

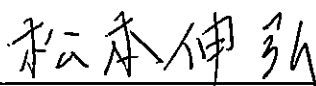
# Sumitomo Metal Mining Responsible Gold and Silver Guidance Compliance Report

The LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance have 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 summarizes how Sumitomo Metal Mining has complied with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance.

## Table 1: Refiner's details

Refiner's name	Sumitomo Metal Mining Co., Ltd.
Location	11-3, Shimbashi 5-chome, Minato-ku, Tokyo, Japan
Reporting year-end	March 31, 2023
Date of Report	June 12, 2023
Senior management responsible for this report	



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Nobuhiro Matsumoto,  
Director  
Senior Managing Executive Officer,  
General Manager, Non-Ferrous Metals Division.

## Sumitomo Metal Mining's evaluation

**Table 2: Summary of activities undertaken to demonstrate compliance.**

### Step 1: Establish strong company management systems

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#### Compliance Statement with Requirement:

We have fully complied with Step 1: Established strong management systems.

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Sumitomo Metal Mining has adopted a policy and regulations regarding due diligence for supply chains of gold and silver.

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#### Comments and Demonstration of Compliance:

Our policy on conflict minerals, which was consistent with the model set out in the Annex II of the OECD Due Diligence Guidance, was established in 2012, and was amended and renamed in 2018 "Policy on Conflict Materials in Gold/Silver Smelting". The policy sets out our responsibility for establishing company management systems to fight serious abuses of human rights, to avoid contributing to conflict over our supply chain and to comply with high standards of anti-money laundering and to fulfill our responsibilities towards the environment and sustainable development, for performing appropriate due diligence on a risk basis over our counterparties and for ensuring appropriate scrutiny and monitoring of transactions on a risk based approach. This policy is based on the "The Sumitomo Metal Mining Group Policy on Human Rights" and "SMM Group Responsible Mineral Sourcing Policy" and is designed to ensure transparency of raw material suppliers so that we are not complicit in human rights issues such as conflict minerals. The policy is reviewed annually and approved by senior management. It is also communicated to employees and disclosed on our website.

(<https://www.smm.co.jp/en/sustainability/management/supplychain/>).

The policy states that

SMM fulfills our obligations with the environmental and sustainability in the supply chain and will not be involved in the following acts.

- Neither directly nor indirectly supports acts of abuse such as forced labor, child labor, and serious human rights violations or illegal activities such as money laundering through the mining, trading, handling, and export of gold / silver ore from high-risk areas such as conflict areas (Democratic Republic of the Congo and nine neighboring countries)
- Direct or indirect support for illegal non-state armed groups or public or private security forces that illegally control mining sites, traders, other intermediaries and transportation routes through the supply chain or illegally tax money or minerals through the supply chain

- Bribery or misrepresentation of the origin of gold
- Failure to comply with government taxes, fees and royalties related to the extraction, trade and export of minerals from conflict-affected and high-risk areas (CAHRAs)
- Money laundering or terrorist financing
- Conflict Risk management is performed in the procurement of the raw materials for gold / silver smelting, and trading is halted in the event that a material is discovered to be a conflict mineral originating in a conflict zone. The smelting activities themselves are audited by an independent third-party.

The policy is based on our “The Sumitomo Metal Mining Group Policy on Human Rights” ([https://www.smm.co.jp/en/sustainability/management/humanrights\\_procurement/](https://www.smm.co.jp/en/sustainability/management/humanrights_procurement/))

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**Sumitomo Metal Mining has set up an internal management structure to support supply chain due diligence.**

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#### **Comments and Demonstration of Compliance:**

An internal management system was set up in fiscal 2012 to define the governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy. The compliance officer, who has relevant experience in responsibility for the implementation of the supply chain due diligence process has been assigned directly to senior management to manage the process. Our supply chain due diligence management structure consists of a) the "Responsible Mineral Procurement" Working Group established by our board of directors as a subordinate organization of the Sustainability Committee, b) the compliance officer who is the manager of the supply chain due diligence, c) the gold and silver raw material purchasing manager who procures according to the regulations, d) Gold and silver product sales manager who sells gold and silver products produced from raw materials procured according to regulations, and e) the gold / silver raw material management manager of the smelter who is responsible for the received gold and silver raw materials. The gold and silver raw material purchasing manager reports the results of the supply chain due diligence to the compliance officer, and the compliance officer reports the process and results of the supply chain due diligence to the chairman of the "Responsible Mineral Procurement" Working Group for management review. The "Responsible Mineral Procurement" Working Group has relevant skills and experience and is provided with training to effectively carry out oversight of responsible procurement activities for the Board. In the internal audit we conducted in fiscal 2022, we checked, for example, whether we performed supply chain due diligence, provided training to all employees involved in the

