

LBMA Responsible Gold and Silver 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 Mitsubishi Materials Corporation 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	Mitsubishi Materials Corporation
Location	3-2-3 Marunouchi, Chiyoda-Ku, Tokyo, 100-8117 JAPAN
Reporting year-end	31 March 2020
Date of Report	27 August 2020
Senior management responsible for this report	Katsuyoshi Isaji Executive Officer, Vice President, Metals Company

Mitsubishi Materials Corporation'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.

The Company has adopted a company policy regarding due diligence for supply chains of gold and silver

Comments and Demonstration of Compliance:

In 2013, Mitsubishi Materials' Metals Company (hereinafter the "Company") established our Metals Company Conflict Minerals Control 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. The policy was amended and renamed the "Responsible Minerals Control Policy" in 2019, and was subsequently amended again in May 2020 so that it extended to environmental and sustainability responsibilities, as required by the Responsible Gold Guidance Version 8.

The Company has set up an internal management structure to support supply chain due diligence

Comments and Demonstration of Compliance:

The internal management system defines the governance, roles and responsibilities, monitoring, communication and senior management review as per the adopted policy. The compliance officer manages the process, and reports directly to the senior management.

The Company 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:

The Company's headquarter departments deal with all operations for raw material and recycled material procurement for supplying the materials to relevant smelters and refineries. Smelters and refineries procure no materials independently. The Precious Metals Department of the Company engages in over-the-counter purchases of gold bullion and coins. Hence, the headquarters of the Company are centrally concerned with the control of gold and silver.

The compliance officer appointed by the Company assumes authority and responsibility stipulated in the control manual, including those for overseeing departments concerned and for operating the control system.

Materials purchased by the Company headquarters are supplied to smelters and refineries, which check actual

goods, analyzes the content of gold, silver and/or other metals for every lot to examine consistency with the information from suppliers provided in advance by the Company headquarters and to report the findings to the Company headquarters.

The Company makes active use of the material acceptance monitoring system, which has long been in place, additionally for the purpose of controlling gold and silver at the Company headquarters and operates it as a system for prevention of contamination with gold and silver originating from conflict affected and high-risk areas.

The Company 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:

The Company periodically collects a Letter of Confirmation from smelters and refineries from which we purchase electrolytic copper slimes and suppliers of crude gold and silver in order to confirm that the gold- and silver-containing intermediate products are not originating from conflict affected and high-risk areas. The Company has informed all suppliers of materials containing gold and silver excluding copper concentrate of our Metals Company Responsible Minerals Control Policy.

The Company has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management

Comments and Demonstration of Compliance:

Adding to our existing company-wide communication mechanism, we have implemented a confidential grievance mechanism at the company website to allow any employee or stakeholder to inform anonymously the compliance officer about relevant issues on gold and silver. The compliance officer performs risk assessments based on the information provided and reports findings to the senior management.

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.

The Company has a process to identify risks in the supply chain

Comments and Demonstration of Compliance:

The Company practices due diligence on all suppliers of materials containing gold and silver excluding copper concentrate and performs risk assessments. The Company shall discontinue material purchase transactions that the senior management deems, as a result of the risk assessment, to involve high risk. Engaging in over-the-counter purchases of gold bullion and coins, the Precious Metals Department has long been collecting customer information in writing at the time of purchase and implementing personal identification via driver's licenses and other public certificates. The division continuously implements this risk control method in the control of gold and silver.

The Company assesses risks in light of the standards of their due diligence system

Comments and Demonstration of Compliance:

The Company considers procurement of materials containing gold and silver with definite or highly suspicious connections to specific conflict-affected areas as determined by the Company and high risk areas connected to human rights abuses, terrorist financing, money laundering, illegal trade, and non-compliance with Environmental and Sustainability legal requirements as high risk. In the case of high risk purchase, we make it a practice to perform an enhanced due diligence. During the reporting fiscal year of 2019, we did not have any purchases which were assessed to be high risk.

The Company reports risk assessment to the designated manager

Comments and Demonstration of Compliance:

The compliance officer appointed by the Company assumes authority and responsibility stipulated in the control manual, including those for overseeing departments concerned and for operating the control system. The compliance officer reports the results of these tasks to the senior management as required.

The senior management appointed by the Company assumes authority and responsibility stipulated in the control manual, including those for overseeing the whole control system and for regularly conducting management reviews.

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.

The Company 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 Company performs risk control on material procurement and shall immediately stop a transaction as soon as it is found that the Company is purchasing gold and silver originating from conflict affected and high-risk areas

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:

As the result of risk assessment on the gold-and -silver-containing materials which we purchased during the reporting year, we did not have any purchases which were assessed to be high risk.

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:

The Company engaged the services of the assurance provider, KPMG AZSA Sustainability Co.,Ltd., and their limited assurance report is attached hereto.

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]

Metals Company Responsible Minerals Control Policy and LBMA Responsible Gold and Silver Compliance Report along with the Independent Assurance Report from KPMG AZSA Sustainability Co.,Ltd. are available on our website.

<http://www.mmc.co.jp/corporate/en/csr/social/procurement/eiti.html>

Table 3: Management conclusion

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.

[Comments]

In conclusion, the Company 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 2020.

Table 4: Other report comments

[Comments]

If users of this report wish to provide any feedback to the Company with respect to this report, they can send an email to the following email address. myoshida@mmc.co.jp



Independent Assurance Report

To the Management of Mitsubishi Materials Corporation

We were engaged by Mitsubishi Materials Corporation (the “Company”) to undertake a limited assurance engagement of its LBMA Responsible Gold and Silver Compliance Report (the “Compliance Report”) for the year ended 31 March 2020. 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 limited assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with 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”).

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

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.

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Inquiring management to gain an understanding of the Company’s processes and risk management protocols in place
- Inquiring relevant staff responsible for the preparation of the Compliance Report
- Conducting alternative procedures to a site visit to the Onahama Smelter & Refinery of Onahama Smelting and Refining Co., Ltd., consisting of making inquiries, reviewing materials including documented evidence, and interviewing relevant personnel remotely using a video conference platform, without affecting the assurance conclusion.
- Assessing the suitability of the policies, procedures and internal controls that the Company has in place to conform to the Guidance
- Reviewing a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction’s documentation
- Testing a selection of the underlying processes and controls that support the information in the Compliance Report
- Reviewing the presentation of the Compliance Report to ensure consistency with our findings



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 Responsible Minerals Control Policy available on the Company's website: www.mmc.co.jp/corporate/en/csr/social/procurement/eiti.html.

Conclusion

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that the Company's Compliance Report for the year ended 31 March 2020 does not, in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is not 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.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

27 August 2020