


## JX Metals Smelting LBMA Responsible Gold and Silver Guidance Compliance Report

The LBMA Responsible Gold Guidance and the 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 address environmental and sustainability responsibilities, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarizes how JX Metals Smelting Co., Ltd. (hereinafter referred to as JX Metals Smelting) has complied with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance.

Table 1: Refiner's details	
Refiner's name	JX Metals Smelting Co., Ltd.
Location	14F Okura Prestige Tower 10-4 Toranomom 2-chome Minato-ku, Tokyo, Japan
Reporting year-end	March 31, 2023
Date of Report	July 13, 2023
Senior management responsible for this report	 Yutaka Yasuda President & Representative Director

### JX Metals Smelting's evaluation

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.

JX Metals Smelting has adopted a supply chain policy regarding due diligence for supply chains of gold and silver.

Comments and Demonstration of Compliance:

JX Metals Smelting has the Gold, Silver, Platinum and Palladium Supply Chain Policy, which is consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. This Policy sets out our responsibility to respect environmental, social and governance (ESG) factors, and not to contribute to conflict, and our commitment to refraining from any action which contributes to the financing of conflict. We at least annually review the Policy and revise it as necessary. During the period, we revised the Policy in April 2022 and December 2022 with an approval by the Board. The Policy is disclosed on our website ([https://www.jx-nmm.com/english/sustainability/csr\\_procurement/conflict\\_minerals/](https://www.jx-nmm.com/english/sustainability/csr_procurement/conflict_minerals/)), and is communicated to all our relevant staff by posting on our intranet and circulating via email.

JX Metals Smelting has set up an internal management structure to support supply chain due diligence.

Comments and Demonstration of Compliance:

JX Metals Smelting operated an internal management system to support supply chain due diligence, which includes the definition of the governance, roles and responsibilities, internal audit, communication and management review by the Board as per the adopted policy. Authority and accountability for supply chain due diligence are assigned to the Board. The Board members were provided training on May and June 2023 to update their knowledge. The Board has assigned the General Manager of Administration Division as the Compliance Officer who has suitable experience to take responsibility for the implementation of the due diligence process, and the Compliance Officer has a direct line of reporting to the Board. In addition, Pan Pacific Copper Co., Ltd.'s Raw Materials Dept. and JX Nippon Mining & Metals Corporation's Metals & Recycling Division and Marketing Dept. perform supplier risk assessment as part of due diligence process. If we identify high-risk supply chain through our due diligence process, the Compliance Officer conducts enhanced due diligence and reports the results to the Board. The Board then determines whether to enter the transaction and gives appropriate instructions to the Compliance Officer. JX Metals Smelting provided training on due diligence to employees involved in procurement of gold and silver, focusing on an overview of the conflict minerals issue, the results of the third-party audit in the previous year (there was no high-, medium- or low-risk deviations identified during previous reporting year, so we informed our employees orally), and any necessary actions to be taken by each department. The training was attended by

107 employees. In addition, The materials and rules are posted on the intranet to be made them known to our employees and are communicated to employees of Pan Pacific Copper Co., Ltd. and JX Nippon Mining & Metals Corporation by circulating via email.

We conducted internal audit in January 2023 and March 2023 and identified one case where due diligence had been conducted after commencing a business relationship with a supplier. We have already established a monitoring process to prevent recurrence.

JX Metals Smelting has established a traceability system over gold and silver supply chains, including chain of custody mapping and identification of supply chain actors.

Comments and Demonstration of Compliance:

JX Metals Smelting has a gold and silver -bearing materials receipt process. Specific documents such as those showing the origin of raw materials, weight and assay, shipping/transportation documents, etc. must be received and transactional details entered before we process the gold and silver -bearing material. The received documents are stored in a prescribed database, and the information is accurately registered in our transaction system on a lot-by-lot basis. We have introduced a new checklist for registration of information on new suppliers of recycle materials since fiscal 2021. Information on new suppliers now cannot be registered in the transaction system without attaching a completed checklist, which we expect to ensure that supplier risk assessments be implemented before commencing transactions.

JX Metals Smelting identifies the origin of gold and silver -bearing materials by obtaining KYC Questionnaires and Certificates of Origin from suppliers and preparing due diligence screening tables. We also perform supply chain compliance checks using the Dow Jones Risk Database.

As a result of the foregoing, we did not identify any high-risk supply chains for fiscal year 2022.

If JX Metals Smelting identifies high-risk supply chain through our due diligence process, the Compliance Officer conducts enhanced due diligence and reports the results to the Board. The Board then determines whether to proceed with the transaction and gives appropriate instructions to the Compliance Officer.

