

# 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,Hirosima 725-0022 Japan
Reporting year-end	31 March 2024
Date of Report	26 June 2024
Supply chain officer responsible for this report	Fumiaki Hosokoshi, General Manager, Lead Unit, Lead & Zinc Division, Metals Sector

*F Hosokoshi*

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.

#### 1.1 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.

The policy is reviewed annually and updated as and when circumstances require.

We revised our policy in September 2023 with the approval of the Compliance Officer to further clarify our compliance with Annex II of the OECD Due Diligence Guidance.

It was then communicated to all relevant staff through training.

The revised Responsible Procurement Policy for Mineral raw material 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)

### 1.2 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 continue to operate an improved management structure, implemented in January 2022, aimed at the ongoing enhancement and promotion of supply chain due diligence program.

The board is trained in supply chain management to effectively oversee responsible sourcing practices.

The Compliance Officer develops the due diligence organization control strategy, approves new high-risk suppliers, and makes the final decision to terminate transactions. The Compliance Officer is a board member, familiar with the due diligence program, and has the authority to develop the management strategy of the due diligence organization.

Regarding the division of roles among management of the due diligence team, the supply chain officer has the authority to formulate the Responsible Procurement Policy for Mineral raw material and to approve our manual and related regulations.

The supply chain officer is also responsible for deciding whether to initiate or continue a business relationship with a particular supplier if high risk is identified and reporting it to the Compliance Officer for approval.

The system manager, who has a direct line of reporting to the supply chain officer, is assigned to manage the due diligence process. Skilled employees are assigned to the due diligence team, and we work in cooperation with other relevant departments such as Lead and Zinc raw materials divisions and group companies such as Mitsui Kinzoku Recycle Co., Ltd. to implement and monitor the due diligence process.

Last year, some non-conformances were pointed out during a third-party audit. In response to these issues, the system manager convened relevant stakeholders and devised and executed corrective measures.

We commenced the implementation of the LBMA Responsible Silver Guidance Ver.2 starting from January 2024.

Manuals, regulations and questionnaires were revised, and educational session were conducted for relevant employees.

Forty-six relevant employees were trained on supply chain due diligence matters during the reporting period. The topics of the training included supply chain policy and our revised due diligence process in line with the Responsible Silver Guidance.

An internal audit of Mitsui Mining & Smelting (TAKEHARA) confirmed in March 2024 that corrective actions were being continuously implemented.

### 1.3 Has the Refiner established a traceability system over gold and/or silver supply chains,

including chain of custody mapping and identification of supply chain actors?

We send the MMS policy and a KYC questionnaire to new suppliers, receive their responses and conduct evaluations before we start purchasing materials from them.

The KYC questionnaire includes company information, business details, presence or absence of beneficiaries, presence or absence of politically exposed person, directors, financial information, laws and regulations, tax payment, raw material origin, transportation methods and routes, human rights and environmental initiatives, AML-CFT measures, and others.

We conduct evaluations based on information such as trading partner, country of origin, raw material weight, transportation method, etc. from the KYC questionnaires, raw material invoices, packing lists, and B/L.

Mitsui Mining & Smelting (KAMIOKA) and Mitsui KUSHIKINO Mining are group companies that process materials containing gold and silver, from which Mitsui Mining & Smelting (TAKEHARA) receives materials. They too have adopted the similar process as above.

The Due Diligence procedures for suppliers and raw materials are carried out in accordance with the Due Diligence Manual and Due Diligence Implementation Regulation before entering into contracts with suppliers.

No high-risk supplier and high-risk origin of materials assessments were detected in this process during the reporting period.

1.4 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 have been prepared based on Annex II of the OECD Due Diligence Guidance and the LBMA KYC questionnaire, to new suppliers prior to the commencement of business relationship and to existing suppliers when they have undergone a significant change or when our policy is revised. We have received commitments to our supply chain policy from our new and existing suppliers. This commitment from suppliers is essential to ensure reliability and transparency in our supply chain process.

Due to a lack of knowledge about the OECD Due Diligence Guidance, Responsible Gold Guidance, and Responsible Silver Guidance among domestic small and medium-sized suppliers, we sent guidance materials to 107 suppliers in FY2023 to enhance their understanding.

Our goal is to have our suppliers understand the OECD Due Diligence Guidance, Responsible Gold Guidance, Responsible Silver Guidance, and our policy, and to cooperate with requests such as KYC questionnaires.

