



# CONFLICT MINERALS PROCEDURE

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# INDEX

<b>1</b>	<b>CONFLICT MINERALS CONTROL</b>	<b>3</b>
1.1	Supply Chain Policy (based on oecd model supply chain policy)	3
1.2	Risk Management	5
1.3	Purchasing Charter	7
1.4	Appendix	9
1.4.1	What are Conflict Minerals?	9
1.4.2	Where are Conflict Minerals Found?	9
1.4.3	Conflict Minerals in the Supply Chain	10
1.4.4	What is Being Done?	11

# 1 CONFLICT MINERALS CONTROL

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## 1.1 SUPPLY CHAIN POLICY (BASED ON OECD MODEL SUPPLY CHAIN POLICY)

Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas (CAHRA's)

Recognizing that risks of significant adverse impacts which may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas, and recognizing that we have the responsibility to respect human rights and not contribute to conflict, we commit to adopt, widely disseminate and incorporate in contracts and/or agreements with suppliers the following policy on responsible sourcing of minerals from conflict-affected and high-risk areas, as representing a common reference for conflict-sensitive sourcing practices and suppliers' risk awareness from the point of extraction until end user. We commit to refraining from any action which contributes to the financing of conflict and we commit to comply with relevant United Nations sanctions resolutions or, where applicable, domestic laws implementing such resolution.

Regarding serious abuses associated with the extraction, transport or trade of minerals:

1. While sourcing from, or operating in, conflict-affected and high-risk areas, we will neither tolerate nor by any means profit from, contribute to, assist with or facilitate the commission by any party of:
  - a. any forms of torture, cruel, inhuman and degrading treatment
  - b. any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered voluntarily
  - c. the worst forms of child labour (see ILO convention #182/1999)
  - d. other gross human rights violations and abuses such as widespread sexual violence
  - e. war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide

Regarding risk management of serious abuses:

2. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined in paragraph 1.

Regarding direct or indirect support to non-state armed groups:

3. We will not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals. "Direct or indirect support" to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who:
  - a. illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain, and/or
  - b. illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded, and/or
  - c. illegally tax or extort intermediaries, export companies or international traders

Regarding risk management of direct or indirect support to non-state armed groups:

4. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups as defined in paragraph 3.

Regarding public or private security forces:

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Conflict minerals Procedure	3/12	Public
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5. We agree to eliminate, in accordance with paragraph 10, direct or indirect support to public or private security forces who illegally control mine sites, transportation routes and upstream actors in the supply chain; illegally tax or extort money or minerals at point of access to mine sites, along transportation routes or at points where minerals are traded; or illegally tax or extort intermediaries, export companies or international traders.
6. We recognize that the role of public or private security forces at the mine sites and/or surrounding areas and/or along transportation routes should be solely to maintain the rule of law, including safeguarding human rights, providing security to mine workers, equipment and facilities, and protecting the mine site or transportation routes from interference with legitimate extraction and trade.
7. Where we or any company in our supply chain contract public or private security forces, we commit to or we will require that such security forces will be engaged in accordance with the Voluntary Principles on Security and Human Rights. In particular, we will support or take steps, to adopt screening policies to ensure that individuals or units of security forces that are known to have been responsible for gross human rights abuses will not be hired.
8. We will support efforts, or take steps, to engage with central or local authorities, international organizations and civil society organizations to contribute to workable solutions on how transparency, proportionality and accountability in payments made to public security forces for the provision of security could be improved.
9. We will support efforts, or take steps, to engage with local authorities, international organizations and civil society organizations to avoid or minimize the exposure of vulnerable groups, in particular, artisanal miners where minerals in the supply chain are extracted through artisanal or small-scale mining, to adverse impacts associated with the presence of security forces, public or private, on mine sites.