JX Metals Smelting has 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:

Before entering transactions, we send via e-mail our Gold, Silver, Platinum and Palladium Supply Chain Policy and the KYC Questionnaire to our suppliers of gold,

silver, platinum and palladium-bearing materials and requested them to read the Policy and fill out the KYC Questionnaire. In addition, when the Policy is revised, we also send via e-mail the Policy to all of our suppliers of gold, silver, platinum and palladium-bearing materials .

There were no due diligence issues on which suppliers/counterparties were specifically engaged during reporting period.

There were no purchases of gold and silver-bearing raw materials from state-owned companies operating in EITI countries for fiscal 2022.

JX Metals Smelting has established a company-wide confidential grievance mechanism.

Comments and Demonstration of Compliance:

JX Metals Smelting has a mechanism allowing employees and external stakeholders to voice concerns anonymously over the gold and silver supply chain or a newly identified risk via an e-mail contact form. A functional hot-line is established, which is reviewed by the Compliance Officer. There was no concern raised regarding the gold and silver supply chain in fiscal 2022 and There was no concern raised regarding the gold and silver supply chain in fiscal 2022 and no remaining concerns to be closed out.

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.

JX Metals Smelting has a process to identify risks in the supply chain.

Comments and Demonstration of Compliance:

JX Metals Smelting identifies and assesses risks in the supply chain. Pan Pacific Copper Co., Ltd.'s Raw Materials Dept. and JX Nippon Mining & Metals Corporation's Metals & Recycling Division and Marketing Dept. perform supplier risk assessment as part of due diligence process by obtaining KYC Questionnaires and Certificates of Origin from suppliers and checking compliance matters using the Dow Jones risk database. The Compliance Officer is informed of the result of assessment as above. If a high-risk or zero-tolerance supply chain is not identified, the compliance officer approves the transaction. If a zero-tolerance is identified, the transaction must not commence or be suspended immediately. If a high-risk supply chain is identified, enhanced due diligence must be conducted and the results must be reported to the Board. The Board then determines whether to enter the transaction and gives appropriate instructions to the Compliance Officer. In case the Board determines to enter the transaction with high-risk supply chain, we request the supplier to prepare and implement an improvement plan to eliminate the high-risk, and if there is no

progress in eliminating the high-risk in accordance with the improvement plan within 6 months, we shall suspend the transaction. The Board continues to monitor the progress of the improvement plan.

JX Metals Smelting classifies identified 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 the LBMA Responsible Silver Guidance shall be performed before entering a business relationship with any gold and silver supplying counterparties. We use information provided by Teikoku Databank, Ltd. and Dow Jones and Company, Inc. to assess the risks in our supply chain.

Since there was no transaction determined zero-tolerance or high-risk supply chain in fiscal 2022, we did not perform enhanced due diligence for higher-risk supply chain. We conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship following a risk-based approach. Pan Pacific Copper Co., Ltd.'s Raw Materials Dept. and JX Nippon Mining & Metals Corporation's Metals & Recycling Division and Marketing Dept. perform supplier risk assessments as part of due diligence process. We did not find any high-risk supply chains during fiscal 2022, and therefore, we did not conduct enhanced due diligence including on-site surveys.

JX Metals Smelting has established a process for the identification of Conflict Affected and High-Risk Areas (hereinafter referred to as "CAHRAs"). We shall review the list at least once a year and make changes to it as necessary. The Compliance Officer is responsible for keeping the CAHRAs list up-to-date and accessible to anyone involved in our gold and silver raw material supply chain Due Diligence.

We include in the definition of CAHRAs the Democratic Republic of the Congo (hereinafter referred to as "DRC"), neighboring countries of DRC, and countries where minerals from DRC or its neighboring countries are known or reasonably suspected to transit.

We also include in the definition of CAHRAs those countries whose intensity level is 5 according to the Heidelberg Conflict Barometer and other countries that we deem appropriate to identify as CAHRAs based on publicly available information sources such as the LBMA Responsible Sourcing Newsletter. In April 2022, we revised the CAHRAs list according to the process stipulated in our manual. In addition, we revised the sources to be considered for identifying CAHRAs.

We determine gold or silver supplied to us is zero tolerance when gold or silver

supplied to us i) originates from areas designated as World Heritage Sites; ii) is sourced in breach of international sanctions; or iii) supplier, other known upstream companies or their Ultimate Beneficial Owners (UBOs) are known money launderers, fraudsters or terrorists, or have been implicit in serious human rights abuses, or in direct or indirect support to illegitimate non-state armed groups. We determine gold or silver supplied to us is high-risk when gold or silver supplied to us i) originates from a CHARA; ii) is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold or silver; iii) is claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where gold or silver from CHARAs is known or reasonably suspected to transit; iv) produced by using mercury; or v) is sourced from an area designated as a World Heritage Site by UNESCO. Also, we determine a supplier is high-risk when i) the supplier is located in a CHARA; ii) an UBO of the supplier or other know upstream companies is a politically exposed person; or iii) the supplier has activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders.

