LME
An HKEX Company

LME Red Flag Assessment Template

Reporting template for LME-listed Brands, version 2

Revision date: January 2023

LME RED FLAG ASSESSMENT TEMPLATE

Introduction

- This document constitutes the LME RFA Template (the “template”) for the purposes of the LME Policy on Responsible Sourcing of LME-Listed Brands (the “Policy”). This template and embedded workbook is only required for Brands following the Audited LME RFA Track (Track B) and the Published LME RFA Track (Track C). Capitalised terms not defined herein have the meaning ascribed to them in the Policy.
- This template is based on the “Supplement on Tin, Tantalum and Tungsten” of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition. References to “OECD Guidance” in the context of this template should be interpreted accordingly.
- The purpose of the OECD Guidance is to help companies respect human rights and avoid contributing to conflict through their sourcing decisions, including the choice of their suppliers[1].
- Producers should consult the Policy for information on Reporting Periods, and submission deadlines; other contextual information may be found in the guidance notes published by the LME.
- Please submit all relevant documents in English, this includes the template, RFA workbook, and any supplemental documents the LME should consider as part of the submission.
- The RFA workbook is available here:

Microsoft Excel Worksheet

[1] OECD Guidance, page 12

Section 1. BRAND INFORMATION	
LME Brand Producer name[2]	Lead Smelter
LME Brand name(s)[2,3]	
Reporting Period start date (DD/MM/YYYY)	01-Jan-2023
Reporting Period end date (DD/MM/YYYY)	31-Dec-2023
Date of submission (DD/MM/YYYY)	08-Jul-2024
Address of Brand producing site	Australia
Website of Brand Producer	
Name of person submitting RFA	
Job title of person submitting RFA	Materials Stewardship Specialist
Phone number	
Email address	

[2] This may be found on the list of LME Approved Brands: https://www.lme.com/en/physical-services/brands/approved-brands

[3] In the majority of cases, each Brand will require a unique RFA. However, if multiple Brands are produced by the same Producer, and the responses to the RFA questions are identical for all said Brands, one RFA may be submitted for all Brands.

Section 2. COMPANY MANAGEMENT SYSTEMS

a. Describe the Producer's supply chain due diligence policy. The policy should incorporate the standards against which due diligence is to be conducted, consistent with the model policy contained in Annex II of the OECD Guidance.[4]

Please provide a link or a copy where available.

Lead Smelter Responsible Sourcing Program
As part of our commitments to conducting business ethically and in compliance with all applicable laws and requirements prescribed by industry-wide organisations to which we are a stakeholder, we are committed to source metals and minerals responsibly. Our responsible sourcing commitment has led us to establish and implement a Responsible Sourcing management system which consists of a five-step due diligence process as defined in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (www.oecd.org). Our policy is available on our website: Link

The Lead Smelter has published a responsible sourcing statement on its website, wherein the smelter states that it commits to refrain from any action that contributes to the financing of conflict. The Lead Smelter will neither tolerate, nor profit from, contribute to, assist with or facilitate any forms or torture, cruel, inhuman and degrading treatment, child labor, forced labor and other human rights violations. The Lead Smelter will not tolerate any (in)direct support to non-state armed groups (as defined by UN resolutions) through extraction, transport, trade, handling or export of minerals. This is the link to the smelter statement: Link

In 2020, the Lead Smelter signed up to the International Responsible Business Conduct (IRBC) Agreement for the Metals Sector. Link

Other relevant policies and certifications:

- Anti-Bribery/Anti-Corruption Policy: Link
- Modern Slavery, Forced Labor and Human Trafficking Policy Statement: Link
- The management system of each smelter is certified to ISO 9001, ISO 14001 and ISO 45001. Link

[4] OECD Guidance, page 20

b. Describe how this policy been communicated to suppliers, employees, and the public.[5]

The Lead Smelter policies are available on the smelter website: Link
The policies and procedures are available for our employees globally in our internal SharePoint.

