

LBMA Responsible Silver Guidance Compliance Report

The LBMA Responsible Silver Guidance has 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 to combat terrorist financing practice.

This report summarizes how DOWA METALS & MINING CO., LTD. (hereafter "DMM") has complied with the requirements of the LBMA Responsible Silver Guidance.

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| Refiner's name | DOWA METALS & MINING CO., LTD. |
| Location | 14-1, Sotokanda 4-Chome, Chiyodaku, Tokyo 101-0021, Japan |
| Reporting year-end | 31 March 2023 |
| Date of Report | 14 June 2023 |
| Senior management responsible for this report | Toshiaki Suyama President DOWA METALS & MINING CO., LTD. |

DOWA METALS & MINING CO., LTD.'s evaluation



Step 1: Establish strong company management systems

Compliance Statement with Requirement:

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

1. DOWA HOLDINGS CO., LTD., DMM's parent company, has adopted a group policy regarding due diligence for supply chains of silver.

< Comments and Demonstration of Compliance >

DOWA HOLDINGS CO., LTD. (hereafter "DOWA HD") has adopted the Responsible Minerals Procurement Policy (last revised in May 2022), which is consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. To establish a responsible supply chain in line with its corporate philosophy, the policy of the DOWA Group is to refrain from using as raw materials minerals (tantalum, tungsten, gold, tin, and silver) that could be a source of funds for organizations linked to risks highlighted in the OECD Due Diligence Guidance Annex II including

the following:

- Serious abuses associated with the extraction, transport, or trade of minerals:
- Direct or indirect support to non-state armed groups
- Direct or indirect support to public or private security forces
- Bribery and fraudulent misrepresentation of the origin of minerals
- Money laundering
- Payment of taxes, fees, and royalties to governments

DMM reviews the Responsible Minerals Procurement Policy once a year to manage the risks appropriately. After obtaining from the senior management an approval of revisions to the Policy, DMM recommends the revisions to DOWA HD, which is the DMM parent company. DOWA HD then determines if the revisions should be approved or not. Upon the approval of the revised Policy, it is made available on DOWA HD's website so that it is communicated to all employees and external stakeholders. <https://www.dowa-csr.jp/en/about/procurement-policies>

2. DMM has set up an internal management structure to support supply chain due diligence.

< Comments and Demonstration of Compliance >

An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication, and senior management review as per the adopted policy.

The president who has been assigned as senior management has the authority and responsibility for the following.

- I. Approval of revisions to the Responsible Minerals Procurement Policy that should be recommended to DOWA HD.
- II. Establishment and revision of our internal manual and rules for silver responsible sourcing.
- III. Supervision of Compliance Officer and provision of means necessary for maintaining proper job performance.
- IV. Approval of cash transactions.
- V. Constant review regarding validity of our supply chain DD process.
- VI. Recording of supply chain DD results.
- VII. Annual review of whether to do business with high-risk suppliers.
- VIII. Conduct of management review following Compliance Officer report.
- IX. Approval of compliance report regarding our supply chain DD.

We assign the compliance officer, silver material purchasing officer and silver material managing officer under the senior management.

The general manager of the Resource Development & Raw Materials Department who has been assigned as the Compliance Officer is responsible for managing the process as follows.

- I. Establishment, execution, and maintenance of our management system for supply chain

DD.

- II. Providing instruction to silver material purchasing officer based on supply chain DD results.
- III. Planning and implementation of training on supply chain DD for our employees.
- IV. Monitoring and review supply chain DD status.
- V. Taking of appropriate measures about high-risk suppliers.
- VI. Reporting to the senior management on supply chain DD results.
- VII. Creation of compliance report based on LBMA RSG.
- VIII. Submission of compliance report approved by senior management, audit report issued by auditor and management report to LBMA.
- IX. Internal and external communication regarding supply chain DD.

The manager of the Resource Development & Raw Materials Department and the manager of the Business Affairs Department at Kosaka Smelting & Refining CO., LTD. (hereafter "Kosaka Smelting & Refining"), who serve as silver material purchasing officer, are responsible for managing the process as follows.

- I. Purchasing silver materials according to internal manual and rules for silver responsible sourcing.
- II. Reporting to compliance officer on supply chain DD results.

The manager of the Production Management Department at Kosaka Smelting & Refining, who serves as the silver material management officer, is responsible for managing the process as follows.

