

Goslar, January 2022

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas^[1]

H.C. Starck Tungsten GmbH Due Diligence Report for Raw Material Supplies in Year 2021 ("OECD Step-5 Report")

1. Company Information

H.C. Starck Tungsten Powders is one of the leading global manufacturers of the metal tungsten and its products such as sodium tungstate, tungsten acid, ammonium meta- and -paratungstate, tungsten oxides, tungsten powders as well as cast and conventional tungsten carbides. For more details see <https://www.hcstarck.com>. The company operates three production facilities in Goslar (Germany), Sarnia (Canada), and Ganzhou (China), with smelting only carried out in Goslar. Therefore the H.C. Starck Tungsten GmbH (HCS) in Goslar is a conflict free smelter, listed by the Responsible Minerals Initiative (RMI) under CID002541. Since 2020 H.C. Starck Tungsten Powders has been a member of the Masan High-Tech-Materials Group (MHT). MHT owns the world's largest tungsten mine outside of China Nui Phao in Northern Vietnam and is listed by the RMI as conflict free smelter under CID002543. The period covered by this report, which was written for the HCS, is for the whole Year 2021. All CID's are reported by the RMI at <http://www.responsiblemineralsinitiative.org/conformant-tungsten-smelters>.

2. RMAP Assessment summary

HCS is a member of the Responsible Minerals Initiative (RMI), providing the Responsible Minerals Assurance Process (RMAP), a standard, HCS is certified too. In addition, HCS is a founding member of the Tungsten Industry - Conflict Minerals Council (TI - CMC) and is represented directly by filling one board position. Because of the TI-CMC membership and the state-of-the-art recycling process in the Goslar plant, HCS has been under assessment for 3 years. In cooperation with the "Wirtschaftsvereinigung Metalle" (WVM) and the "Industrie und Handelskammer" (IHK), HCS has supported other companies in the implementation of the "Regulation (EU) 2017/821". Finally, HCS is a member of the ITRI Tin Supply Chain Initiative (iTSCI), which has developed a due diligence system for a transparent raw material supply chain in conflict regions and monitors the implementation of the system in their member companies.

Due to the Covid19 pandemic, the planned RMAP assessment was shifted from April 2021 to October 4th – 6th, 2021. The assessment was conducted by Arche Advisors. Due to the initially planned date, it was decided upon request by the RMI to keep the audit period from March 1st, 2018 to February 28th, 2021. The audit summary report will be available at <https://www.hcstarck.com/downloads/>, as soon as it will be shared by the RMI. It is expected that the next RMAP assessment will be conducted in Goslar in April 2024.

For the continuous improvement of the Responsible Supply Chain Management Systems (RSCM), the measures resulting from the assessment were implemented in a timely manner.

3. Company Supply Chain Policy

H.C. Starck Tungsten GmbH has implemented an on-going policy of only purchasing raw materials that are conflict-free and that always meet the requirements of the OECD (relevant version of the "OECD Due Diligence Guidance for Supply Chains of Minerals from Conflict-Affected and High-Risk Areas") and the "Regulation (EU) 2017/821" of the European Parliament and of the Council of 17 May 2017. The company is committed to addressing any Annex II risks if identified.

[1]: This report is following the "Public Due Diligence Report writing guidance" of the Responsible Minerals Initiative (RMI), <http://www.responsiblemineralsinitiative.org/smelter-introduction/>

The policy, named “Raw Material Procurement Statement” as well as the “Modern Slavery Act Statement” were reviewed and approved by the Senior Management, which committed to support the implementation, is available at <https://www.hcstarck.com/downloads/>.

4. Company Management System

Besides the RMAP, the H.C. Starck Tungsten GmbH is audited against ISO 9001, ISO 14001, ISO 45001, and ISO 50001. In addition to the HSEQ aspects the Senior Management has appointed a Management Representative responsible for supply chain management including the raw material due diligence process. The Management Representative reports directly to the CEO of the company. Within the RSCM, the Management Representative coordinates the work of the relevant departments (incl. Supply Chain Management, Procurement, Quality Management, Customer Service) to ensure each department follows up on their roles and responsibilities to implement the due diligence process. Once a year all relevant departments undergo due diligence management system training.