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.

Mitsui Mining & Smelting (TAKEHARA) did not purchase precious metals from state-owned enterprises in EITI member countries during the reporting period.

The suppliers supplying ores to Mitsui Mining & Smelting group have procurement policies based on Annex II of the OECD Due Diligence Guidance and conduct procurement activities based on the OECD Due Diligence Guidance. Therefore, there are no suppliers in need of Mitsui Mining & Smelting(TAKEHARA) support.

### 1.5 Has the Refiner established a company-wide confidential grievance mechanism?

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.

In order to thoroughly protect whistleblowers, we strictly enforce and operate measures such as ensuring anonymity and prohibiting disadvantageous treatment of whistleblowers.

Reported information is promptly shared with corporate auditors and regularly reported to the Board of Directors.

We have also set up the Compliance Consult Report Desk, a hot line for external stakeholders, which is accessible on our website. The number of complaints in FY2023 was zero and there were no unaddressed complaints received as of the end of the reporting year.

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**

Mitsui Mining & Smelting (TAKEHARA) have fully complied with Step 2: Risk identification and assessment.

### 2.1 Does the Refiner have a due diligence process to identify risks in the supply chain?

We collect supplier information by sending a KYC questionnaire to new suppliers before starting a 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.

Third party information is an effective tool for obtaining information on suppliers and their shareholders. We investigate whether a supplier or any of its UBOs are on a major sanction list based on information obtained from the SDN list, Japanese Ministry of Finance, and EU Financial Sanctions list.

When identification and verification of UBOs using photo identity documents was difficult, the existence and identity of UBOs were verified through an in-person meeting/interview with the identified UBOs or conducting other means.

Mitsui Mining & Smelting (TAKEHARA), along with Mitsui Mining & Smelting (KAMIOKA) and Mitsui KUSHIKINO Mining, identified and assessed supply chain risks by obtaining full KYC questionnaires from gold and silver suppliers and conducting desk top research using D&B Onboard.

This process is a formal requirement before entering any business relationship with a supplier of gold and/or silver. (Before we commenced the implementation of the LBMA Responsible Silver Guidance Ver.2 starting from January 2024, we had carried 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 Mineral raw material.)

We evaluate suppliers based on company information, business details, presence or absence of beneficiaries, presence or absence of politically exposed person, directors, financial information, laws and regulations, tax payment, raw material origin, transportation methods and routes, human rights and environmental initiatives, AML-CFT measures, and others. These elements are crucial for enhancing risk assessment and transaction transparency related to suppliers and their shareholders.

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 suppliers. These elements are crucial for evaluating the ethical and environmental aspects of suppliers and establishing sustainable business practices.

The system manager examines the results of the supply chain DD reported by the raw material purchasing manager, and if there are any discrepancies with the information recognized regarding the supply chain, asks the raw material purchasing manager to reconfirm. If the raw material is suspected to be procured in violation of the policy or to be derived from a CAHRA, the system manager reports this to the supply chain officer. He instructs the raw material management manager to stop processing the raw material and to have it stored. The system manager also instructs the raw material purchasing staff to conduct a field survey and orders the raw material purchasing manager to conduct a site visit.

The system manager is required to report the results of this enhanced due diligence, including the results of the site visit, to the supply chain officer to ask for a determination on whether to proceed with the transaction. The supply chain officer decides whether to proceed with the transaction, issues appropriate instructions to the system manager, and reports to the Compliance Officer. The Compliance Officer then shares information in the board of directors on potential negative impacts from trading with the supplier. We assess whether relevant parties, including the system manager, are properly performing their duties in accordance with the manual and related regulations, and take corrective actions if there are any deviations. To ensure thorough compliance, we conduct internal audits at least once a year. The internal auditor communicates any deviations and findings in writing to the auditee and reports the results of the internal audit to the supply chain officer.

The auditee shall promptly take corrective action for any deviations found in the internal audit and report the details of the corrective actions to the system manager. Based on the results of internal audits, etc., the system manager reports to the supply chain officer on an annual basis about the operation results of the supply chain DD. The supply chain officer provides clear written instructions to the system manager.

Our "Gold and silver supply chain due diligence manual" and "Gold and silver supply chain DD implementation regulation" stipulate that supply chain due diligence should be performed before the start of trade for all gold and silver raw materials purchased.

