

LBMA Refiner’s Compliance Report

The LBMA Responsible Gold Guidance (RGG) and Responsible Silver Guidance (RSG) have been established for Good Delivery Refiners to adopt high standards of due diligence 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 summarizes how Korea Zinc Company, Ltd. (hereinafter referred to as “Korea Zinc”) has complied with the requirements of the LBMA Responsible Gold and Silver Guidance.

Refiner’s details	
Refiner’s name:	Korea Zinc Company, Ltd.
Location:	<ul style="list-style-type: none"> · Head Office: Young Poong Building 542 Gangnam-Daero, Gangnam-gu, Seoul, Republic of Korea · Onsan Refinery: 139, Ijin-ro, Onsan-eup, Ulju-gun, Ulsan, Republic of Korea
Reporting year-end:	31 December 2023
Date of Report:	26 April 2024
Senior Management Responsible for the report:	Sanghoon John Lee, Executive Director of Raw Material Division
<p>Since its inception in 1974, Korea Zinc has evolved into a leading nonferrous metal refining company, producing not only precious and rare metals, but also sulfuric acid and base metals such as zinc, lead, and copper. Leveraging nearly 50 years of experience and expertise in the refining industry, Korea Zinc is now pioneering a sustainable future by expanding its operations into the green energy and materials sector.</p>	

Table 1: Summary of activities undertaken to demonstrate compliance
Step 1: Establish strong company management systems
1.1 Has the Refiner adopted a supply chain policy regarding due diligence for supply chains of gold and/or silver?
<p>Korea Zinc has formally embraced the Conflict Mineral Policy and the Supplier Code of Conduct which specifically addresses the meticulous due diligence required for the supply chain of precious metals, encompassing gold and silver. Our policy encompasses all the topics referenced in Annex II of the OECD Due Diligence Guidance and Step 1.1 of the Responsible Gold/Silver Guidance. These comprehensive policies have been made accessible on the company’s official website at the following link: https://www.koreazinc.co.kr/en/?pageName=sustainability/archive&mainMenuId=kz-sustainability-en&subMenuId=kz-sustainability-index-en&menuId=kz-sust-report-report-en.</p> <p>The most recent review of the Conflict Mineral Policy took place on 10th November 2023. This policy is intricately linked to the company’s management principles and standards, serving as a guiding framework as follows:</p> <ol style="list-style-type: none"> 1. We strictly refrain from using conflict minerals that have been produced, transported, or traded through processes involving inhumane practices such as child labor and human rights violations. 2. We categorically avoid utilizing conflict minerals that are linked to non-state armed groups, terrorism, and any form of organization directly or indirectly associated with supporting terrorism.

3. We maintain a strong commitment to both preventing money laundering and avoiding tax evasion. Furthermore, we make diligent efforts to combat the laundering of funds associated with conflict minerals.
4. We uphold a zero-tolerance policy towards any form of direct or indirect bribery and corruption. Our adherence to anti-bribery and anti-corruption regulations is unwavering.
5. In our rigorous management of the conflict mineral supply chain, we conduct comprehensive Due Diligence Surveys and employ a consistent procedure to assess the reliability and identify potential risks of our suppliers, especially when sourcing raw materials from conflict and high-risk regions.

1.2 Has the Refiner set up an internal management structure to support supply chain due diligence?

Korea Zinc has implemented a tailored and robust governance structure designed to oversee and support the implementation and ongoing enhancement of supply chain due diligence at Korea Zinc. The company's internal management system, which adheres to best practices, meticulously gathers, and preserves documentation pertaining to the origins of mined recycled gold/silver. This thorough documentation ensures that suppliers have not: (a) financed terrorism; (b) contributed to conflict; (c) participated in abuse of human rights; and/or (d) facilitated money laundering.

a. Board-level oversight

The ultimate authority and accountability at Korea Zinc rest with the Korea Zinc Board. Comprising a total of eleven members, including five directors and independent directors with extensive experience in the nonferrous metal industry. Among these, two independent directors bring valuable expertise in the field of Environmental, Social, and Governance (ESG) while Five directors and independent directors possess significant experience focusing on risk management.

(As of the end of 2022)

Expertise		Internal Directors*				Independent Directors				Non-executive Director		
Area	Details	Chang K. Choi	Yun B. Choi	Jin S. Rho	Soon H. Baek	Cheol S. Han	Yong R. Sung	Eui H. Kim	Min H. Lee	Do H. Kim	Bo Y. Kim	Hyung J. Chang
Corporate management	Experience in corporate management	●	●									●
Finance and accounting	Experience in financial reporting and internal accounting management			●								
HR	Experience and degree in securing/managing human resources, organizational culture, and company-labor relations				●					●		
Nonferrous metal industry	Work experience ¹⁾ in the same industry (according to GICS) and related degree	●	●	●						●		●
Global	Work experience in international companies or subsidiaries		●									
Risk management	Experience in risk diagnosis, management, and advisory roles related to management, legislation, taxation, and ethics		●			●	●	●		●		
ESG	Experience in ESG-related tasks and related degrees (i.e., environmental engineering)								●		●	

* In March 2023, Korea Zinc appointed new internal directors: Yun B. Choi, Ki D. Park, and Ki W. Park. CEO Ki D. Park brings corporate experience, financial accounting expertise, and global capabilities, while Vice CEO Ki W. Park possesses management skills and expertise in the non-ferrous metal business.