gold and silver supply chain, and maintained records of due diligence, in accordance with our rules and regulations. We have the necessary resources to assist in the operation and monitoring of the due diligence process. No issues related to internal due diligence processes were identified in the internal audit conducted in fiscal 2022. In addition, in order to inform relevant employees of the policies and procedures regarding conflict minerals in gold and silver smelting, we have formulated an annual education and training plan in accordance with the provisions of the "Gold and Silver Supply Chain Education and Training Regulations". We provided education and training on supply chain due diligence to personnel in charge of Copper & Precious Metals Raw Materials Dept., Copper & Precious Metals Sales Dept., Osaka Branch Sales Dept., Nagoya Branch and Toyo smelter & Refinery. In fiscal 2022, we provided training to all 54 employees involved in the gold and silver supply chain of Copper & Precious Metals Raw Materials Dept., Toyo Smelter & Refinery. The content included the procedures for gold and silver supply chain due diligence at our company. When a document about gold and silver supply chain due diligence is established or revised, we must promptly notify all persons who may use the document in business by e-mail etc. In addition, the "Policy on Conflict Materials in Gold / Silver Smelting" and matters deemed necessary for SMM not to participate in conflicts and human rights violations in conflict areas or high-risk areas are communicated in writing to suppliers of gold and silver raw materials.

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Sumitomo Metal Mining 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.

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**Comments and Demonstration of Compliance:**

Sumitomo Metal Mining uses the risk assessment sheet to confirm compliance with all suppliers when conducting transactions. Compliance checks check for serious legal and regulatory violations related to supplier child / forced labor, the environment, and occupational health and safety. As a result of the compliance check, we identified no suppliers with serious legal or regulatory violations. Sumitomo Metal Mining has a gold/silver bearing materials receipts process. Specific documents must be received and receipt of specific documents such as shipping guides and invoices that describe the date of shipment, the name of the customer, the style of packaging, the weight and quality of the material at the time of loading, the type of raw materials, etc., and the above-mentioned transaction details including the lot number. transactional details entered into our transactional system before we refine the gold and silver material. Each lot

received is accurately registered in our transactional system. Specific controls as per our internal guidelines regarding the received material are carried out before refining material. We conduct due diligence over the supply chain of mined gold, recycled gold and silver, and copper anode slime. Gold and silver obtained from copper concentrate and blister copper is excluded from the scope of our due diligence procedures, since we believe that those materials have low risks such as human rights abuse, contribution to conflict and money laundering, taking into account the purpose of transaction and properties of those materials. No unscheduled raw materials were received in the refining process during the reporting period.

For all trading partners who supply gold and silver, we use reliable and independent sources to verify their identities before entering into a business relationship. In addition, we use information collected from each supplier through the questionnaire including the countries of origin and transit points of the precious metals, and search the internet for relevant information as needed to determine whether a supplier has been involved in any mercury pollution, destruction of the environment, sourcing of material from areas containing World Heritage Sites and violation of sustainability-related regulations. In the event we identify a high-risk issue relating to a supplier or the country of origin and/or traceability of material, the Compliance Officer determines whether or not to approve or continue the transaction. We send the "Supply Chain DD Questionnaire" and "Conflict Minerals in Gold and Silver Smelting Policy" to each of our suppliers and receive responses to the questionnaire and a written consent to the Policy.

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**Sumitomo Metal Mining has strengthened company engagement with gold and silver supplying counterparties, and where possible, assisted gold and silver supplying counterparties in building due diligence capabilities.**

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#### **Comments and Demonstration of Compliance:**

We sent our Policy on Conflict Materials in Gold/Silver Smelting to all of our gold and silver supplying counterparties to encourage them to understand our policy and received a letter of intent as confirmation. We clearly state in our policy that, to fulfill our environmental and sustainability responsibilities in the supply chain, we will not participate directly or indirectly in abusive practices such as forced labor, child labor, gross human rights violations, or illegal activities such as money laundering through the mining, trading, handling, and exporting of gold and silver ore from high-risk areas, that we will manage risks in the procurement of gold and silver raw materials, and that we will halt trading with suppliers in the event that a material is discovered to be

originating in a conflict zone. In fiscal 2022, we also assisted Okuchi Electronics Co., Ltd., our group company dealing with recycled gold and silver, in building due diligence capabilities in order to make sure that we, as the Sumitomo Metal Mining Group, do not purchase gold/silver bearing materials that contribute to conflict. In addition, we checked whether they performed supply chain due diligence in accordance with their rules and regulations. We do not procure from state-owned enterprises in EITI member countries.

