

# **Masan Tungsten Limited Liability Company Due Diligence Report for Mineral Supplies in 2021 ('OECD Step 5 Report')**

January 27, 2022

## **1. Company Introduction**

Masan Tungsten Limited Liability Company (MTC), is one of the leading global manufacturers of midstream tungsten products. The company operates a facility located in Hamlet 2, Ha Thuong commune, Dai Tu district, Thai Nguyen province, Vietnam.

MTC is listed by the Responsible Minerals Initiative (RMI, formerly: Conflict Free Sourcing Initiative, CFSI) under smelter ID CID002543.

In line with its policy, MTC is committed to ensure best practice with respect to safety, health, environment and ethics at all stages of its supply and production chain. MTC fully supports the activities of the Organization for Economic Co-operation and Development (OECD) to avoid the use of raw materials which finance armed group in Democratic Republic of Congo (DRC) and its neighboring countries as well as other Conflict-Affected and High-Risk areas (CAHRAs).

MTC is supporting its customers with their due diligence and disclosure requirements defined in section 1502 of the Dodd-Frank Wall Street Reform and Customer Protection Act pertaining to "Conflict Minerals" and the regulations promulgated thereunder by the U.S Securities and Exchange Commission.

MTC is a full member of ITRI Tin Supply Initiative (iTSCi), which has developed a due diligence system for transparency raw material supply chain in conflict regions and monitors implementation of the system in their member companies.

MTC's products are ammonium paratungstate (APT), blue tungsten oxide (BTO), yellow tungsten oxide (YTO) and sodium tungstate (ST). The company sources its raw material from:

- Tungsten concentrates from the parent company (Nui Phao Mining Company Limited – NPMC),
- Secondary raw material (calcium tungstate, sodium tungstate, processed tungsten),
- Tungsten ore concentrate including concentrate from covered countries coming only from iTSCi full member suppliers that use the iTSCi tag system.
- Legacy material from US stockpile.

## 2. RMAP Assessment Summary

The most recent 3<sup>rd</sup> party audit of the Responsible Minerals Assurance Process, RMAP) was undertaken from 7 to 10 May 2019 for the one-year audit period. The successful audit is demonstrated by inclusion in the list of RMAP Conformant Tungsten on the web page of RMI:

<http://www.responsiblemineralsinitiative.org/tungsten-conformant-smelters/>

## 3. Company Supply Chain Policy

To avoid the use of conflict minerals, which directly or indirectly finance or benefit armed groups and or involve other serious human right in high-risk and conflict-affected regions, company has developed a supply chain policy. The supply chain policy is fully aligned with the OECD Due Diligence Guidance for Responsible Supply Chains and Minerals from Conflict-Affected and High-Risk Areas. The policy has reviewed and approved by senior management, which committed to support its implementation. The policy is available on the parent company website at <https://masangroup.com/masanresources/investor-center/corporate-documents>

## 4. Company Management System

The company follows through on its commitments in the supply chain policy and has developed an internal procedure for due diligence with following aspect:

- A dedicated member of management team, reporting directly to the General Director of the company, is as Compliance Officer responsible for implementation and oversight of the supply chain due diligence for MTC. This function is independent on, but closely collaborating with the direct purchasing group.
- MTC has in place an approved responsible supply chain management system procedure. This system efficient and competitive purchasing and supports sourcing from suppliers that acts in accordance with environmental and social sustainability.
- A comprehensive due diligence checklist for primary and secondary materials is used to ensure that all shipments are verified and kept on file.
- Covered countries require a high-level due diligence program and the company only purchases from iTSCi full member suppliers that use the iTSCi tag system.
- The company conducts due diligence management system training once a year for key staff from all relevant departments required in due diligence program.

## 5. Record Keeping System

- All incoming shipments, inventory and feed of the plant with the various raw materials are documented in the Masan Tungsten control system, which is linked to SAP system used for the financial accounting.
- For material from Central Africa, all tags and documents are secured and kept on file on the company's server.
- Maintain all records in both paper and electronic format.

## 6. Risk Assessment

Similar to the CFSP Supply Chain Transparency Smelter Audit Protocol for Tungsten effective from 2013, the MTC procedures distinguish supplies based on differentiation of country of origin and between mined materials, intermediates and secondary raw materials.

For proposed new suppliers, due diligence is undertaken and if satisfied, approval is granted by Compliance Officer. Due diligence includes plausibility checks on the material and its purported source.

For material and supply chains determined to be “high-risk”, the company conducted enhanced due diligence. This included:

- Assessing the context of CAHRAs;
- Clarifying the chain of custody;
- Assessing the activities and relationships of upstream suppliers;
- Identifying locations and qualitative conditions of the extraction, trade, handling, and export of minerals;
- Conducting on-the ground assessments if necessary.

In 2021:

- The majority of incoming shipments (scheelite concentrate) were supplied by the parent company (Nui Phao Mining Company Limited – NPMC) (>90%). Mine is located in Vietnam opposite to MTC Plant. This can be considered an out of scope material and as such there are no supply risks to be concerned about.
- MTC also purchased some shipments from US Government stockpile. The documentation was well-defined; there are no risk concerns with these sources.
- For secondary raw materials, the nature of production being indeed of secondary origin has been established and MTC performed on-site audit to all suppliers. MTC considers that the risk of this source is minimal.
- For mined raw materials, origin of approved mine site is assured, including adequate chain of custody and plausibility assessments.

- MTC also sourced wolframite shipments from the Great Lakes Region, all suppliers engaged for this by MTC are iTSCi members and MTC has purchased only tagged material. Regular contact is maintained with these suppliers to ensure iTSCi requirements are met and all requested information disclosed. Supporting documentation is kept for purchases of such material, including records of payments, certificates of origin; customs export declarations, transport documents and evidence that iTSCi tags are always placed in the container with the shipment.  
MTC is in regular contact with iTSCi teams to exchange information, send “Smelter Shipment Mine Information Request” for traceability and discuss emergent issues or concerns. Responsible individuals review monthly reports, incident reports and alerts referring to suppliers as a way of monitoring supplier certification.

## **7. Respond to Identified Risks**

Any identified risk is communicated to the General Director and to the Compliance Officer who determine appropriate measures to be implemented, such as further investigation, suspension or disengagement.

If a red flag or concern is raised concerning a supplier of mineral, depending on the nature and seriousness of the concern, the Compliance Officer will;

- Request an explanation and propose a non-conformance,
- Decide not enter into or suspend temporarily the purchase of that origin product until corrective action has been implemented,
- Or, if warranted, terminate the contract with the affected supplier.

Contracts for purchasing raw material include provisions allowing disengagement with a supplier upon breach by the supplier of undertakings to comply with OECD Guidance as applicable to their operations.

## **8. Report on Supply Chain Due Diligence**

The present report aims to outline MTC’s effort to align the Supply Chain Due Diligence with the OECD Guidance.