Sources: 2022 Korea Zinc Sustainability Report, page 79. (Issued in June 2023)

b. Compliance and training

Korea Zinc assigned the responsibility of supply chain due diligence to the Internal Audit Team. For legal matters, the Legal and Compliance Team takes charge of issues related to sanctioned countries.

In line with our obligations, particularly in establishing organizational measures, all relevant employees undergo yearly training covering essential aspects of the Company's compliance obligations. This training equips them to actively contribute to the enforcement, at their level, of anti-money laundering and anti-financing of terrorism measures. Internal training sessions are conducted at least once a year, and basic training is provided to all new relevant employees. Additionally, external training may be utilized if it aligns with our specific needs.

c. Cash payment and Record-keeping policies

Korea Zinc conducts transactions only through the official banking channel in which all relevant records are securely maintained. No other means are proposed or accepted to allow funds from transaction to enter any form illegal matter conflicting its policy.

1.3 Has the Refiner established a traceability system over gold and/or silver supply chains, including chain of custody mapping and identification of supply chain actors?

Korea Zinc boasts a robust and well-established material traceability system for each supplier. Our system is capable of retrieving supplier details dating back to its inception. Information such as date received, kind of material, quality, weights, assay results and lot descriptions are meticulously recorded and stored in the system.

Every incoming lot undergoes a thorough documentation review to ensure compliance with both our internal handling procedures and external supply chain procedures. To maintain staff proficiency, all relevant personnel receive periodic refresher training on our traceability systems, transaction monitoring, and procedures, covering the period addressed in this report.

Korea Zinc maintains detailed compliance files for suppliers. These files encompass KYC (Know Your Customer) documentation completed by the suppliers, corporate documents, such articles, or business licenses, permits or concessions, information regarding beneficial ownership, and a copy of ID. Additionally, the files include company policies, procedures, statements, financial records, media reports, and a separate section dedicated to the due diligence information uncovered during the onboarding process. In some cases, these files may also include media reports and copies of emails between Korea Zinc and the supplier.

Traceability is ensured through the initial onboarding process, ongoing relationship management involving sales, compliance, and the supplier, as well as the identification and tracking of assay lots.

1.4 Has the Refiner strengthened company engagement with gold and/or silver supplying counterparties, and, where possible, assisted gold and/or silver supplying counterparties in building due diligence capabilities?

The company has enhanced its interactions with gold and silver suppliers, aiding them in developing their due diligence capabilities. In particular, when entering into engagements, Korea Zinc stipulates in the contract that the company will not participate in transactions conflicting with its policy, and by doing so, it makes the utmost effort to intensify its due diligence capabilities. Korea Zinc mandates suppliers to agree to its policy annually for those engaged in transactions with the company.

1.5 Has the Refiner established a company-wide confidential grievance mechanism?

Korea Zinc has established a grievance reporting tool, accessible to both internal staff and external parties. The system can be conveniently accessed through the Korea Zinc website at the following link: <https://www.koreazinc.co.kr/en/?pageName=customer/voc&mainMenuId=kz-customer-en&subMenuId=kz-customer-question-en&menuId=kz-customer-voc-en>.

This tool serves as a communication platform, catering to basic inquiries about policies and functions as a confidential reporting mechanism. In case of grievances being received, the HQ General Affairs team will forward it to the relevant department so that the resolutions are properly communicated to stakeholders. For reference, no reports of Good Delivery and Responsible Sourcing were received during the reporting year.

Step 2: Risk Identification and Assessment

2.1 Does the Refiner have a due diligence process to identify risks in the supply chain?

Korea Zinc ensures full compliance with Step 2: identifying and assessing risks in the supply chain. The company has established a thorough process to identify and assess risks associated with its precious metals supply chain. This process includes robust counterparty management procedures, incorporating KYC and Environmental, Social, and Governance (ESG) factors. These measures are supported by business intelligence tools and, when applicable, utilize information from open sources specified in EU Regulation 2017/821. This information encompasses data on sanctions(US, UK, EU, UN), political exposure, conflict, human rights, child labor, environmental concerns, and white-collar crime risks, creating a robust vetting process for both counterparties and applicants.