Implementation of the Lead Smelter policies is detailed in the annual report, Link

In 2023, feed materials delivered to the Lead Smelter were procured from a Trading Company. The Trading Company and the Lead Smelter have a master sales agreement for concentrates and oxides in place, which has the following clause related to responsible sourcing:
The Seller agrees that it will implement and adopt policies, procedures and practices that are the same as, or comparable to, those referred to in the Lead Smelter's Responsible Sourcing Policy Statement and the Lead Smelter's Performance Expectations of Suppliers as per Annex 2 ("Relevant Policies"), and take reasonable steps to ensure that its sub-suppliers do the same. The Seller will notify the Buyer on a systematic basis, i.e. against a timetable to be agreed between Seller and Buyer, if it identifies any

c. Explain the management structure responsible for the Producer's due diligence, including who is directly responsible for implementing the supply chain due diligence policy.[6]

The Lead Smelter has a management system in place to identify and mitigate risks in the supply chain. Due diligence activities are overseen by the Responsible Sourcing Team with support from the Trading Company Corporate Affairs team and relevant smelter departments (including but not limited to Corporate Affairs, Compliance, Business Execution, Sales, Procurement, Internal controls and Legal) and reporting directly to the Chief Executive Officer (CEO). Findings of supply chain due diligences are reported to senior management and discussed within the monthly Compliance Committee, which consists of the Legal Counsel and the CEO. The outcomes of these due diligence reviews may lead to risk mitigation activities and plans.

While our responsible sourcing activities are broadly aligned, the Lead Smelter treats the Trading Company as an independent supplier - holding the Trading Company to the smelter's responsible sourcing expectations and standards. The Lead Smelter has found the Trading Company's Supply Chain Expectations to be aligned with and complementary to:

- Responsible Sourcing Policy and procedures.

[5] OECD Guidance, page 17
[6] OECD Guidance, page 17 and page 52

d. Describe the system of controls and transparency over the mineral supply chain put in place by the Producer. This includes:
   a. the type of information[7] the Producer collects from suppliers,
   b. whether this information is required in commercial contracts with suppliers[8]
   c. the format of the record-keeping of the Producer (such as paper-based, computerised, digital leger technology, or part of an institutionalised mechanism)[8], and
   d. for how long this information is stored[8].

The Lead Smelter has a Responsible Sourcing management system in place, which is based on the International Standard ISO 20400:2017 on sustainable procurement. The management system describes the due diligence steps the smelter takes during purchasing, as part of its Responsible Stewardship function. Based on inputs gathered, the Lead Smelter conducts the review to assess severity of identified risks, if any, and plans mitigation measures. The contract for purchasing a material incorporates information disclosure requirements and may only be signed if the compliance team approves the supplier. Records from the Responsible Sourcing management system are stored electronically and kept for a minimum of five years.

The Lead Smelter completes the following steps as part of its diligence process associated with suppliers and sub-suppliers (where material is bought from the Trading Company):

- `Know Your Counterparty' (KYC) screening.
- Country of origin of material and location of asset(s) producing the material.
- Conflict and High Risk Area (CAHRA) assessment.
- Desk-based review of the asset producing the material, including whether it is artisanal and small-scale or large-scale mining.
- Location of port that material is shipped from.
- Ongoing media monitoring relevant to suppliers, sub-suppliers, and industry issues. In Refinitiv (www.refenitiv.com) suppliers are screened daily on sanctions, bad press and Environmental, Social & Governance (ESG) related issues.

[7] OECD Guidance, page 38, which refers to the information expected on page 37

[8] OECD Guidance, page 38

e. Describe the data the management system has yielded this Reporting Period and how it has strengthened the company's due diligence efforts.[9]

The Lead Smelter responsible sourcing management system identified suppliers who needed ongoing support to meet the required Environmental, Social & Governance (ESG) standards. These insights were used to inform the Trading Company's responsible sourcing activities, including follow-up of agreed actions.
The CAHRA list was updated based on current information.

f. Confirm that a company-level or industry-wide grievance mechanism has been established and provide evidence.[10]

Lead Smelter Speak-Up and investigations procedure:
The key to our culture of ethical conduct is honest, transparent communication. If you have any questions or become aware of, or suspect that, a breach of this policy, has occurred or may occur in the future, you must report your concerns to your manager or to the compliance officer.