To ensure the effectiveness of the due diligence management system the QM department conducts internal audits on a regular basis according to the audit protocol of the responsible minerals assurance process. All relevant documents (e.g. guidelines “RSCM Supplier Management” and “RSCM Risk Management”) as well as Processes, like “KYC process”, “CAHRAs Check” and “Due Diligence Check” are implemented in a document control system to ensure a continuous improvement and a correct execution of the processes.

Internal Systems of control

In accordance with the requirements of "Know your counterpart" (KYC) as set out in the OECD guideline, the EU regulation and the RMI standard for W-Smelter, relevant data are identified from suppliers before a business relationship is established and these are checked against sanctions lists. This ensures that we only receive raw materials from suppliers who meet the criteria of the RSCM process. This check is repeated on a regularly basis during the whole time of the business relationship. Also, HCS has incorporated due diligence requirements into legally binding agreements with direct suppliers. Intermediates are only purchased from certified conformant smelters. This certificate is checked with every transaction, using the RMI conformant-smelter-refiner-list (see above). If there are indications that one of our suppliers is in breach of the specifications, our RSCM risk management process takes effect.

Grievance Mechanisms

HCS maintains complaints mechanism in accordance with the 8D principle and ISO 9001. Complaints relating to our supply chain can be sent directly to the manager responsible for the RSCM at conflictfree.minerals.tungsten@hcstarck.com. In addition, we also refer to the complaint mechanisms of RMI and iTSCI. The corresponding websites can be reached directly at <https://www.hcstarck.com/en/sustainability/conflict-free-raw-materials/>.

By using three grievance mechanisms, affected persons are afforded the opportunity to express their concerns using the best channel for them. However, no grievances were received either directly or indirectly in 2021.

Record Keeping System

Relevant data, like shipping documents, inventory etc., are kept in a SAP database system. According to our guideline „Control of documented information“, and our document and recording matrix all documents are kept for a minimum of 10 years, exceeding the requirements of the

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OECD guideline. Processes and guidelines are available in our document control system. Older, archived versions are also available there.

5. Risk identification

As part of RSCM management, HCS has processes - starting with KYC - for identifying and dealing with risks. These and the corresponding guidelines are listed in the document control system and are regularly reviewed. Another part of this system is the iTSCI and TI-CMC membership.

Our supply chain is divided into two categories:

- Secondary raw material, that meets the definition of "secondary" given by the OECD. We have established a process to confirm, that the material we are purchasing is genuinely secondary and we check all suppliers regularly according to our KYC process.
- Intermediates. With every delivery we are checking that the supplying smelter is listed as RMI RMAP conformant smelter.

Even though HCS does not purchase any primary raw materials, the CAHRAs analysis and due diligence check processes required for responsible raw material purchasing have been implemented.

As the identification of risks should not be limited to so-called high-risk transactions, we have established a system for reporting and investigating suspicious cases including low-risk transactions, particularly in the purchase of secondary raw materials. In the case of secondary raw materials, we exceed the requirements of the OECD and EU in some cases, as scrap is not in the scope of the directive/regulation and therefore no verification of the country of origin of these raw materials beyond the supplier is necessary.

All reported cases are documented, together with the investigation results and decisions.

6. Risk mitigation strategy

Measures to minimize identified risks in connection with the purchase of raw materials are described in detail in the "RSCM Risk Management" guideline. These are based on the requirements of the OECD Guideline, Annex III. This also includes the temporary or complete suspension of the business relationship.

In 2021, a total of four suspicious cases were reported. As a result of the investigation, we refrained from purchasing secondary raw materials in two cases, because we were able to prove in advance that the scrap offered to us originated from CAHRAs. In both cases, the supplier's place of business was not in a country with a CAHRA. The suppliers were informed of the reasons for our decision and our purchasing policy. No further business was conducted with these suppliers during the reporting period.



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