

Mitsui Mining & Smelting (Takehara) LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance Compliance Report



The LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance have been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice, and to embrace environment and sustainability.

Table 1: Refiner's details

Refiner's name	Mitsui Mining & Smelting Co., Ltd. (Takehara)
Location	1-5-1 Shiomachi, Takehara-shi, Hiroshima 725-0022 Japan
Reporting year-end	31 March 2020
Date of Report	25 August 2020
Senior management responsible for this report	Nobuyuki Nakamoto, General Manager, Lead Unit, Metals Sector, Lead & Zinc Division.

A handwritten signature in black ink, appearing to read "N. Nakamoto", followed by a horizontal line.

This report summarizes how Mitsui Mining & Smelting (Takehara) has implemented the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance.

Evaluation of Mitsui Mining & Smelting Co., Ltd. (Takehara)

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

We have fully complied with Step 1: Establish strong management systems.

Has the Refiner adopted a company policy regarding due diligence for supply chains of gold and silver ?

We have adopted a strong policy regarding due diligence for supply chains of Gold and Silver Metal.

Comments and Demonstration of Compliance:

We revised our Gold and Silver Supply Chain Policy in 2019 so that it extends to Environment and Sustainability responsibilities, as required by the LBMA Responsible Gold Guidance Version 8. During the reporting year, we implemented our Gold and Silver Supply Chain Policy which is

consistent with the model set out in the Annex II of the OECD Due Diligence Guidance.

This sets out our commitment to respect human rights, to avoid contributing to conflict over our supply chain, to support efforts to contribute to the effective elimination of money laundering and address Environment and Sustainability responsibilities.

Has the Refiner set up an internal management structure to support supply chain due diligence?

Comments and Demonstration of Compliance:

An internal management system was set up and has been implemented since December 2012 to define the governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy. We made changes to the internal management system in October 2018 to broaden the scope to include silver.

The compliance officer is assigned to manage the process, and has a direct line of reporting to the senior management.

Has the Refiner established a strong internal system of due diligence, controls and transparency over gold and silver supply chain, including traceability and identification of other supply chain actors?

Comments and Demonstration of Compliance:

Mitsui Mining & Smelting (Takehara) has a receipts process for gold- and silver-bearing materials, and specific documents must be received and transactional details entered before we process the material. Group companies, Mitsui Mining & Smelting (Kamioka) and Mitsui Kushikino Mining, which process gold- and silver-bearing materials have a similar materials receipts process materials receipts process.

Has the Refiner strengthened company engagement with gold and silver supplying counterparties, and where possible, assisted gold and silver supplying counterparties in building due diligence capabilities?

Comments and Demonstration of Compliance:

In fiscal 2019, we sent our Gold and Silver Supply Chain Policy to our new suppliers and asked them to reply back with an acknowledgement.

Has the Refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?

Comments and Demonstration of Compliance:

Building upon our existing internal reporting system, we implemented a mechanism allowing employees and external stakeholders to anonymously voice concerns over gold and silver supply chain risk.

There was no concern expressed over such risk in fiscal 2019.

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

We have fully complied with Step 2: Identify and assess risks in the supply chain.

Does the Refiner have a process to identify risks in the supply chain?

Comments and Demonstration of Compliance:

Mitsui Mining & Smelting(Takehara), along with Mitsui Mining & Smelting (Kamioka) and Mitsui Kushikino Mining, identifies and assesses risks in the supply chain. For every supplier, we have established a database containing information on whether a supplier has a corporate social responsibility policy and has obtained ISO14001/OHSAS18001 certifications, and allocated a risk profile according to our risk profile criteria. On top of that, we send a KYC questionnaire to those suppliers that meet our internal risk criteria. In September 2019, the environment and sustainability are included in our risk assessment criteria. Especially, we began identifying whether a supplier has a corporate social responsibility policy and has obtained ISO14001/OHSAS18001 certifications, and evaluating risks related to labor rights violations, environmental non-compliance, health and safety issues, and the like.

This process is a formal requirement before entering any business relationship with a supplier of gold and/or a supplier of materials containing 15% or more of silver by weight. We carry out a risk assessment on materials containing less than 15% of silver by obtaining a letter of consent to our Gold and Silver Supply Chain Policy.

Does the Refiner assess risks in light of the standards of their due diligence system?

Comments and Demonstration of Compliance:

Supply chain due diligence comprising all measures required by the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance is performed before entering into a business relationship with a supplier of gold and/or a supplier of materials containing 15% or more of silver by weight. We are to perform enhanced due diligence when we identify higher risk in the supply chain, but we identified no higher risk supplier in fiscal 2019.

We conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship following a risk-oriented approach.

Does the Refiner report risk assessment to the senior management?

Comments and Demonstration of Compliance:

The Compliance officer, based on the results of internal audits and other monitoring activities, reported the results of the implementation of the system to the senior management in June 2020.

The senior management retains the ultimate control and responsibility for the gold and silver supply chain.

Step 3: Design and implement a management system to respond to identified risks

Compliance Statement with Requirement:

We have fully complied with Step 3: Design and implement a management system to respond to identified risks.

Has the Refiner devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?

Comments and Demonstration of Compliance:

We devised a strategy for risk management of an identified risk. Results of due diligence performed at Mitsui Mining & Smelting(Takehara), Mitsui Mining & Smelting(Kamioka) and Mitsui Kushikino Mining are reported to the compliance officer, who then decides whether to proceed. When we identify higher risk, we report the results of enhanced due diligence to the senior management, who then decides whether to proceed and/or what kind of actions/measures have to be taken .We identified no higher risk supplier in fiscal 2019.

Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.

Comments and Demonstration of Compliance:

During fiscal 2019, we did not identify reasonable risks of money-laundering, non-state armed groups, serious abuses associated with the transport or trade of gold and silver minerals or non-compliance with Environment and Sustainability legal requirements.

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

Comments and Demonstration of Compliance:

Mitsui Mining & Smelting (Takehara) has engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd, and their independent limited assurance report is attached.

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 5: Report on supply chain due diligence

[Comments]

Our Gold and Silver Supply Chain Policy is available on our website.

http://www.mitsui-kinzoku.com/en/seihin/metals/s_meta_supply.html

Table 3: Management conclusion

Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance for the reporting period?

Yes

In conclusion, Mitsui Mining & Smelting (Takehara) implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance, as explained above in Table 2, for the reporting year ended 31 March 2020.

Mitsui Mining & Smelting (Takehara) is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

Table 4: Other report comments

If users of this report wish to provide any feedback to Mitsui Mining & Smelting (Takehara) with respect to this report, they can send an email to the following email address:

<http://www.mitsui-kinzoku.com/en/contact/>