

The Refiner's Compliance Report

The *LBMA Responsible Silver Guidance* has 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.

This report summaries how Good Delivery Refiners have complied with the requirements of the *LBMA Responsible Silver Guidance*

Table 1 : Refiner's details	
Refiner's name	Korea Zinc Company, Ltd.
Location	<u>Head Office</u> : Young Poong B/D 542 Gangnam-Daero, Gangnam-gu, Seoul, Korea <u>Onsan-Refinery</u> : 139 Ijin-ro, Ulju-gun, Ulsan, Korea
Reporting year end	December 31, 2019
Date of Report	June 12, 2020
Senior management responsible for this report	Sanghoon, Lee, Manager (Raw Material team1), johnlee@koreazinc.co.kr

Korea Zinc Company, Ltd's evaluation

The following table lists the minimum requirements that must be satisfied by Refiners in accordance with the *LBMA Responsible Silver Guidance* to demonstrate compliance. Refiners should complete the table and provide reasons for their responses in the space provided. All boxes not shaded should be completed.

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.
Korea Zinc Company, Ltd has adopted a policy regarding due diligence for supply chains of silver
Comments and Demonstration of Compliance: During 2019, we established an appropriate silver supply chain policy, which is consistence with the



model set out in the Annex II of the OECD Due Diligence Guidance. This sets out our responsibility for conducting risk-based due diligence, screening and monitoring of transactions and governance structures in place.

Korea Zinc Company, Ltd has set up an internal management structure to support supply chain due diligence

Comments and Demonstration of Compliance:

During 2019, details for our internal management system has been set up to define the governance, roles and its responsibilities, internal audit, communication and management review as per the adopted policy. Our management level officer has been assigned to control this process and has an official line of reporting to the executive committee.

Korea Zinc Company, Ltd has established a strong internal system of due diligence, controls and transparency over silver supply chain, including traceability and identification of other supply chain actors

Comments and Demonstration of Compliance:

We have a robust Responsible silver receipts process and specific documents must be received and transactional details entered before we process the silver-bearing material

Korea Zinc Company, Ltd has strengthened company engagement with silver supplying counterparties, and where possible, assisted silver supplying counterparties in building due diligence capabilities

Comments and Demonstration of Compliance:

We are in the process of modifying our supplier agreements so that they make reference to the OECD guidelines.

Korea Zinc Company, Ltd has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management

Comments and Demonstration of Compliance:

The Refiner has developed a mechanism allowing employees to voice concerns over the Silver supply chain or a newly identified risk. A functional mailbox has been established, which is reviewed by the compliance officer.

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.

Korea Zinc Company, Ltd has a process to identify risks in the supply chain



Comments and Demonstration of Compliance:

We identify and assess risks in the supply chain. We have established our criteria for high-risk categories and applied them for any silver supplying counterparty. We conduct due diligence following a risk-based approach. Following the due diligence process, we allocate a risk profile according to our risk profile criteria. This process is a formal requirement before entering into any business relationship with a precious metal supplying counterparty.

Korea Zinc Company, Ltd assess risks in light of the standards of our due diligence system

Comments and Demonstration of Compliance:

Supply chain due diligence comprising all measures required by the *LBMA Responsible Silver Guidance* is performed before entering into a business relationship with any silver supplying counterpart. We performed enhanced due diligence for higher-risk categories, which includes those where silver originates from or transits via a conflict-affected or human rights abuse in high-risk area. In addition, we conducted appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship.

Korea Zinc Company, Ltd report risk assessment to Senior management

Comments and Demonstration of Compliance:

The Compliance officer provides a commentary report to the Senior manager, representing the senior management team on due course. The Senior manager must approve all new suppliers classified as high risk. Senior manager retains the ultimate control and responsibility for the 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.

Korea Zinc Company, Ltd 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:

During the reporting period, Korea Zinc Company, Ltd has properly implemented required strategy to respond to the identified risks

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



Comments and Demonstration of Compliances

The relative procedure is in place and where and when necessary appropriately applied.

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. Korea Zinc Company, Ltd engaged the services of the assurance provider Samjong KPMG, and their independent limited assurance report will be available on Korea Zinc Company, Ltd's website when issued

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. Our Responsible Conflict Mineral Policy is available on Korea Zinc Company, Ltd's website.

Korea Zinc Company, Ltd overall conclusion

Table 3: Management conclusion

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

Yes, in conclusion, Korea Zinc Company, Ltd implemented effective management systems, procedures, processes and practices to confirm to the requirements of the *LBMA Responsible Silver Guidance*, as explained above in Table 2, for the reporting year ended 31 December 2019

Table 4: Other report comments

If users of this report wish to provide any feedback to Korea Zinc Company, Ltd with respect to this report, they can contact corporate relations on [rhogary@koreazinc.co.kr].