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**Sumitomo Metal Mining has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.**

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**Comments and Demonstration of Compliance:**

By utilizing our existing Whistle-blowing System (Speak Up System) and an inquiry form, we allow employees and external stakeholders to anonymously voice concerns over any deviations from our policy and procedures so that we can identify risk in a timely manner. We received no complaints related to conflict minerals in gold/silver smelting during the reporting period.

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**Step 2: Identify and assess risks in the supply chain**

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**Compliance Statement with Requirement:**

We have fully complied with Step 2:

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**Sumitomo Metal Mining has a process to identify risks in the supply chain.**

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**Comments and Demonstration of Compliance:**

We investigate a supplier's corporate attributes with information from a trusted and neutral source to identify its beneficial owner. We also confirm that the supplier's key business partners have not been identified as money launderers, scammers, or terrorists on the wanted list created by governments. We obtain information on suppliers' business and financial conditions to identify risks associated with a transaction with suppliers. In particular, we check for significant regulatory violations related to child and forced labor, the environment, and occupational health and safety. If applicable, we gather information on the supplier's AML-CFT (Prevention of Money Laundering and Prevention of Terrorist Financing) policy and its implementation status. We also send the KYC questionnaire to suppliers to determine whether we are purchasing material originating in any of the CAHRAs. The person in charge of the raw material purchasing

department checks each item in the questionnaire collected from the supplier, obtains materials from an external research company, and creates an evaluation sheet for internal evaluation from those contents. The superior of the Purchasing Department checks each document and submits them to the secretariat. The secretariat staff checks each document and obtains approval from the compliance officer. Each party has evaluation skills and experience in due diligence and approves by stamping each company's evaluation sheet. In fiscal 2022, we assessed risks of all of our gold and silver supplying counterparties (Total 18 companies) with the supplier questionnaire which was revised in fiscal 2022. Based on the latest publicly available information, such as the LBMA Responsible Sourcing Newsletter at the time of the survey, we include in our LBMA CAHRA List the Democratic Republic of the Congo and neighboring countries, and countries or regions that fall into one of the following categories 1) through 8) below.

- 1) Systematic and widespread abuse or human rights violations related to the mining, transportation or sale of gold and silver
- 2) Direct or indirect support for non-state armed groups or public or private security forces
- 3) Bribery and fraudulent misrepresentation of the country of origin of gold and silver
- 4) Money laundering
- 5) Taxes, fees and mine usage fees paid to the government
- 6) Money laundering and funding for terrorists
- 7) Participation in the dispute
- 8) Violation of the law on the environment and sustainability

We examined the answers provided by gold and silver supplying counterparties to see whether they were high-risk gold and silver supplying counterparties and found no high-risk gold and silver suppliers. We also revised our regulations in December 2022 in order to update the CAHRAs (Conflict Affected and High-Risk Areas) list. This revision of the CAHRAs list was made based on information available from the US Department of Labor “List of Goods Produced by Child Labor or Forced Labor”, the Financial Action Task Force on Money Laundering (FATF) and the LBMA. We shall review the list of CAHRAs at least once a year.

We determine there is a high risk if:

- The country of origin of material is a country included in our LBMA CAHRA List;
- Gold or silver raw material transits, or is suspected to transit, via a country included in our LBMA CAHRA List; or
- A gold/silver raw material supplier or, to the extent recognized, its upstream suppliers are located in a country included in our LBMA CAHRA List.

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Sumitomo Metal Mining assesses risks in light of the standards of their due diligence system.

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**Comments and Demonstration of Compliance:**

We assess risks in the supply chain against the predetermined criteria which are consistent with those set out in the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance. Our risk assessment, which is carried out by the Raw Material Procurement Department, includes obtaining a consent from suppliers to our policy, obtaining answers to the KYC questionnaire, and reviewing documents supporting to identify risks, e.g., Internet search engines. Since all precious metal raw materials we procure other than those mined in our Hishikari Mine are recycled raw materials, the main potential risk is the import of raw materials from suppliers located in countries that fall under CAHRAs. In FY2022, no sources were sourced from high-risk or zero-tolerance suppliers.

We determine there is a high risk if:

1) Location risk.