Regarding risk management of public or private security forces:

10. In accordance with the specific position of the company in the supply chain, we will immediately devise, adopt and implement a risk management plan with upstream suppliers and other stakeholders to prevent or mitigate the risk of direct or indirect support to public or private security forces, as identified in paragraph 5, where we identify that such a reasonable risk exists. In such cases, we will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation within six months from the adoption of the risk management plan.  
Where we identify a reasonable risk of activities inconsistent with paragraphs 8 and 9, we will respond in the same vein.

Regarding bribery and fraudulent misrepresentation of the origin of minerals:

11. We will not offer, promise, give or demand any bribes, and will resist the solicitation of bribes to conceal or disguise the origin of minerals, to misrepresent taxes, fees and royalties paid to governments for the purposes of mineral extraction, trade, handling, transport and export.

Regarding money laundering:

12. We will support efforts or take steps to contribute to the effective elimination of money laundering where we identify a reasonable risk of money-laundering resulting from, or connected to, the extraction, trade, handling, transport or export of minerals derived from illegal taxation or extortion of minerals at points of access to mine sites, along transportation routes or at points where minerals are traded by upstream suppliers.

Regarding the payment of taxes, fees and royalties due to governments:

13. We will ensure that all taxes, fees and royalties linked to mineral extraction, trade and export from conflict-affected and high-risk areas are paid to governments and, in accordance with the companies position in the supply chain, we commit to disclose such payments in accordance with the principles set forth under the Extractive Industry Transparency Initiative (EITI).

Regarding risk management of bribery and fraudulent misrepresentation of the origin of minerals, money-laundering and payment of taxes, fees and royalties to government:

14. In accordance with the specific position of the company in the supply chain, we commit to engage with suppliers, central or local governmental authorities, international organizations, civil society and affected third parties, as appropriate, to improve and track performance with a view to preventing or mitigating

risks of adverse impacts through measurable steps taken in reasonable timescales. We will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation.

Summary:

subject	§	risk management		§
serious abuses	1	where we identify a reasonable risk	immediately suspend/discontinue	2
direct/indirect support non-state armed groups	3	where we identify a reasonable risk	immediately suspend/discontinue	4
public/private security forces	5-9	in accordance with the specific position of the company in the supply chain, devise, adopt and implement risk management plan	suspend/discontinue engagement with upstream supplier after failed attempts at mitigation within six months	10
bribery	11	in accordance with the specific position of the company in the supply chain: engagement with suppliers, central or local governmental authorities, internat. organizations, civil society and affected 3rd parties	suspend/discontinue engagement with upstream supplier after failed attempts at mitigation	14
money laundering	12			
payment of taxes, fees and royalties to governments	13			

Ex-post checks by local authorities:

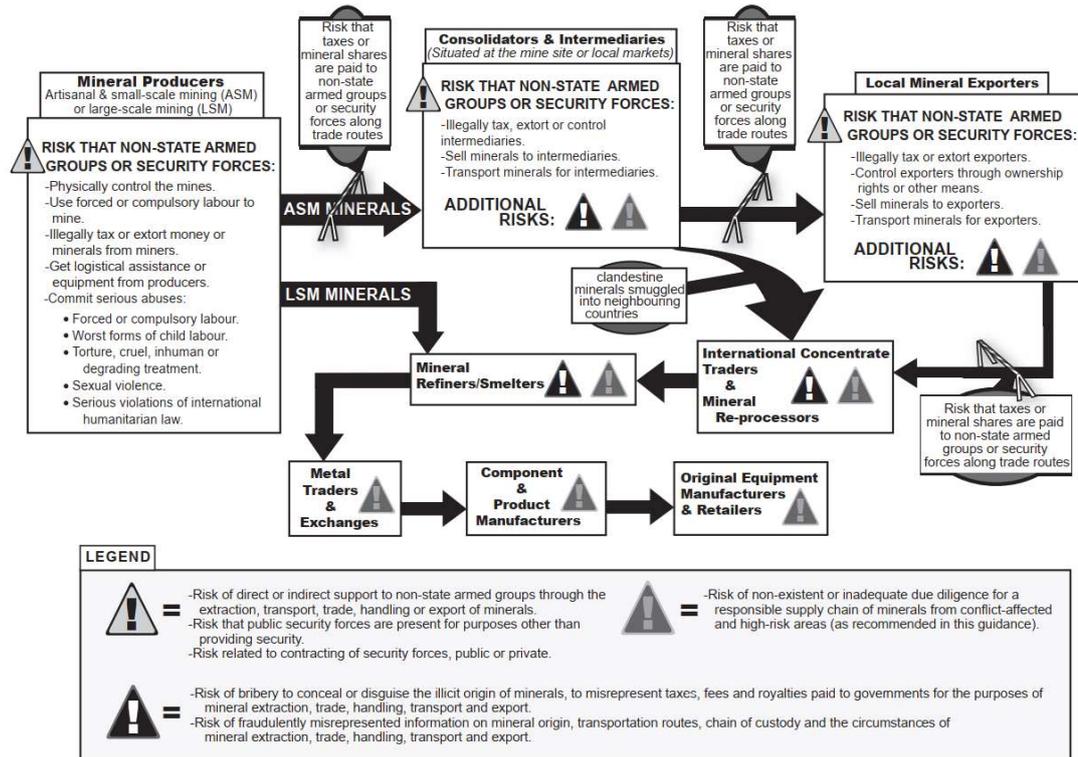
Mersen will offer all the assistance necessary to facilitate the performance of ex-post checks by local authorities referred to in article 11 of regulation (EU) 2017/821 as regards access to premises and the presentation of documentation and records.

## 1.2 RISK MANAGEMENT

The risk management and due diligence is linked to the following trigger:

1. Red flag locations of mineral origin and transit:
  - a. the minerals originate from or have been transported via a conflict-affected or high-risk area
  - b. the minerals are claimed to originate from a country that has limited known reserves, likely resources or expected production levels of the mineral in question (i.e. the declared volumes of mineral from that country are out of keeping with its known reserves or expected production levels)
  - c. the minerals are claimed to originate from a country in which minerals from conflict-affected and high-risk areas are known to transit.
2. Supplier red flags:
  - a. The company's suppliers or other known upstream companies have shareholder or other interests in companies that supply minerals from or operate in one of the above mentioned red flag locations of mineral origin and transit.
  - b. The company's suppliers' or other known upstream companies are known to have sourced minerals from a red flag location of mineral origin in the last 12 months.

Figure 1. Risks in the supply chain of tin, tantalum and tungsten from conflict-affected and high-risk areas



These red flags need to be identified/validated within for the entire supply chain, potential and current supplier portfolio (step 2 + 3) and managed with the involvement of Senior Management (VP Purchasing, VP Compliance & Risk).

Identify & assess risks in the supply chain (step 2):

- Identify the products containing 3TG.
- Use best efforts to identify smelter /refiners for 3TG products, prioritizing as appropriate to your supply chain. For very complex products, focus on smelter engagement and direct sourcing to responsible smelters.
- Assess risk by evaluating whether smelters undertake due diligence, for example be reviewing audit participation and any available audit information.
- "KYC - know your counterparty" for each potential or current partner understand the supplier details due diligence information consistent with the 40 recommendations of the financial action task force (FATF)
- Collect on a yearly basis the CMRT from all suppliers involved and verify, with the DD report if available, if sourcing from covered/CAHRA's is taking place and how risks are being mitigated.
- CAHRA's are identified using the information provided by [Heidelberg Institute for International Conflict Research \(Heidelberg Conflict Barometer\)](#), for every country/risk/conflict with a rating of either 4 or 5.
- New potential partners involving 3TG minerals need to be validated by KCM Metal and approved by Senior Management (VP Purchasing) before entering the supplier panel.

