

## 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
<b>Step 1: Establish strong company management systems</b>
Compliance Statement with Requirement:  We have fully complied with Step 1: Establish strong management systems.
<b>Korea Zinc Company, Ltd. has adopted a policy regarding due diligence for supply chains of gold and silver</b>
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.



<b>Step 3: Design and implement a management system to respond to identified risks</b>
Compliance Statement with Requirement:  We have fully complied with Step 3: Design and implement a management system to respond to identified risks.
<b>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</b>
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"><li>1) Any transaction found to be involved in conflict, human rights abuses, or money laundering shall be stopped immediately;</li><li>2) Any transaction found to be suspicious shall be suspended until accurate additional information is acquired;</li><li>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.</li></ol> 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.
<b>Step 4: Arrange for an independent third-party audit of the supply chain due diligence</b>
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.
<b>Step 5: Report on supply chain due diligence</b>
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.