- I. Checking consistency of documents and silver materials received at Kosaka Smelting & Refining.
- II. Preserving records on silver materials received at Kosaka Smelting & Refining.

Our organizational structure for ensuring supply chain due diligence consists of the above-mentioned officers.

3. DMM 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 >

DMM has a material lot receipt process, and specific documents must be received, and transactional details entered before we refine the silver material. Traceability is supported from material to ingot by internal management system.

To ensure traceability, DMM records the following information on the SAP system for each transaction and keeps relevant paper documents.

- I. Information recorded in ERP system
 - Name of supplier

- Type of material
- Weights
- Assay results
- Date of arrival in Japan
- Received date at Kosaka Smelting & Refining
- Payment information such as date and total amount
- II. Relevant documents held in original paper form
 - Shipping documents such as BL, packing list and customs clearance
 - Invoice
 - Receipt report at Kosaka Smelting & Refining
 - Certificate of analysis

All of 28 employees who belonged to the Resource Development & Raw Materials Department, Precious Metal & Copper Business Unit and Production Management Department were trained in April 2022 by a designated trainer to fulfill the requirements of the LBMA Responsible Silver Guidance.

The trainer provided education on the following points.

- Details of our internal management system and policy, including the process of due diligence, CAHRAs, internal management structure, etc.
- Explanation regarding latest CAHRAs, which are updated annually.
- Report on results of internal monitoring and supplier due diligence.
- The purpose of responsible sourcing
- The trend in the future

Regarding the recycled materials, we define the material origin as the point in the silver supply chain at which the silver is delivered to DMM.

Regarding the mined materials, we define the material origin from the location of the mine or smelter.

We make sure the material origin based on the sales agreement that defines the conditions of purchase, shipping documents and KYC that is provided by our supplier.

We start a business relationship with any supplier after determining that the supplier is low risk by having all silver suppliers sign onto our policy and silver suppliers providing us with more than 15 % silver contents and silver concentrate fill out a KYC questionnaire.

We have established due diligence and assessment procedures in our internal management system for the purpose of properly managing risks.

We conduct enhanced DD to verify the presence or absence of risk with regard to the findings of DD. If the results indicate a high-risk, appropriate measures to reduce the risk shall be implemented, and the results of the DD shall be reported to senior management, who shall approve or disapprove the transaction.

4. DMM 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 >

DOWA HD revised its Responsible Minerals Procurement Policy in May 2022 to fulfill the requirements of the LBMA Responsible Silver Guidance and LME regulation.

In this regard, DMM requested all silver suppliers as of the end of March 2022 to sign the revised notification and understand our policy. DMM has notified all suppliers as of the end of March 2022 of our policy by e-mail.

Also, we requested silver suppliers providing us with the silver concentrate and recycled materials containing more than 15% of silver to fill out the KYC.

We did not purchase any materials from a government-owned supplier in an EITI member country.

5. DMM has established a group-wide communication mechanism to promote broad-based employee participation and risk identification to management.

< Comments and Demonstration of Compliance >

DMM has developed a mechanism allowing employees to voice concerns over silver supply chain risk or a newly identified risk.

We established a grievance platform on our website in March 2019, to allow any employee or external stakeholder to anonymously raise concerns on our silver supply chain.

URL: <https://www.dowa-csr.jp/en/about/procurement-policies>

We respond promptly to inquiries and opinions from whistleblowers via the grievance mechanism.

In addition, the inquiries received are kept confidential and whistleblowers are protected from retaliation. When internal and external stakeholders send a question or complaint through the above-mentioned web link, it is automatically forwarded to the person in charge.

Rules for handling internal and external inquiries are maintained at "DOWA Consultation Desk".

Based on this rule, we respond promptly to inquiries and opinions from whistleblowers via the grievance mechanism. When inquiries and opinions are received, its contents are automatically sent and reviewed by the person in charge. In addition, a contact point has also been setup at an external law firm to handle the inquiries. The inquiries received are kept confidential and whistleblowers are protected from retaliation.

There were no complaints from employees or external stakeholder thorough our grievance platform during the reporting year.

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.

1. DMM has a process to identify risks in the supply chain.

< Comments and Demonstration of Compliance >

The structure of the team conducting risk assessment and continuous monitoring is described in Step 1-2. Our managers have over 20 years of experience in mining development, purchasing and refining operations management to be responsible for the implementation of the due diligence management system.