Manage risks (step 3):

- Report identified risks to Senior Management (VP Purchasing, VP Compliance & Risks) and fix internal systems
- Disengage from suppliers associated with any smelters/refiners that may be contributing to the most serious impacts (e.g. non-state armed groups, serious abuses)
- Through individual or collaborative efforts, encourage more identified smelters/refiners to become audited.

- Design and implement due diligence capacity building for suppliers, direct sourcing to responsible smelter/refiners
- Implement risk management plan, monitor, track progress and share it with Senior Management (VP Purchasing, VP Compliance & Risk).

Audit of smelter/refiner due diligence practices (step 4):

- All future and current partner have to be audited on a regular basis according to the OECD guidelines, this is usually done by industry programs as RMI/RMAP. Review on an annual basis the summary audit reports with your partner understand the progress and potential for improvement.
- Audit documentation covers chain of custody or traceability documentation, risk assessment, management documentation for red flagged sources and due diligence report.
- It is mandatory to audit potential partner during approval process and approved supplier on the panel each year by Mersen or independent 3<sup>rd</sup> party, unless the detailed audit report from the last RMI/RMAP evaluation is available.

Publicly report on due diligence (step 5):

- Annually describe all due diligence efforts (step 1 – 4), e.g. risk assessment & mitigation, with due regard for business confidentiality and other competitive or security concerns (e.g. supplier relationships, price information, or identities of whistle-blowers or sources should not be disclosed). This will be validated by Senior Management (VP Purchasing, VP Compliance & Risk) and published on mersen.com/CSR.

To secure compliance with the requirements of the regulation (EU) 2017/821, Mersen sites with relevant volumes have to be audited on an annual by independent third parties.

Process to apply for all sites/materials above threshold on 3TG as per (EU) 2017/821.

As per Jan 2021: MERSEN Deutschland Linsengericht GmbH for Tantalum and Tungsten.

To be reviewed on an annual base for all sites/materials.

## 1.3 PURCHASING CHARTER

Mersen is using 3TG metals (Tantalum, Tin and Gold), for which conflict minerals compliance has to be managed. All suppliers involved are requested to read, understand, accept and apply the Purchasing Charter (v2023 – update in preparation), which specifically mentions Conflict Minerals:

### CONFLICT MINERALS

Following the OECD due diligence guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Annex 2):

- We condemn all activities in connection to unlawful exploitation of mineral resources, no matter where such activities take place. Furthermore, we do not accept any violation of human rights and contribution to any conflict.
- We commit ourselves to avoid any measures that may help to finance conflicts.
- We don't accept serious abuses associated with the extraction, transport or trade of our raw materials.
- We will not tolerate any direct or indirect support to non-state armed groups nor tolerate the support of public and private security forces exercising unlawful control over mining sites, transport routes, etc.
- According to our Code of Conduct, we do not accept bribes in any form and do not accept any form of money laundering in our supply chain.

We urge all our suppliers and subcontractors to ensure all taxes, duties and royalties payable relating to the raw materials supplied to us.

In addition to the above, all suppliers and sub-contractors are obliged to provide documentation and other substantial information regarding the origin of any tantalum, tin, tungsten, gold or other minerals (or other materials that may be listed in the future by the competent authorities) contained in products supplied to Mersen.

Conflict minerals Procedure	7/12	Public
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Our Partners shall demonstrate compliance with EU Conflict Minerals Regulation (2017/821) through application of the OECD 5 step due diligence model which is validated on a regular base by a recognized independent 3rd party audit (for example RMI). It is mandatory that the products sold to Mersen (originating either from minerals or metals) are only sourced responsibly and that they are not linked to conflicts.  
 overview of internal activities linked to conflict minerals:

step	Q1	Q2	Q3	Q4
1	new potential supplier for 3TG: validation (KCM Metal) and approval (Senior Mgmt)			
2		publication of new CMRT (RMI)		
2		verification of items/supplier in scope (sites)		
2			CMR data collection and verification (sites)	
2			review and exchange with supplier (sites)	
2				data consolidation and final check (KCM Metal)
2				publication Mersen AM CMR (KCM Metal)
2	review KYC data with sites (KCM Metal)			
3		review risk management plan with sites (KCM Metal)		review risk mgmt plan Senior Mgmt (KCM Metal)
3		alert to Senior Mgmt in case of serious finding in Supply Chain / KYC / risk mitigation plan (KCM Metal)		
4		supplier audits for potential/approved supplier (KCM Metal)		
5				preparation Due Diligence report (KCM Metal)
5				publication DD report (VP Compliance & Risk)
5		respond to customer inquiries regarding conflict minerals (KCM Metal)		

Details as described under risk management.

Template for risk evaluation:



Supply Chain risk assessment Mersen\_t

Template for KYC:



RMI\_DueDiligence Checklist\_Final\_17Feb2

## 1.4 APPENDIX

### 1.4.1 What are Conflict Minerals?

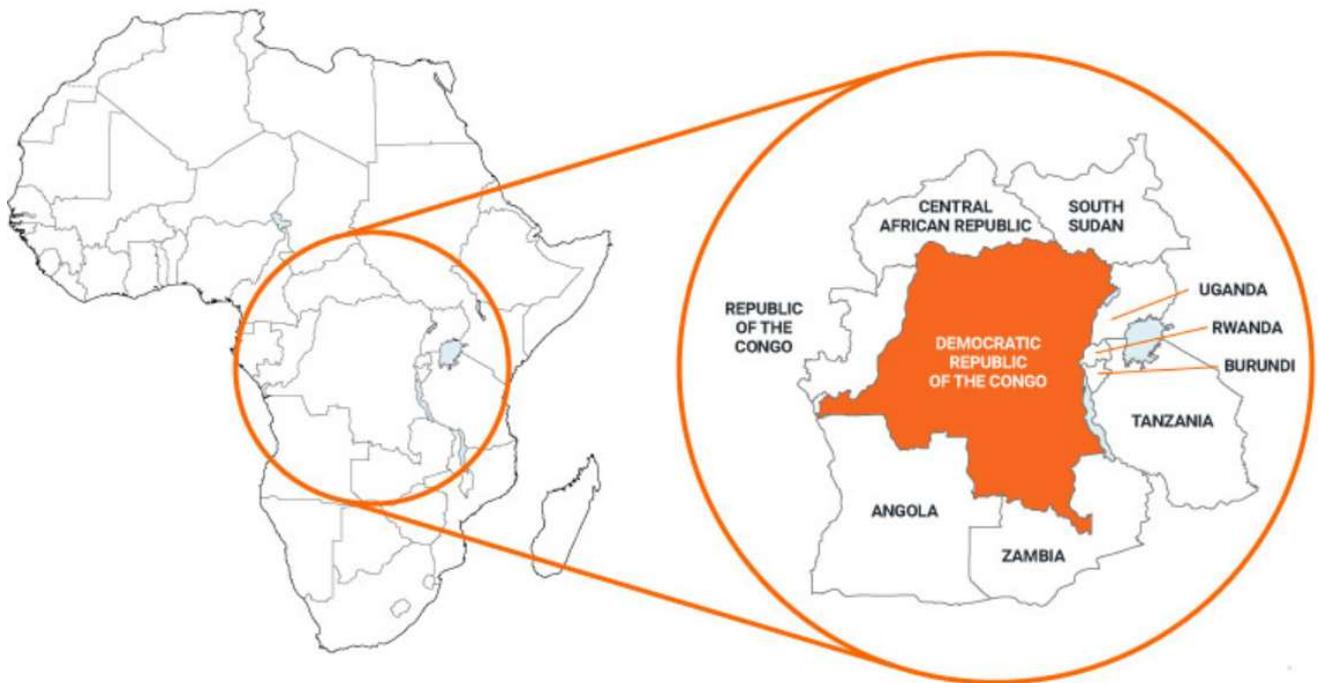
Conflict Minerals refer to raw materials or minerals that come from a particular part of the world where conflict is occurring and affects the mining and trading of those materials.