Mitsui Mining & Smelting (Takehara) conducted due diligence on all supply chains before the transaction began.

## 2.2. How does the Refiner classify identified risks in light of the standards of its due diligence system?

We define the location-based high risks, supplier-based high risks, and material-based high risks in the gold and silver supply chain DD implementation regulation as follows.

### **Mined gold and silver**

Mined gold/silver is high risk, if it:

- Originates from, has transited or has been transported via a Conflict-Affected and High-Risk Area of human rights abuses (CAHRA).
- Is claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit.
- Is claimed to have originated from a country that has limited known reserves.

A supplier is high risk, if it:

- Has shareholders, or UBOs, or other gold supplying interests in one of the location-based high-risk criteria.
- Has UBOs that are Politically Exposed Persons (PEPs).
- Has activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders.
- Has been known to have sourced gold from a high-risk country in the last 12 months.
- Has material discrepancies/inconsistencies in the documentation provided or has refused to provide requested documentation.

A material is high risk, if it:

- Is sourced from ASM.
- Is produced with the use of mercury.
- Is contributing to catastrophic harm or highly adverse ESG factors, to the extent that we are able to identify (e.g., a record in the public domain or in our due diligence file).

### **Recycled gold and silver**

Recycled gold/silver is high risk, if it:

- Originates from, has transited or has been transported via a CAHRA.
- Is claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit, and/or is unjustifiably claimed to have originated from a country that has limited exports of gold.

A supplier is high risk, if it:

- Operates in a money laundering high-risk country.
- Has shareholders, or UBOs, or other gold-supplying interests in one of the location-based high-risk criteria.
- Has UBOs who are Politically Exposed Persons (PEPs).
- Has activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders.
- Has been known to have sourced gold from a high-risk country in the last 12 months.
- Has significant unexplained geographic routing from their supplier or counterparty in the supply chain.

A material is high risk, if it:

- Is from an Intermediate Refinery or trader with high risk supply chain or a trading counterparty sourcing from an Intermediate Refinery with a high risk supply chain.

We treat a supply chain that meets any of the following criteria as a zero-tolerance supply chain:

- The Mined Gold/silver is known to originate from areas designated as World Heritage Sites.
- The Mined or Recycled Gold/Silver is known to be sourced in breach of international sanctions(including but not limited to those of the UN, EU, UK and US).
- The Mined or Recycled Gold/Silver supplying counterparty, other known upstream companies or their UBOs are known money launderers, fraudsters or terrorists, or have been implicit in serious.

CAHRAs identification is as follows.

We updated the Conflict Affected High Risk Areas (CAHRA) list in April and October 2023.

In identifying location-based risk, we used information from the US Dodd-Frank Act, EU CAHRA List, EITI, FATF, OFAC, US Department of Labor, NGOs, the Heidelberg Conflict Barometer, Fragile States Index and The Worldwide Governance Indicators.

We used World Mineral Production data to verify the authenticity of the origin of the ores.

We added governance criteria to the selection process for high-risk regions in October 2023, and incorporated The Worldwide Governance Indication.

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 30 countries specified as CAHRAs (end of March 2024).

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.

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

We have made it clear to internal personnel that we will not continue or conclude new contracts with countries subject to international sanctions.

No enhanced due diligence was conducted during the reporting year since no zero-tolerance and high-risk suppliers were found.

### 2.3 Has the Refiner undertaken EDD measures for identified high-risk supply chains?

If it is determined that the content of the collected KYC questionnaire deviates from the policy, it is stipulated in the due diligence implementation regulations that the raw material purchasing manager, who is familiar with the supplier, and the system manager, who is familiar with the internal control system and the implementation method of Enhanced Due Diligence (EDD), or an independent third-party consultant, must conduct a site visit within three months from the time the deviation is discovered.

Our EDD:

- Is aimed at substantiating the documented KYC information.
- Is focused on investigating threat financing risks and specific supply chain due diligence findings.
- Shall be implemented within 3 months before the transaction occurs, if the possibility of violation of our policy is recognized.
- Shall be conducted by the raw material purchasing manager and the system manager or independent third-party consultants, who are free of any conflict of interest with the supplier. Everyone conducting a site visit must commit to reporting truthfully and accurately.
- Shall be conducted in consultation with relevant internal and external stakeholders (for example, local or central authorities, upstream companies, international or civil society organizations, or affected third parties), where applicable.
- Shall use the site visit report template included in the Refiners Toolkit when preparing a site visit report.
- Shall be followed up, depending on the number and severity of issues identified.

