We are satisfied that ITSCI is actively involved with the local stakeholders and multiple authorities in dealing and managing risks associated with sourcing activities. We are confident that all minerals which we have received through our Suppliers from CAHRA is managed through expert on-the-ground teams.

Finally, MSC has a visit to the region planned for second half of 2024 to engage suppliers and review work undertaken continually by the on-the-ground team.

3.4 Annex II Risk Identification and Assessment and Supply Chain Management Plan

Our risk assessment approach for minerals from CAHRA involves a review of potential risks in our supply chain. We analyze the likely presence and impact of Annex II risks against our supply chain policy based on information on risks from the recent period. We have carried out risk assessments for our Dodd Frank source countries, DRC, Rwanda and Burundi.

Our risk assessments have identified high risks of *'Direct or indirect support to public or private security forces who illegally – control, tax or extortion'* in the DRC.

Other risks exist and examples of those that have been classified as medium are:

- *Direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals – control, tax or extortion* (DRC) (only in connection to armed bandits rather than non-state armed groups in Rwanda)
- *Bribery to disguise the origin of minerals, to misrepresent payments to governments regarding minerals* (DRC)

Other risks to the supply chain are also identified;

- *Risk of minerals from unknown or unapproved source entering the supply chain*
- *Non-respect of tagging procedures or tag management*

Through ITSCI incident reporting we observe that action is taken to mitigate the risks mentioned above risks and agree with ITSCI recommendations.

[6] ITSCI Annual Report on 2023 available in more detail at; https://www.itsci.org/wp-content/uploads/2024/07/ITSCI-2023-Annual-Review_EN.pdf

We have also spoken to our suppliers about the potential risks and continue to seek their views about what they consider to be the likely risks.

3.5 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.

4.0 Risk Management and Mitigation

4.1 Risk Management Strategy and Steps

MSC has a risk management strategy in place to ensure responsible mineral sourcing of its feed materials.

Risk assessments and identified risks are reported to the Chief Compliance Officer, who has overall responsibility for our due diligence process.

Our company strategy for risk management involves a dual approach of disengagement – unacceptable risks, - mitigation while temporarily disengaging, or mitigation while still buying. If risks are deemed too significant or unresolvable, we may disengage with the supplier until the supplier has taken sufficient measures to mitigate the risks.

When acting on risks, we communicate our concerns to immediate suppliers and request their engagement and feedback to their own suppliers. We may also communicate our concerns to the on the ground team and through them to other actors in the supply chain.

We support the performance of immediate suppliers in risk management through regular communication, guidance, and training which may be available to them if they are members of ITSCI. Locally affected stakeholders play a crucial role in our risk mitigation efforts. Our on the ground team engages with them through open dialogue, with the aim to actively address risks and concerns. Records of stakeholder meetings facilitated by ITSCI are available publicly and MSC also receives other information through direct reporting by ITSCI to members. If sanctions risks are identified related to the ownership of our supplier, we would report these to our relevant stakeholders including our planned response to that risk according to our risk management plan.

4.2 Tracking and Monitoring Progress

We maintain regular communication channels to assess the effectiveness of risk mitigation measures and to address any emerging challenges. ITSCI provides regular updates on the progress of mitigation through their incident reporting system which describes if the team's recommended actions are being adopted by relevant stakeholders and whether the risk has been successfully addressed.

ITSCI incidents are made public after the process is complete although as an ITSCI member MSC receives this information on a timely and regular basis via monthly and other reports.

4.3 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, Rwanda and Burundi. 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.

4.4 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 2023, 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.

5.0 <u>Due Diligence Report</u>

5.1 Annual Reporting Commitment

Our company report serves as a valuable resource, providing detailed information on all types of minerals and materials to our customers and downstream companies. We are committed to transparency in our sourcing activities.

5.2 Disclosure of Mine of Origin and other on-the-ground Information

Information regarding the mine of origin is typically confidential. This is primarily to protect sensitive information related to our suppliers and the specific locations of our sources. A similar consideration is applicable to detailed outcomes from the work of our on-the-ground teams, especially on risks and their management. MSC must take care to reasonably protect individuals and sources of local risk information which can be sensitive, especially while mitigation is in progress and not yet complete. Information which may reveal or impact supplier relationships is also recognised in the OECD Guidance to be business confidential. *However, the process for recording the origin as well as our due diligence process has been validated through an ISA3000 assurance engagement by Envirosense for the period*

1st April 2023 to 31st March 2024

To ensure the integrity and validity of the recorded origin of mineral, we engage in a comprehensive assurance process. Independent third-party auditors conduct validation procedures to confirm the accuracy of our published mineral sources and CAHRA list as well as the confidential mine or origin recorded. We are open to discussion about sources with direct stakeholders with whom we have a supply contract on a confidential basis.

Through the joint initiative, ITSCI provides a data handling system to manage confidential data in an appropriate manner. Information can be released to member companies who can show a direct business relationship to the relevant supply chain. Downstream companies are also welcome as ITSCI members to receive general information on risks and mitigation measures undertaken by the on the ground team.

MSC
Malaysia Smelting Corporation Berhad

Wong Kin Nyap
Chief Technology Officer
Malaysia Smelting Corporation Berhad
November 27, 2024

Malaysia Smelting Corporation Berhad [197801006055 (43072-A)]
Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park,
West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia.
Tel:(+603) 3102 3083 Fax: (+603) 3102 3080