- Mined or recycled gold or silver is produced in, or transported through Conflict-Affected and High-Risk Areas for human rights abuses (including CAHRAs List).
- Limited reserves of mined gold or silver are known at the source, and resources and expected production levels are similarly limited.
- Recycled gold or silver comes from countries known or logically suspected as passing through Conflict-Affected and High-Risk Areas for human rights violations.
- Mined or recycled gold or silver is transported through illogical geographical routes.
- The mined or recycled gold or silver originates from an area containing a World Heritage Site.

2) Supplier risk.

- A public figure is in effective control of the supplier company from which the gold or silver is sourced or another company known as an upstream company in the supply chain.
- The supplier company from which the gold or silver is sourced or another company known as an upstream company in its supply chain is engaged in, or is part of or is a leader in, a higher risk business such as arms, gambling, casinos, etc.



- A trading partner or other company known as an upstream company in the supply chain from which the gold or silver is sourced has purchased mined or recycled gold or silver from CAHRAs in the past 12 months.
- Discrepancies or inconsistencies are found in the documentation relating to mined or recycled gold or silver, and the company refuses to provide it.
- Mined or recycled gold or silver comes from a smelter that is materially contrary to ESG and poses a significant risk.
- A trading partner or other company known as an upstream company in the supply chain from which the gold or silver is sourced has shareholders, effective control or supply interests in an area that meets the high risk criteria.
- There are unaccountable purchasing channels in the supply chain from suppliers or trading partners (recycled gold raw materials only).

3) Raw material risk.

- Mined gold or silver originates from small-scale mining (ASM).
- Mined or recycled gold is produced using mercury.
- Mined or recycled gold or silver is delivered from an intermediate refinery with a high-risk supply chain or trading partner.

Our internal regulations require that we should perform enhanced due diligence (EDD) when we identify a high risk before the commencement of trading or within six months of the commencement of trading. The "Responsible Mineral Procurement" Working Group makes a decision on whether a transaction is acceptable or not for 'high risk supply chains' and provides appropriate instructions to the compliance officer. Each trading relationship is to be reviewed by the compliance officer at least once a year. In EDD, a site visit must be performed in order to verify information collected in document-based supply chain due diligence. The site visit must be conducted by a competent employee or a competent independent external consultant using the site visit template included in the LBMA toolkit and must be reported honestly and accurately. In FY2022, no sources were sourced from high-risk suppliers.

In addition, the following cases are considered to be zero tolerance

- The mined or recycled gold or silver originates from an area designated as a World Heritage Site.
- The mined or recycled gold or silver is procured in breach of international sanctions (e.g. UN, EU, UK, US).
- Suppliers of mined or recycled gold and their upstream companies or beneficial owners are directly or indirectly involved in illegal non-state armed groups involved in terrorist or human rights abuses.

- We treat the purchase of gold from Russia as a potential risk, 'zero tolerance'.

Our internal regulations do not accept raw materials with problems that have manifested themselves after information has been gathered. Raw materials where relevant risks are discovered are immediately stopped from being accepted, the business relationship is terminated and the LBMA is informed.

The EDD procedure implemented for high-risk recycled gold procured from intermediate refiners with high-risk supply chains is similar to the procedure for implementing EDDs for regular suppliers. There were no procurements from intermediate refiners in FY2022.

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**Sumitomo Metal Mining reports risk assessment to senior management.**

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**Comments and Demonstration of Compliance:**

When enhanced due diligence is performed, the senior management has to be consulted whether to continue or discontinue a business relationship with the gold and silver supplying counterparty in question.

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**Step 3: Design and implement a management system to respond to identified risks**

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**Compliance Statement with Requirement:**

We have fully complied with Step 3.: Design and implement a management system to respond to identified risks.

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Sumitomo Metal Mining 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.

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**Comments and Demonstration of Compliance:**

We have devised a strategy for risk management of an identified risk.

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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.

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**Comments and Demonstration of Compliance:**

We have established the internal management system that prohibits or suspends our supply chain of gold and silver according to the degree of identified risk of us getting

involved in systematic or widespread abuses of human rights, contributing to conflict, money laundering, and terrorist financing practice. Our internal regulations require that we should perform enhanced due diligence (EDD) when we identify a high risk before the commencement of trading or within six months of the commencement of trading. In EDD, a site visit must be performed in order to verify information collected in document-based supply chain due diligence. Also, for individual companies involved in the supply chain from suppliers to smelters, including transporters, located in conflict zones and high-risk areas for human rights violations, we research corporate attributes using information from reliable neutral sources, identify beneficial owners, and review lists compiled by national governments. It reports to the subcommittee on information on high-risk supply chains, risk mitigation strategies for suppliers under risk mitigation strategies, the progress of improvement plans and their effectiveness, and seeks a decision on whether to continue trading.