I. Target suppliers for sending our KYC questionnaire are as follows:

- Suppliers who provide silver concentrates
- Suppliers who provide recycled materials containing more than 15% of silver
- Suppliers who purchase recycled materials from CAHRAs
- Suppliers whose recycled materials are passed through CAHRAs

II. The timing for sending KYC questionnaire to suppliers are as follows.

- In case of a new supplier, KYC is sent prior to a transaction to ensure whether there is any risk by the silver material purchasing officer.
- In case of an existing supplier, KYC is sent every three years to confirm whether or not there is any risk by the silver material purchasing officer.

III. Tools for assessing the risks of suppliers are as follows.

- KYC questionnaire that corresponds to the RSG
- Supplier list
- DD checklist for the RSG
- Supply chain assessment form that corresponds to the RSG
- On-site visit report

IV. Approval procedure

To begin with, the officer in charge of purchasing silver material needs to report the results of supply chain DD to the compliance officer promptly.

Subsequently, if any risks are found in our supply chain through the report by the officer in charge of purchasing silver material, the compliance officer needs to conduct enhanced DD for the supplier and record the progress and results of the enhanced DD in the supply chain assessment form.

The compliance officer then determines if the supplier is high-risk based on the results of enhanced DD and reports it to the senior management. Finally, the senior management determines if we should start or continue to purchase from the supplier.

DMM identifies and assesses risks in the supply chain. We have established a silver supplier list

in which we allocate a risk assessment to individual suppliers according to our risk assessment criteria.

We send a KYC questionnaire every three years to all the suppliers supplying us with the silver concentrates and recycled materials containing more than 15% of silver to assess and re-assess risks in the supply chain of silver-bearing materials.

In fiscal 2022, we resent a KYC questionnaire to all existing suppliers that had been sent a questionnaire in fiscal 2018 in accordance with our rules.

After receiving KYC responses from these suppliers, we checked if any beneficial owners provided in the KYC responses were included in the sanctions list.

In fiscal 2022, no suppliers were on the sanctions list.

Regarding recycled materials containing less than 15% of silver, we reviewed whether they came from or passed through the conflict-affected and high-risk areas (CAHRAs).

We have also established a procedure to update the CAHRAs list based on the latest information of external data sources and define a country as a CAHRA if:

- The country is the Democratic Republic of the Congo or any of adjoining countries.
- The country falls under the category of both the level 5 of Heidelberg Conflict Barometer and less than 10% of Worldwide Governance Indicators.
- The country is considered high risk through the latest news such as LBMA responsible newsletter.

As a result, we concluded that none of the recycled materials were a source of funds for organizations linked to risks such as infringement of human rights, supply of funds to terrorists, money laundering and corruption, or to other forms of misconduct in CAHRAs.

However, we decided that considering the economic sanctions against Russia imposed by the EU and the US, Russia should be regarded as a CAHRA and therefore determined that a silver concentrate supplier in Russia was a high-risk supplier.

2. DMM assesses risks considering the standards of their due diligence system.

< Comments and Demonstration of Compliance >

DMM conducted supply chain due diligence comprising all measures required by the LBMA Responsible Silver Guidance. If a supplier is classified as high-risk enhanced due diligence shall be carried out. In 2022, there was one supplier that we defined as high risk in our due diligence procedures.

In light of the news released by LBMA in March 2022 that the UK, the EU and the US imposed sanctions against Russia in March 2022, we voluntarily categorized Russia as a CAHRA.

We concluded that the Russian government was violating the human rights of Ukrainians through its military actions in Ukraine.

We therefore conducted the following additional checks of this silver concentrate supplier in

Russia in order to mitigate the risks associated with Russia's status as a CAHRA.

- I. Bank account to which we make payment
- II. Beneficial owners and management
- III. Supplier's CSR activities such as the status of obtaining the certification and policies on human rights and money laundering
- IV. Areas of operation and transit routes
- V. The report we prepared when we conducted a site visit to the mine in Magadan in 2014.

Notes: The site visit was conducted once.

The mining area is Magadan.

- VI. The supplier press releases on Russia military actions in Ukraine
- VII. Interview conducted between DMM's general manager and the supplier's director in London in October 2022 on the latest mining operation, production expectation and the impact to the supplier of the sanctions against Russia since March 2022.
- VIII. Independent assurance report for the GRI standard and SASB standard for fiscal 2022 issued in March 2023 by EY
- IX. Independent assurance report for the financial statements for fiscal 2022 issued in March 2023 by MacIntyre Hudson.