When we conduct EDD for an intermediate refiner, we:

- Shall ensure, when requesting the Intermediate Refiner to seek independent assurance on a comply or explain basis, that:
  - ☆ the assurance report includes conformance with an OECD aligned responsible sourcing scheme
  - ☆ it is commissioned by the Intermediate Refiner
  - ☆ it is completed before the start of a new business relationship or within a reasonable timeframe.
- Shall identify the UBOs of the Intermediate Refiner.
- For recycled gold, shall check relevant government watch lists for companies (including transporters) involved in the supply chain from the counterparty to the refinery.
- Interview select management and site personnel to determine and corroborate the supply chain due diligence practices, purchasing, and anti-money laundering and counter terrorist financing procedures.
- Assess the counterparty's competence and capacity for supply chain due diligence proportionate to risk.
- Assess the appropriateness of the counterparty's risk classification methodology.
- Assess the counterparty's due diligence records.

We confirm if there are any changes in the countries of origin, type of material or supplier attributes for each existing supply chain once a year, and if there is any change, we renew the assessment.

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

Does the Refiner have a process to respond to the identified risks by either (i) mitigating the risk while continuing to trade, (ii) mitigating the risk while suspending trade or (iii) disengagement from the risk?

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

We terminate contracts with suppliers that are found to have committed serious human rights



violations or supported non-state armed groups.

If an Annex II risk other than serious human rights violations or support for non-state armed groups is recognized, we must suspend transactions. In order to recommence the transaction, we must request the suppliers to develop and implement an improvement plan, monitor the progress and finally satisfy ourselves that the Annex II risk no longer applies.

The content of the KYC questionnaire sent by the supplier must be checked by the raw material purchasing manager. The system manager then re-evaluates the content of the KYC questionnaire using third-party information regarding location and supplier risk.

If the system manager determines that a supply chain is high risk, the raw material purchasing manager and the system manager must 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 DD team reports decisions to the Compliance Officer, who makes the final decision and shares information with the Board of Directors.

The system manager requests suppliers to formulate and implement improvement plans, and monitors the progress of improvement plans. The system manager evaluates the results of the supplier's implementation of the improvement plan and reports the evaluation results to the supply chain officer.

Based on the improvement report prepared by the supplier, the supply chain officer must decide whether to suspend, continue, or resume the transaction.

The supply chain officer reports the decision results to the Compliance Officer, who makes the final decision and shares the information with the board of directors.

In FY2023, Mitsui Mining & Smelting (TAKEHARA) did not identify risks that required (i) mitigating risks while continuing to trade, (ii) mitigating risks while stopping trading, and (iii) disengagement from the risk.

There were therefore no counterparties to which mitigation measures were applied and no instances where we decided to disengage with counterparties during the reporting year. No steps were taken to strengthen chain of custody or traceability systems for supply chains under risk mitigation instances, either.

In FY2023, there were no cases of reporting to national / local governments / LBMA in connection with suspicious transactions.

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

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

Mitsui Mining & Smelting (TAKEHARA) engaged KPMG AZSA Sustainability Co., Ltd. as a third party assurance provider.

The main reason for selecting KPMG AZSA Sustainability was that it was the only assurance provider based in Japan that was included in the list of approved assurance providers.

Before entering into the assurance service contract with KPMG AZSA Sustainability Co., Ltd., Mitsui Mining & Smelting (TAKEHARA) conducted an investigation of the auditing firm using D&B

Onboard. The members appointed by the Compliance Officer, the supply chain officer, and the board of directors scrutinized and confirmed the independence of the auditing firm. Furthermore, Mitsui Mining & Smelting (TAKEHARA) requested the submission of audit resumes from the auditing firm and verified the auditor's qualifications, experience, and abilities prior to concluding the assurance contract.

There are no high or medium risk non-conformities identified in the previous audit process and remain to be mitigated.

Mitsui Mining & Smelting (TAKEHARA) has engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd, and their Independent 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)

## **Table 2: MANAGEMENT CONCLUSION**

In conclusion, the Company implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance as explained above in Table 1, for the reporting year ended 31 March 2024.

This compliance report and our Responsible Procurement Policy for Mineral raw material 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/)