

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 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 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.

Table 1: Refiner's details

Refiner's name	DOWA METALS & MINING CO., LTD.
Location	14-1, Sotokanda 4-Chome.Chiyodaku, Tokyo 101-0021, Japan
Reporting year-end	31 March 2019
Date of Report	27 June 2019
Senior management responsible for this report	Toshiaki Suyama President DOWA METALS & MINING CO., LTD.



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

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.

- 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. has adopted Responsible Minerals Procurement Policy (revised in March 2019), which is consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. In order 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 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.

http://www.dowa-csr.jp/en/csr/procurement_policies.html

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.

A general manager of precious metal & copper business unit who was assigned as the Compliance Officer is responsible for managing the process, and has a direct line of reporting to the senior management.

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 guaranteed from material to ingot by internal management system.

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 HOLDINGS CO., LTD. has revised Responsible Minerals Procurement Policy in March 2019 to fulfill the requirements of LBMA Responsible Silver Guidance.

In this regard, DMM has requested all silver suppliers to sign the revised notification and understand our policy.

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 the reporting year, where customers and other external stakeholders can anonymously raise concerns on our silver supply chain.

URL: http://www.dowa-csr.jp/refer/inquiry_mineral_en/

The employees involved in the purchase and receipt of silver materials were educated by a designated trainer to fulfill the requirements of the LBMA Responsible Silver Guidance in 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 >

DMM identifies and assesses risks in the supply chain. We have established a silver supplier list in which we allocate a risk profile to individual suppliers according to our risk profile criteria.

In 2018, we have sent KYC questionnaires to all the suppliers who supplied silver ores and suppliers who supplied recycled materials which contained more than equal 15% of silver according to LBMA Responsible Silver Guidance.

Regarding the recycled materials which contained less than 15% of silver, we reviewed whether or not they came from or passed through the conflict-affected and high-risk areas (CAHRA). We concluded that the materials were free from 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 CAHRA.

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

< Comments and Demonstration of Compliance >

DMM conducted supply chain due diligence comprising of all measures required by the LBMA Responsible Silver Guidance. If they are classified as high risk categories, enhanced due diligence will be carried out.

3. DMM reports risk assessment to the designated manager.

< Comments and Demonstration of Compliance >

The Compliance Officer provides a commentary report to the senior management annually. The senior management must determine whether to approve high risk suppliers classified in our due diligence procedures.

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 >

The DOWA Group will perform risk management in the procurement of raw materials and immediately discontinue transactions 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.

- 2. 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.**

< Comments and Demonstration of Compliance >

DMM has set up a strong internal management system to identify risks as per the adopted policy. 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 through reporting year, 2018.

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 >

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

http://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 >

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

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

Table 3: Management conclusion

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 2019.

Table 4: Other report comments

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.

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