

KPMG Samjong Accounting Corp.

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Independent Limited Assurance Report on Korea Zinc Company, Ltd.

We were engaged by Korea Zinc Company, Ltd. (“the Refiner”) to perform a limited assurance engagement of the accompanying Refiner’s Compliance Report (the “Refiner’s Compliance Report”) prepared on the basis of the London Bullion Market Association (LBMA) Responsible Gold Guidance (version 9) and Responsible Silver Guidance (version 1) for the year ended December 31, 2022.

The assurance scope consists of the Refiner’s Compliance Report (“the Report”).

Management’s responsibilities

The management of the Refiner is responsible for the preparation of the Refiner’s Compliance Report in accordance with the requirements of the *LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance* (“the *Guidance*”). The management is also responsible for such internal control as they determine is necessary to enable the preparation of the Refiner’s Compliance Report that is free from material misstatement, whether due to fraud or error.

The criteria identified by the management as relevant for demonstrating compliance with the *Guidance* are the activities described within the Refiner’s Compliance Report.

Our responsibilities

Our responsibility is to express a conclusion on the Refiner’s Compliance Report based on the procedures performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements *ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board for limited assurance engagements and the guidance set out in the *LBMA Responsible Sourcing Programme - Third Party Audit Guidance* (“the *Audit Guidance*”). This standard requires that we plan and perform procedures in order to obtain limited assurance as to whether the Refiner’s Compliance Report is free from material misstatement.

Our engagement has involved performing procedures to obtain evidence about the information included in the Refiner’s Compliance Report. The procedures performed on Refiner’s Compliance Report have been based on our professional judgement and have included inquiries, primarily with company personnel responsible for the preparation of information included in the Refiner’s Compliance Report, analysis of documents, recalculations and other procedures aimed to obtain supporting evidence.

Specifically, we carried out the following procedures:

- Inquiries with the management to gain an understanding of the Refiner’s processes and risk management protocols in place and of internal control over the preparation of the Refiner’s Compliance Report relevant to the engagement;
- Inquiries with relevant staff responsible for the preparation of the Report;
- Inquiries for obtaining information about the production process and the process adopted by the Refiner in order to comply with the requirements of the *Guidance*;
- Interviews and obtains supporting documents in order to verify the consistency of the qualitative information included in the Refiner’s Compliance Report with the available evidence;
- Review of a selection of the supporting documentation, including supplier counterparty due diligence file and underlying transaction;
- Others (reviews of internal control of purchasing process or ESG factors for suppliers.)

The procedures performed are less in extent than for a reasonable assurance engagement in accordance with ISAE 3000, and consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Inherent limitations

Non-financial information, such as that included in the Refiner’s Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques that can result in materially different measurements and can impact comparability. The methods used by refiners to comply with the *Guidance* may differ. It is important to read the Korea Zinc Company, Ltd.’s gold & silver supply chain policy available on Korea Zinc Company, Ltd.’s website www.koreazinc.co.kr/en/.

Independence and competency statement

In conducting our engagement, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the LBMA Responsible Sourcing Programme – Third Party Audit Guidance for ISAE 3000 Auditors (the “LBMA Audit Guidance”) to carry out the assurance engagement.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the accompanying Refiner's Compliance Report for the year ended December 31, 2022 is not prepared, in all material respects, in accordance with the requirements of the LBMA Responsible Gold & Silver Guidance.

Restriction on Distribution and Use

The Refiner's Compliance Report is prepared in order to satisfy the terms of the Guidance. As a result, the Refiner's Compliance Report may not be suitable for another purpose. Accordingly, this independent assurance report is intended solely for the management of the Refiner in accordance with the terms of the engagement and is not to be used for another purpose or to be distributed, in whole or in part, to third parties, other than LBMA.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
May 19, 2023
Seoul, Republic of Korea

The Refiner's Compliance Report

The *LBMA Responsible Gold and 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 Gold and Silver Guidance*.

Table 1: Refiner's details	
Refiner's name Location	Korea Zinc Company, Ltd. <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, 2022
Date of Report	May 9, 2023
Senior management responsible for this report	JW Lee, Head of Team (Raw Material team1), jwlee08@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 Gold and 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 gold and silver
Comments and Demonstration of Compliance: During October 2016, we established an appropriate gold and silver supply chain policy, which is consistent 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. We perform risk management to avoid procuring gold and 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 rights 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 October 2016, 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 gold and silver supply chain, including traceability and identification of other supply chain actors

Comments and Demonstration of Compliance:

We have a robust Responsible Gold and Silver receipts process, and specific documents must be received and transactional details entered before we process the gold- and silver-bearing material. Transactional details such as type, weight, assay, and date of arrival/processing are recorded in our system.

We have internal procedures that payments should be made 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.

- e.g.) Obtain International Standard ISO14001
- Retaining the department dedicated to the environment
- Environmental training
- Volunteer Service Operation (Enhanced Community Partnership)

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

Korea Zinc Company, Ltd. 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:

We have modified our general terms and conditions for the refining of materials so that they make reference to our Responsible gold and 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 could understand and join our conflict minerals management and requested 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 on our website and request to our new suppliers to comply with 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 gold and 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 have been verified, such findings are immediately reported to the management and to all members of Korea Zinc Company, Ltd. Based on our understanding of conflict minerals policies, employees shall follow the policies, thus mitigate risks through risk management.

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 the mailbox is reviewed by the 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 gold and 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 criteria for risk judgment for business with suppliers. To comply with our Responsible Conflict Mineral Policy and Guidance of LBMA(RGG/RSG), we carry proactive risk management with our criteria (e.g., Business Scale, 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 Gold and Silver Guidance*, is performed before entering into a business relationship with any gold and silver supplying counterpart. A 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 perform enhanced due diligence for higher-risk categories, which includes areas where gold and silver originates from or transits via a conflict-affected or human rights abuse in high-risk area. In addition, we conduct 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 gold and silver supply chain management.



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 the following strategies to respond to potential risks: <ol style="list-style-type: none">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, risk causing 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. When we decide to continue business relationship with the supplier, we assess the risks of suppliers. After assessing the suppliers, we determine terms and conditions to trade with, otherwise terminate business. The decision from the assessment is reported to senior management. During the reporting year, we found none of our suppliers are risky that we should terminate transaction. 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.
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 once 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 our website. Also, Our Compliance report with the audit report will be available on our 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 Gold and 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 Gold and Silver Guidance*, as explained above in Table 2, for the reporting year ended 31 December 2022.

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 at [rhogary@koreazinc.co.kr].

KOREA ZINC COMPANY, LTD.



Signature: K. D. PARK PRESIDENT

Ki Deok Park, President

Korea Zinc Company, Ltd.