**These conflict minerals are tin, tantalum, tungsten (the “3 T’s”) and gold** which are mined in eastern Congo and are in all consumer electronics products, as well as products from the jewelry, automotive, aerospace, medical equipment, and many other industries.

They provide a major source of funding for warlords in the DRC Region fueling the violence that has plagued the region for decades. These minerals are used in a wide range of products including mobile phones, computers, jewelry and vehicles. Original equipment manufacturers and supply chain partners work together to make sure global vehicle production doesn’t support warlords or further the conflict in the DRC.

### 1.4.2 Where are Conflict Minerals Found?

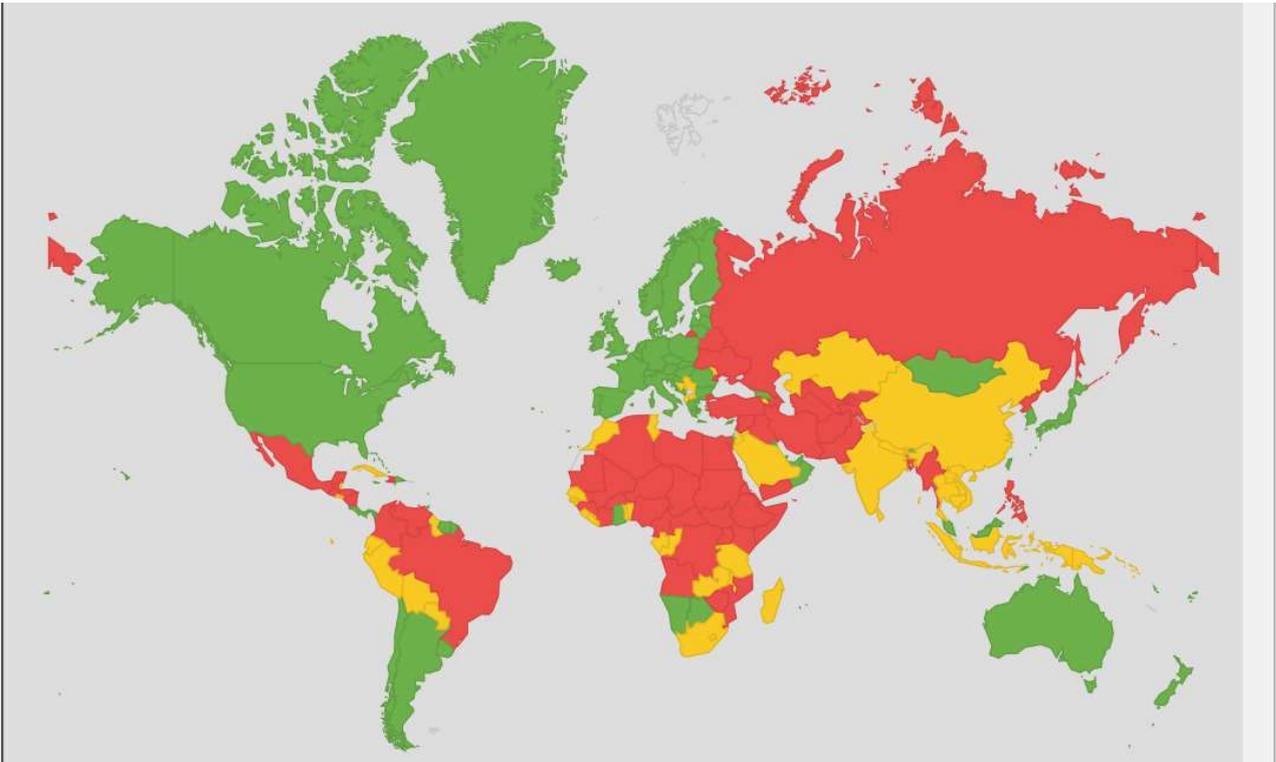
Conflict minerals mined in the DRC may pass through numerous locations in neighboring countries as they are shipped to processing facilities. **Covered Country(ies)** as defined by the United States Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 include the Democratic Republic of the Congo and the nine countries with which it shares an internationally recognized border: Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.