Korea Zinc conducts an annual investigation to identify CAHRA based on five factors: governance, financial and humanitarian risk, future potential risk, human rights risk, and conflict risk. Furthermore, the company takes OECD Due Diligence Guide Annex 2 as a firm guideline for risk identification and assessment in addition to CAHRA framework.

Korea Zinc goes beyond the guidelines' definition of the origin of precious metals to prevent the delivery of upstream precious metals from illegitimate sources. Secondary feeds undergo thorough scrutiny. When the company identifies a risk in the supply chain that requires Enhanced Due Diligence (EDD), it requests legally enforceable statements regarding the location from which the supplier has sourced the precious metals.

Korea Zinc conducts EDD, for minerals from CAHRA and metals with a red flag origin, when there is suspicion of contributing to OECD Annex II risk factors or weak ESG factors. The EDD includes onsite spot checks, either directly conducted by Korea Zinc or by independent auditors after the applicant has undergone KYC and ESG factors assessment procedures. No business is allowed when a high-risk supply chain is identified without implementing measures to mitigate the risk. Criteria for recognizing high-risk transactions and detecting high-risk supply chains related to non-LBMA Good Delivery Refineries have been established. For detailed procedures regarding EDD, please refer to section 2.3 below.

2.2 How does the Refiner classify identified risks in light of the standards of its due diligence system?

Korea Zinc supply chain due diligence follows a risk-based approach before entering any business relationship, which is ongoing throughout the relationship. The company's assessment of risk in the supply chain begins with the origin of the gold and silver, identifying the beneficial owners, obtaining business and financial details, and information on the purpose and intended nature of the business relationship. If the company identifies a high-risk supply chain, EDD would be triggered.

Korea Zinc identifies high-risk supply chains based on five key standards: Governance, Financial and Humanitarian Risk, Future Potential Risk, Human Rights Risk, and Conflict Risk. Additionally, considerations extend to Money Laundering and Financing of Terrorism, aligning with both the EU CAHRA List and the Dodd-Frank Act. Consequently, a total of seven standards are employed to classify high-risk countries, ensuring a robust assessment framework. With these standards in place, we implement heightened scrutiny for suppliers sourcing materials from high-risk regions. Furthermore, our Legal Compliance Team conducts real-time reviews to identify countries subject to sanctions in addition to the CAHRA list. In the prior year, we engaged with LBMA regarding a Russian supplier, ensuring our materials remained compliant with international sanctions regulations.

2.3 Has the Refiner undertaken EDD(Enhanced Due Diligence) measures for the identified high-risk supply chain?

When Enhanced Due Diligence (EDD) is activated, the company's senior management shall conduct an on-site visit to the mine site or the gold/silver supplying counterparty involved in the recycling of gold/silver. The on-site visit shall be carried out by experienced senior management members and/or consultants. Based on the quantity and gravity of any identified issues, an improvement plan will be formulated in collaboration with the identified supplier. The Raw Material Team will oversee and manage the implementation of this improvement plan, ensuring ongoing monitoring and compliance. To date, there was no case with identified high risk to require on-site visit.

Step 3: Risk Management

Does the Refiner have a process to respond to the identified risks by either (i) mitigating the risk while continuing to trade, (ii) mitigating the risk while suspending trade or (iii) disengagement from the risk?

Korea Zinc performs thorough due diligence and risk assessments for all the minerals under its management. In cases where a managed mineral is identified as high-risk, the company refrains from engaging in business with the respective suppliers. Additionally, if any inconsistencies, such as major risks which stipulated in OECD Due Diligence Guidance Annex 2, potential or actual involvement of forementioned risks, or equivalents are discovered during the risk assessment process, the company promptly notifies the executive management and discontinues the acceptance of the identified managed mineral.

Step 4: Independent Third-Party Assurance

Korea Zinc has enlisted the services of KPMG, an assurance provider approved by LBMA, to ensure a limited level of assurance for this Report. KPMG representatives conducted an on-site audit in Seoul, Republic of Korea. The scope of the limited assurance is specifically focused on examining the activities and transactions of the refiner that took place between 1 January 2023 and 31 December 2023.

The Compliance report and Independent assurance report will be publicly available on Korea Zinc's website when Korea Zinc's website renewal is done in the second half of this year after completion of the thorough review and examination by the assurance provider and LBMA.

Table 2: Management Conclusion

Is the refiner in compliance with the requirements of the LBMA Responsible Gold Guidance (Version 9) and Responsible Silver Guidance (Version 1) for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas for the reporting period?

Yes. Korea Zinc implemented effective management systems, procedures, processes, and practices to comply with the requirements of the LBMA Responsible Gold and Silver Guidance, as explained above in Table 1, for the reporting year ended 31 December 2023.

Table 3: Other report comments

Users of this report are encouraged to share their feedback or direct any pertinent inquiries to Korea Zinc via email: hmk0714@koreazinc.co.kr