We concluded that the risk was not so much supplier-specific as country-specific, resulting from the Russian government violating the human rights. Therefore, we did not conduct an on-site assessment since we were able to assess the risk to the supplier through additional desktop investigation. In addition, we conducted the interview mentioned above to strengthen engagement with our supplier.

Based on the information obtained in the above-mentioned activities, we found no risk associated with this supplier's involvement with the Russian government.

3. DMM reports risk assessment to the designated manager.

< Comments and Demonstration of Compliance >

The compliance officer reports annually the results of the implementation of our management system to the senior management. The compliance officer reported the results of the implementation of our management system for the year ended 31 March 2023 to the senior management in August 2022.

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.

1. **DMM 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 >

DMM shall perform risk management in the procurement of raw materials and enhanced due diligence to acquire additional information or data through a site visit shall be implemented when it is judged that minerals (tantalum, tungsten, gold, tin, and silver) could be a source of funds for organizations linked to risks such as infringement of human rights, supply of funds to terrorists, money laundering and corruption, or to other forms of misconduct in conflict-affected and high-risk areas. Such a high-risk transaction shall go forward only after an approval is obtained from senior management.

2. **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 Compliance >

Regarding mined silver, DMM has defined one silver concentrate material supplier operating in Russia as high-risk considering economic sanctions imposed against Russia.

We therefore conducted enhanced due diligence by reviewing the following in accordance with our internal rules and updated our KYC questionnaire format and procurement policy notices in 2022.

- I. Bank account to which we make payment
- II. Beneficial owners and management
- III. Supplier's CSR activities such as the status of obtaining the certification and policies on human rights and money laundering
- IV. Areas of operation and transit routes
- V. The report we prepared when we conducted a site visit to the mine in Magadan in 2014
Notes: The site visit was conducted once.
The mining area is Magadan.
- VI. The Supplier press releases on Russia military actions in Ukraine
- VII. Interview conducted between DMM's general manager and the supplier's director in London in October 2022 on the latest mining operation, production expectation and the impact to the supplier of the sanctions against Russia since March 2022. Independent assurance report for the GRI standard and SASB standard for fiscal 2022 issued in March 2023 by EY
- VIII. Independent assurance report for the financial statements for fiscal 2022 issued in March 2023 by MacIntyre Hudson.

As a result of these enhanced DD efforts, we have determined that the supplier poses a low risk for the following reasons.

- I. Although the mine itself is in Russia, the supplier that owns 100% of the mine is registered in Cyprus and listed on the London stock exchange.
- II. The supplier's bank account to which we make payments is the London branch of Citibank and is therefore extremely unlikely to be a source of funds for the Russian government.
- III. As the current time, the silver concentrate material we purchase from Russia is not subject to Japanese import restrictions.
- IV. The supplier is not affiliated with any person or organization on the economic sanctions list published by the Ministry of Finance.
- V. The status of the CSR activities conducted by the supplier (as reflected in their human rights violation and money laundering policies and other certifications obtained).
- VI. The supplier reports on its sustainability initiatives following the GRI standard and SASB standard, which has been externally assured.
- VII. We found no risk associated with this supplier's involvement with the Russian government during the interview conducted in October 2022.

We have determined that this supplier poses a low risk as there is no risk of involvement with the Russian government with respect to the silver concentrate material, we source from them.

Regarding the recycled silver, DMM did not identify any silver that could be a source of funds for organizations linked to risks such as infringement of human rights, supply of funds to terrorists, money laundering and corruption, or to other forms of misconduct in conflict-affected and high-risk areas during the reporting year.

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.

< Comments and Demonstration of Compliance >

We determine the audit firm by considering its trustworthiness, performance, and capacity to maintain independence. Before signing the contract between us and the audit firm, which requires that both parties confirm the independence of the audit firm prior to the signing of the contract, we pass the draft contract to relevant persons including the senior management for final approval, after obtaining an approval from the senior management and the compliance officer by reporting directly and circulating the document.

DMM engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd. and their Independent Limited Assurance Report is available on our web site.

https://www.dowa-csr.jp/content/files/mineral_audit_report.pdf

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:

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

< Comments >

Our Responsible Minerals Procurement Policy and the compliance report are available on our website.

https://www.dowa-csr.jp/content/files/mineral_compliance_report.pdf

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

Yes

< Comments >

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

If users of this report wish to provide any feedback to DMM with respect to this report, they can send an email to the address below.

nagasawh@dowa.co.jp