\*covered countries\* as per SEC definition

In addition to this there are also so called “**conflict-affected and high-risk areas**” (CAHRA’s), areas in a state of armed conflict, fragile post-conflict areas, as well as areas witnessing weak or non-existing governance and security, such as failed states, and widespread and systematic violations of international law, including human right abuses.

Information about such areas are provided by the [EU](#), [TDI](#), [Heidelberg Institute for International Conflict Research \(Heidelberg Conflict Barometer\)](#)



CAHRA index as of November 2022: low – medium – high by TDI

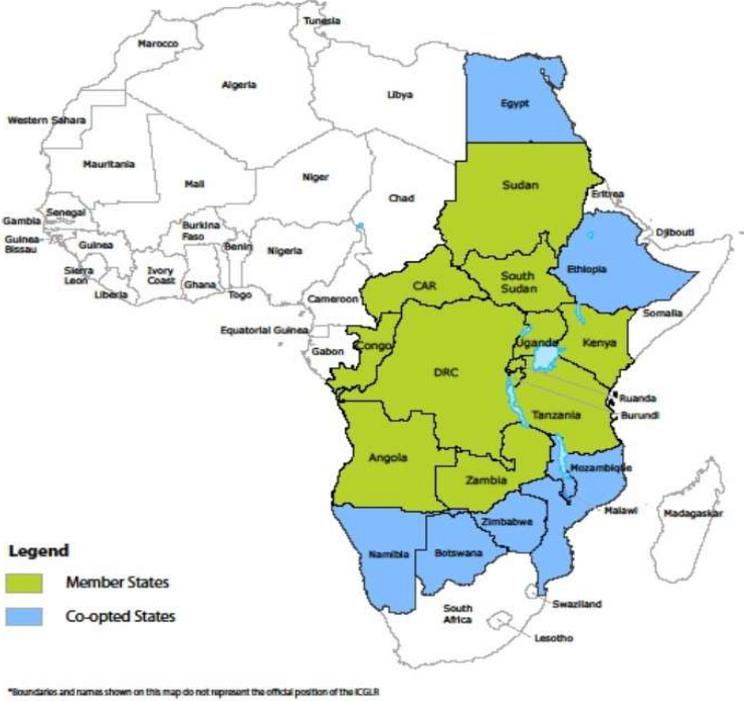
### 1.4.3 Conflict Minerals in the Supply Chain

Conflict minerals could be present knowingly or unknowingly in the supply chain and contaminate it. This could occur at different stages whether through mining or trading in the Democratic republic of Congo or in an adjoining country or further down the supply chain.

Companies either at the upstream or downstream end of the supply chain are at risk of being involved with conflict minerals. Conflict minerals can be possibly traded and processed by stakeholders in the upstream stage, before being used in the downstream stage of manufacturing products in the following industries: software, defence, aerospace, automotive and electronics etc.

Current legislations and initiatives set by regulatory organizations are determined to keep conflict minerals out of industrial supply chains by requiring companies to give proof of origin of their minerals and show that they are not from conflict – affected regions and also the trade has not contributed to financing armed groups in the DRC. This works towards improved due diligence which companies operating in western countries have to increasingly comply with.

