

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



## 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 2022
Date of Report	29 June 2022
Supply chain manager responsible for this report	Nobuyuki Nakamoto, General Manager, Lead Unit, Lead & Zinc Division, Metals Sector

A handwritten signature in black ink, appearing to read "N. Nakamoto".

The LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance have been established for Good Delivery refiners to combat systematic or widespread abuses of human rights, avoid contributing to conflict, comply with high standards of anti-money laundering, combat terrorist financing practice, and to address environmental and sustainability responsibilities.

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 1: SUMMARY OF ACTIVITIES TO DEMONSTRATE COMPLIANCE

### Step 1: COMPANY MANAGEMENT SYSTEMS

We have fully complied with Step 1: Company management systems.

#### 1.A. Has the refiner adopted a supply chain policy regarding due diligence for supply chains of gold and/or silver?

We have adopted a policy regarding due diligence for supply chains of gold and silver metal, 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 to address Environment and Sustainability responsibilities.

With the revision of the LBMA Responsible Gold Guidance, the policy name has been changed

from Supply Chain Policy for Raw Materials for Gold and Silver to Responsible Procurement Policy for Gold and Silver Ores and Materials.

In addition, the policy was revised to incorporate new requirements in the LBMA Responsible Gold Guidance Version 9 and approved by the supply chain officer in January 2022. It was then communicated to all relevant staff through training.

The revised Responsible Procurement Policy for Gold and Silver Ores and Materials is available on our website.

[https://www.mitsui-kinzoku.com/en/seihin/metals/s\\_meta\\_supply.html](https://www.mitsui-kinzoku.com/en/seihin/metals/s_meta_supply.html)

1.B. Has the refiner set up an internal management structure to support supply chain due diligence?

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 changed the internal management system in January 2022 so that a director should be appointed as the person responsible for compliance, monitoring and sharing information with the board of directors.

When a Red Flag is found, the supply chain officer is responsible for making transaction decisions based on the improvement plan and results.

The system manager, who has a direct line of reporting to the supply chain officer, is assigned to manage the due diligence process.

The supply chain officer is responsible for providing the system manager with necessary means for monitoring and implementing due diligence process, and for making a final decision as to whether to initiate or continue a business relationship with a particular supplier when a Red Flag is identified. With the revision of the Responsible Gold Guidance, we revised the supply chain policy and due diligence process in December 2021 and provided training to all relevant employees.

We also started communicating the revised supply chain policy to our suppliers focusing on the ones with which we started transactions since January 2022.

We have established an internal communication process where the system manager provides training to employees involved in supply chain due diligence every year. The system manager is also required to communicate our supply chain policy and any other relevant matters to gold/silver suppliers.

1.C. Has the refiner established a strong internal system of due diligence, controls and transparency over gold and/or silver supply chains, including traceability and identification of other supply chain actors?

We require ourselves to obtain a completed KYC questionnaire from a gold and/or silver material supplier to collect and evaluate information on the supplier and the origin of material before we start purchasing material from the supplier.

Mitsui Mining & Smelting (Kamioka) and Mitsui Kushikino Mining, which are group companies that process materials containing gold and silver, have adopted a similar process.

Due diligence procedures for suppliers and raw materials are carried out in accordance with the Due Diligence Manual and Due Diligence Implementation Regulations.

The results of the due diligence assessment are stored in a shared Box folder so that interested parties can view the assessment results at any time.

In 2021, we started using information provided by a compliance information company to find out the Ultimate Beneficial owner of a supplier and to corroborate information on a KYC questionnaire filled out by the supplier. We find information provided by this company more accurate and useful for supplier evaluation.

Nothing was detected in this supplier evaluation process during the reporting period.

All employees involved in supply chain due diligence were trained in December 2021 when we revised our policy and process. The number of employees trained at Mitsui Mining & Smelting (Takehara) during the reporting year was 49.

We communicated our supply chain policy to suppliers by sending a letter of consent to our Responsible Procurement Policy for Gold and Silver Ores and Material.

1.D. Has the refiner strengthened company engagement with gold and/or silver supplying counterparties, and where possible, assisted gold and/or silver supplying counterparties in building due diligence capabilities?

Mitsui Mining & Smelting (Takehara) sends our supply chain policy and a KYC questionnaire, which has been prepared based on the LBMA KYC questionnaire, to a new supplier prior to the commencement of business relationship and to existing suppliers when a supplier has undergone a significant change or when our policy is revised.

Our KYC Questionnaire sets up a question as to whether the mine is located in an EITI member country and complies with EITI reporting requirements.

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

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

We have also set up the Compliance Consult Report Desk, a hot line for external stakeholders, which is accessible on our website. There was no concern expressed over such risk in fiscal 2021.

The Compliance Consult Report Desk is available on our website.

<https://www.mitsui-kinzoku.com/en/contact/form/?frmId=57>

## Step 2: RISK IDENTIFICATION AND ASSESSMENT

We have fully complied with Step 2: Risk identification and assessment.

