

## 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, 2020
Date of Report	July 5, 2021
Senior management responsible for this report	Sanghoon, Lee, Manager (Raw Material team1), <a href="mailto:johnlee@koreazinc.co.kr">johnlee@koreazinc.co.kr</a>

### 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
<b>Step 1: Establish strong company management systems</b>
Compliance Statement with Requirement: <b>We have fully complied with Step 1: Establish strong management systems.</b>
<b>Korea Zinc Company, Ltd has adopted a policy regarding due diligence for supply chains of silver</b>
<b>Comments and Demonstration of Compliance:</b> <b>During 2020, we established an appropriate silver supply chain policy, which is consistence with the</b>



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.

We perform risk management to avoid procuring Silver bearing materials from area (Conflict Affected & High Risk Areas) that might be contributing to human rights abuses and involved in terrorist financing and money laundering. Any transaction found to be involved in human right abuses, terrorist financing and money laundering shall be stopped immediately.

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

Comments and Demonstration of Compliance:

During 2020, 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 and transactional details (silver-bearing material) must be received.**

Transactional details such as type, weight, assay, date of arrival/processing and etc. are recorded in our system.

Our procedure makes it clear that the principle that any payment should be conducted through the official banking system. Without verifiable information, payment cannot be approved and conducted by the system.

We strengthened risk assessment for environment and sustainability in accordance with the RGG/RSG and established government standards.

Ex) Obtain International Standard ISO14001

Retaining the department dedicated to the environment

Environmental training

Volunteer Service Operation (Enhanced Community Partnership) Etc.

It is our priority to consistently comply with Guidance of government & LBMA.

**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 have modified our general term and conditions for the refining of materials so that they make reference to our Responsible silver policy and the Annex 2 of the OECD Due diligence Guidance for responsible supply chains of minerals from conflict-affected and high risk areas.



We have explained our policy to our new suppliers so that they can understand and join our conflict minerals management and requested to our new suppliers to issue a document with representative's signature, Certificate of Origin and pledge for non-use of conflict minerals.

We posted our Responsible Mineral management Policy in our website and have requested to our new suppliers to comply to our policy and to our directives.

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:

We have an internal communication system in place, allowing employees to voice concerns over the silver supply chain or newly identified risks.

We have a proper time schedule for understanding and implementing of RGG/RSG. When RGG/RSG is updated or if changes in responsible sourcing has been verified, such findings are immediately reported to the management and to all members of Korea Zinc Company, Ltd Based on the recognition of appropriately shared conflict minerals policies, all of our personnel are required to manage risks implementing our conflict minerals policy.

We, Korea Zinc Company, Ltd have developed a mechanism to support our communication, allowing employees, external stakeholders and any other party to voice concerns over our supply chain or a newly identified risk. A functional mailbox has been already established on our website, which is accessible freely. Opinions received through mailbox is reviewed by corporate compliance team.

### 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.

We have a criteria for risk judgment for business with suppliers. To comply with the our Responsible Conflict Mineral Policy and Guidance of LBMA(RGG&RSG) We carry proactive risk management with our criteria. (ex: Scale of Business, Transaction period, Type of contract, Suppliers status checking, Questionnaire for checking of Risk Armed group, Worker Safety measures, child labor prevention, Production information checking : Origin, location of factory and mine, etc.)

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 of all measures required by the LBMA Responsible silver Guidance, is performed before entering into a business relationship with any silver supplying counterpart. Supplier is required to faithfully comply with our requirements and is notified before any transaction that failure to comply may result in a suspension of the transaction.**

**We prefer reliable, long-term transactions, requiring suppliers to comply with our Conflict Minerals Policy and Guidance of LBMA, which minimizes risks and the likelihood of problems occurring. We performed enhanced due diligence for higher-risk categories, which includes areas 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.**

**1) Any transaction found to be involved in conflict, human rights abuses, or money laundering shall be stopped immediately.**

**2) Any transaction found to be suspicious shall be suspended until accurate additional information is acquired.**

**3) We, Korea Zinc Company, Ltd, hope to sustain long-term growth based on stable transactions.**

**The start of transactions with suppliers will be carried out with various criteria for judgment, including reputation, reliability, location, asset size, stock market listing, conflict mineral policy operation and compliance. Since we value the continuity of transactions, we continuously monitor the duration of transactions, riskcausing history, contract types and durations. Subsequently, based on the monitoring results, the company shall review the continuation or suspension of the**



transaction relationship with suppliers and focus on minimizing the risk of deviating from the conflict minerals policy.

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 Compliances

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

When we decide to continue business relationship with the supplier, we assess the risks of suppliers. After assessing the suppliers, we decide whether to continue the business relationship under certain conditions or terminate it. The decision from the assessment is reported to senior management. During the reporting year, We found our supplier is not risky that we should terminate transaction.

#### 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:

Our Responsible Conflict Mineral Policy is available on Korea Zinc Company, Ltd's website. Our efforts for Environmental Social and Governance is introduced on Korea Zinc Company, Ltd's website.

Also, Our Compliance report with the audit report will be available on Korea Zinc Company, Ltd's website when issued.

### 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**



LBMA

**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].**