These initiatives which seek to ensure trade free of presence of conflict minerals include: Responsible Minerals Initiative (RMI), the International Tin Supply Chain Initiative (iTSCi), Solutions for a closed pipe supply chain for tantalum and the International Conference on the Great Lakes Region (ICGLR).



overview States involved in the International Conference Great Lakes Region (ICGLR)

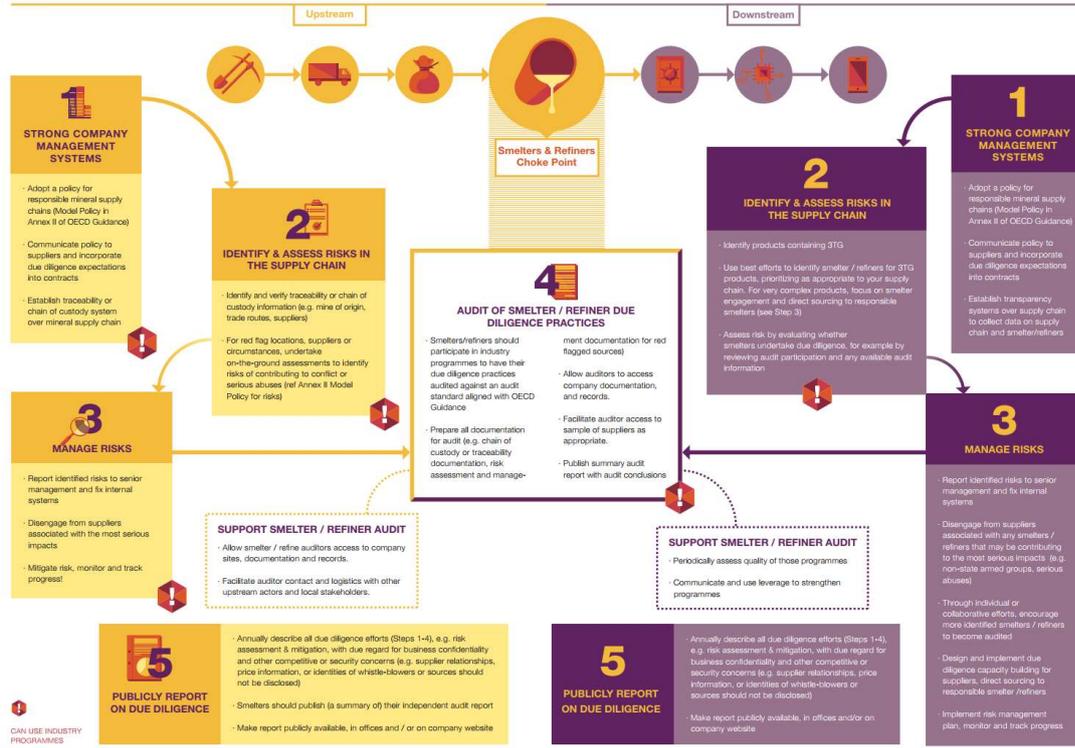
### 1.4.4 What is Being Done?

A landmark law regarding conflict minerals was passed in 2010 by US Congress and requires U.S.-listed companies to determine if their products contain one or more of four minerals – tin, tantalum, tungsten and gold – sourced from Congo or one of its nine neighboring countries.

**Section 1502 of the US Dodd Frank Act**, better known as the conflict minerals provision, is the first piece of legislation aimed at breaking the links between eastern Congo’s lucrative minerals trade and abusive armed groups. It requires U.S. listed companies who believe they source from the region to carry out checks on their supply chains, known as due diligence, to determine whether their minerals purchases have benefited abusive armed groups. Companies must then report publicly to the US regulator, the Security and Exchange Commission (SEC), on the measures they’ve taken.

In May 2017 the European Union launched the regulation **(EU) 2017/821** laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas, which is obliging union importers of conflict minerals to apply the OECD guidelines on due diligence and to report on the identified risks and measures they’ve taken. Here with the 5 step framework and supplements of the OECD due diligence guideline very useful tools have been provided for companies involved in this particular mineral supply chain.

OECD OECD Due Diligence Guidance for Minerals – 5-Step Framework for Upstream and Downstream Supply Chains



Cobalt and Mica are now as well being monitored in addition to 3TG. Here the awareness of potential conflicts has still to reach all levels of the supply chain.

Conflict minerals Procedure	12/12	Public
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