If our due diligence finds that a particular supply chain is high-risk because either gold/silver supplied to us or a supplier meets any of the above criteria, we conduct enhanced due diligence, namely, on-site surveys as well as checks and assessments using appropriate information sources, so that the Board can determine whether or not to proceed with the transaction.

JX Metals Smelting has undertaken EDD measures for identified high-risk supply chains.

**Comments and Demonstration of Compliance:**

Since there was no transaction determined high-risk, we did not perform any enhanced due diligence during the reporting year.

The Compliance officer shall report to the Board the process and results of supply chain due diligence conducted, including the results of internal audit and third-party audit. The Board must determine whether to approve or disapprove all new suppliers classified as high risk, but no supplier classified as high risk was identified in fiscal 2022. The Board 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.

JX Metals Smelting has 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:

JX Metals Smelting has devised a strategy for risk management according to the nature of the identified risk whereby the Board decides on one of the following. (i) in case money laundering, terrorist financing, fomenting conflict, human rights abuses, direct or indirect support for illegal non-state armed groups, or fraudulent misrepresentation of the country of origin of gold, silver is fraudulently mislabeled, or is highly likely to be, the transaction must not commence or be suspended immediately; (ii) in case money laundering, terrorist financing, fomenting conflict, human rights abuses, direct or indirect support for illegal non-state armed groups, or fraudulent misrepresentation of the country of origin of gold, silver may be taking place or violation of ESG factors, the transaction must be suspended and investigated; or (iii) in case due diligence has concluded that there has been a material regulatory violation regarding (a) direct or indirect assistance, bribery, or bribes to public or private security forces, (b) misrepresentation of country of origin of gold and silver without fraud, (c) non-compliance with taxes, fees and mining fees payable to the government, or (d) violations of local environmental, occupational health and safety, community laws and ESG factors, but the supplier is acting proportionately and in good faith, the transaction may be continued but risk mitigation plan must be implemented.

In the case of implementation of risk mitigation plan, JX Metals Smelting requires suppliers to implement an improvement plan with clear performance targets within a reasonable period, continuously monitors the implementation status of the plan, and reports the findings to the Board. If the improvement plan fails to produce results within a certain period, JX Metals Smelting will consider suspending or dissolving the relationship with the supplier. No risk mitigation plan has been implemented in fiscal 2022.

No reasonable risk of our involvement in money laundering, terrorist financing, conflict, human rights abuses or violations of ESG factors-related legal requirements was identified in our due diligence conducted in fiscal 2022

As a result, we did not find any high-risk supply chains during fiscal 2022. Therefore, there was no cases of cooperation with national or local government authorities regarding high-risk supply chains.

Step 4: Independent third-party assurance

<p><b>Compliance Statement with Requirement:</b></p> <p>We have fully complied with Step 4: Obtain Independent Third-Party Assurance on Supply Chain Due Diligence Practices.</p>
<p><b>Comments and Demonstration of Compliance:</b></p> <p>JX Metals Smelting engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent assurance report is attached. The Compliance Officer approved to enter into Assurance Service Agreement with KPMG AZSA Sustainability Co., Ltd. At the Board meeting held in March 2023, the Board ensured that KPMG AZSA Sustainability is independent of the organization and has the necessary effectiveness to carry out the engagement.</p>
<p><b>Step 5: Report on supply chain due diligence</b></p>
<p><b>Compliance Statement with Requirement:</b></p> <p>We have fully complied with Step 5: Report on supply chain due diligence.</p>
<p>Our Gold, Silver, Platinum and Palladium Supply Chain Policy is available on JX Mining &amp; Metals's website, and our Compliance Report with the independent assurance report is available on JX Mining &amp; Metals' website (<a href="https://www.nmm.jx-group.co.jp/english/sustainability/csr_procurement/conflict_minerals/">https://www.nmm.jx-group.co.jp/english/sustainability/csr_procurement/conflict_minerals/</a>).</p>

**JX Metals Smelting's overall conclusion**

<p><b>Table 3: Management conclusion</b></p>
<p>Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance for the reporting period?</p> <p>Yes</p> <p>In conclusion, JX Metals Smelting 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 2, for the reporting year ended March 31, 2023.</p> <p>JX Metals Smelting is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.</p>
<p><b>Table 4: Other report comments</b></p>
<p>If users of this report wish to provide any feedback to JX Metals Smelting with respect to this report, they can send an e-mail to the functional mailbox: <a href="mailto:conflict_minerals@jxgr.com">conflict_minerals@jxgr.com</a></p>