### 2.A. Does the refiner have a process to identify risks in the supply chain?

Mitsui Mining & Smelting (Takehara), along with Mitsui Mining & Smelting (Kamioka) and Mitsui Kushikino Mining, identifies and assesses supply chain risks by obtaining completed KYC questionnaires from gold/silver suppliers.

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 from suppliers to our Responsible Procurement Policy for Gold and Silver Ores and Material.

We evaluate suppliers based on company name, location, upstream company information, major shareholders, directors, financial information, financial crimes history, and high-risk corruption history.

We also collect information on a supplier's corporate social responsibility policy, serious breaches of applicable sustainability-related laws, administrative sanctions based on legal requirements, and whether or not it has ISO14001 certification. We also use information provided by a compliance information company to evaluate overseas suppliers.

We revised the Conflict-Affected and High-Risk Areas (CAHRAs) list in fiscal 2021. The revision was made based on information sources such as the US Dodd-Frank Act, the EU CAHRAs List, EITI, FATF, OFAC, the US Department Labor, and various NGOs. We revise the list twice a year. Our criteria for high-risk supply chain include the following:

- Originates from CAHRAs
- Countries with limited proven reserves or estimated resources are the source of gold or silver ore.
- Is confirmed to transit from a country through which gold or silver from CAHRAs or recycled raw materials purchased from the countries shown in CAHRAs.
- Is a supplier of gold and silver raw materials or, to the extent recognized, further upstream suppliers are located in countries identified in the CAHRAs.
- Is a supplier of gold and silver raw materials or, to the extent recognized, further upstream suppliers or their UBOs are public figures.
- Is a supplier of gold and silver raw materials or, to the extent recognized, further upstream suppliers engage in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders.

We rely on information sources mentioned earlier to rate every country by multiple criteria and determine if a particular country is a CAHRA or not based on the aggregate score. There are currently 24 countries specified as CAHRAs.

We require ourselves to conduct enhanced due diligence, which accompanies a site visit, when

we identify a Red Flag in our supply chain.

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

#### 2.B. Does the refiner assess risks in light of the standards of their due diligence system?

Mitsui Mining & Smelting (Takehara) conducted a risk assessment according to the above mentioned high-risk criteria.

We sent and collected KYC questionnaires to new suppliers prior to the commencement of business relationship.

We sign a purchase contract with a new supplier only after we are satisfied that risk is low based on information on raw materials, a collected KYC questionnaire, and third party information.

As mentioned earlier, one raw material was determined to be red flag prior to the signing of a contract, but the contract was not signed because we could not conduct a site visit due to COVID-19.

No red flag was found in the contracted raw materials during the reporting year.

### **STEP 3: RISK MANAGEMENT**

We have fully complied with Step 3: Risk management.

We have devised a strategy for risk management of the identified risks.

The results of due diligence conducted at Mitsui Mining & Smelting (Takehara) are reported to the system manager, along with those of Mitsui Mining & Smelting (Kamioka) and Mitsui Kushikino Smelting.

The system manager then determines if there is a red flag based on the reported due diligence results and information provided by a compliance information company.

If the system manager determines that there is a red flag, the person in charge of raw materials is required to conduct a site visit. The system manager reports the results of the site visit to the supply chain officer. Upon receiving the report, the supply chain officer decides whether to initiate or continue a business relationship and/or what actions or measures should be taken.

The supply chain officer reports the results of its decisions to the compliance officer, who is to share information with the board of directors. The system manager requests suppliers to develop and execute improvement plans, and monitors the progress of the improvement plans and reports the results to the supply chain officer.

Based on a report prepared by a supplier, the supply chain officer decides whether to terminate, suspend, continue or resume a transaction, and then reports the decision to the compliance officer, who shares the information with the board of directors.

In fiscal 2021, there were no cases of reporting to national / local governments in connection with suspicious transactions.

#### **STEP 4: INDEPENDENT THIRD-PARTY AUDIT**

We have fully complied with Step 4: Independent third-party audit.

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.

The Independence Assurance Report is available on our website.

[https://www.mitsui-kinzoku.com/en/seihin/metals/s\\_meta\\_supply.html](https://www.mitsui-kinzoku.com/en/seihin/metals/s_meta_supply.html)

#### **STEP 5: REPORT ON SUPPLY CHAIN DUE DILIGENCE**

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

Due diligence in the supply chain is an ongoing process, and Mitsui Mining & Smelting (Takehara) will continue its Compliance reporting to reflect the ongoing nature of due diligence.

This compliance report and our Responsible Procurement Policy for Gold and Silver Ores and Materials are available on our website.

[https://www.mitsui-kinzoku.com/en/seihin/metals/s\\_meta\\_supply.html](https://www.mitsui-kinzoku.com/en/seihin/metals/s_meta_supply.html)

For an overall picture of the business, strategies, plans for creating corporate value of the Mitsui Mining & Smelting Group, please refer to our Integrated Report.

[https://www.mitsui-kinzoku.com/en/toushi/lib/integrated\\_report/](https://www.mitsui-kinzoku.com/en/toushi/lib/integrated_report/)