The following risks are categorized as follows.

- Money laundering, financing of terrorism, promotion of conflict, serious human rights abuses, direct or indirect support for illegal non-state armed groups or fraudulent misrepresentation of the country of origin of minerals is taking place or is very likely to take place
- Money laundering, financing of terrorism, promotion of conflict, serious human rights abuses, direct or indirect support for unlawful non-State armed groups, or fraudulent misrepresentation of the country of origin of minerals may be taking place
- All conditions are not met, or due diligence results indicate that there is direct or indirect support for public or private security forces, bribery, fraudulent misrepresentation of the country of origin of gold or silver or non-compliance with taxes, fees or mining royalties owed to the government It was concluded that the assessed companies in the supply chain are making reasonable and good faith efforts

Sumitomo Metal Mining manages the identified risks by either 1) terminating the trade immediately, 2) suspending the trade and continuing investigation, or 3) continuing the trade provided that the supplier develops and implements an improvement plan with clear performance targets within a reasonable period of time, based on the criteria for judgment on the acceptability of transactions. No suppliers were identified that required risk mitigation measures during 2022. No suppliers are currently suspended. In addition, we never cooperated with any investigation by the national or local authorities from any questionable transactions during the reporting year.

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**Step 4: Arrange for an independent third-party audit of the supply chain due diligence**

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**Compliance Statement with Requirement:**

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We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

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**Comments and Demonstration of Compliance:**

Sumitomo Metal Mining engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent limited assurance report is attached hereto. We have selected the company's services with the approval of the "Responsible Mineral Procurement" Working Group established by our board of directors. The content of this report has also been approved by the same subcommittee for publication. In order to maintain the independence of the assurance provider, we confirm, every time we sign a contract with the assurance provider, that they will not involve in any management function of the Sumitomo Metal Mining Group.

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**Step 5: Report on supply chain due diligence**

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**Compliance Statement with Requirement:**

We have fully complied with Step 5: Report on supply chain due diligence.

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**Comments and Demonstration of Compliance:**

Our Policy on Conflict Materials in Gold/Silver Smelting is available on Sumitomo Metal Mining's website.

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**Table 3: Management conclusion**

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

Yes

In conclusion, Sumitomo Metal Mining implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance, as explained above in Table 2, for the reporting year ended 31 March 2023.

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**Table 4: Other report comments**

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If users of this report wish to provide any feedback to Sumitomo Metal Mining with respect to this report, they can send an e-mail to the address below.

[Funsokobutsu\\_Kin\\_Kinzoku@smm-g.com](mailto:Funsokobutsu_Kin_Kinzoku@smm-g.com)



## Independent Assurance Report

To the Management of Sumitomo Metal Mining Co., Ltd.

We were engaged by Sumitomo Metal Mining Co., Ltd. (the “Company”) to undertake a reasonable assurance engagement of its Management report on the findings in the assurance engagement of Sumitomo Metal Mining Responsible Gold and Silver Guidance Compliance Report (the “Compliance Report”) for the year ended 31 March 2023. The assurance scope consists of the Company’s Compliance Report.

### **The Company’s responsibility**

The management of the Company is responsible for the preparation and fair presentation of its Compliance Report in accordance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance (the “Guidance”). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Company’s Compliance Report.

### **Our responsibility**

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with the ‘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 and the guidance set out in the LBMA Responsible Sourcing Programme - Third Party Audit Guidance (the “Audit Guidance”).

This report has been prepared for the Company for the purpose of assisting the management in determining whether the Company has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Company in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Company for our work, or for the conclusions we have reached in the assurance report.

### **Inherent limitations**

Non-financial information, such as that included in the Company’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 methods used by Refiners to comply with the Guidance may differ. It is important to read the Company’s Policy on Conflict Materials in Gold/Silver Smelting available on the Company’s website: [www.smm.co.jp/en/sustainability/management/supplychain/](http://www.smm.co.jp/en/sustainability/management/supplychain/).

### **Conclusion**

In our opinion, the Company’s Compliance Report for the year ended 31 March 2023, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein is in accordance with the requirements of the Guidance.

### **Independence, quality control and competency statement**

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

Kazuhiko Saito, Partner, Representative Director  
KPMG AZSA Sustainability Co., Ltd.  
Tokyo, Japan  
12 June 2023