Where a concern remains unresolved through the above local channels, or should you, for whatever reason and at any time, feel uncomfortable utilising the local channels for resolution of your concern, you can also raise it, also anonymous, via the 'Speaking-Up Helpline. The helpline is managed by an external partner of the smelter, and can be reached 24/7 by phone and internet (www.ethicspoint.com).

[9] OECD Guidance, page 52
[10] OECD Guidance, page 17 with details on page 40

g. Describe the Producer's method for identifying Conflict-Affected and High-Risk Areas ("CAHRA").[11]

In line with the OECD Guidance and the LME Responsible Sourcing programme, the Lead Smelter has developed an approach for the determination of CAHRAs (as there is no publicly list available specific for Lead and Zinc). Our approach and corresponding `CAHRA tool' includes 15 scoring factors. All scoring factors (outlined in the list below) are publicly available. This CAHRA determination process has been documented in our Responsible Sourcing Management Standard. The Lead Smelter will add additional countries to its list if further information becomes available indicating there is a significant risk of violent conflict or exploitation of local communities.

Human Rights - Forced Labour:

https://www.state.gov/reports/2023-trafficking-in-persons-report/

https://www.walkfree.org/global-slavery-index/

Human Rights - Child Labour:

https://hdr.undp.org/

https://data.unicef.org/topic/child-protection/child-labour/

Transparency:

https://rsf.org/en/index

https://www.transparency.org/en/cpi/2023

Conflict:

[11] Though not directly referenced in the OECD Guidance, the LME requires this information to be disclosed as part of the transparency requirements for Track C. In line with the Policy, the LME expects that the definition of "conflict-affected and high-risk areas" will be as set out in the "Supplement on Gold" of the OECD Guidance page 66.

Section 3. LOCATION OF MINERAL ORIGIN AND TRANSIT RED FLAG EVALUATION

Use the workbook to provide the following information:

a. On the basis of the Producer's Company Management Systems for tracing the transit of materials from its operations and those of its suppliers, list all countries from which the minerals used for this Brand originated and transited through during the Reporting Period.
b. Identify whether each of the countries listed in (a.) is a source for the Brand material or a country through which the material only transits.
c. Specify the type of material being sourced or transited. This is optional to disclose and only requested to assist in answering the remaining questions.
d. Classify each country's CAHRA status:
    (i) A country of which no area falls into the CAHRA definition;
    (ii) A country of which all areas fall into the CAHRA definition; or
    (iii) A country of which some, but not all areas fall into the CAHRA definition. In this case, indicate whether the material is sourced from or transits through the CAHRA in the comment column.
e. For each of the source countries identified, assess if the volume of mineral the Producer sourced during the Reporting Period is in keeping with the source country's known reserves and expected production levels. Provide the result of your assessment.
f. For each of the countries identified, assess if this country known to transit materials from CAHRAs.
g. For each of the source countries in (b.), assess the status of the supplier's Extractive Industry Transparency Initiative ("EITI") implementation following these steps[12]:
    (i) State whether or not the country is an EITI-implementing country[13];
    (ii) If the supplier is located in an EITI-implementing country, identify if the supplier is in compliance with the EITI reporting requirements of that country[14]. Provide links to the relevant company's submission for the purpose of EITI reporting, where such a disclosure does not reveal commercially sensitive information.
    (iii) If the country is not an EITI-implementing country, identify if the supplier takes other steps to provide transparency on payments to governments and other matters in line with the aims of EITI. Provide link(s) to disclosures where available.

[12] The LME believes that financial crime and corruption risk represent important concerns for industry stakeholders. Accordingly, the LME is particularly keen to ensure that the principles of the EITI, as referenced on page 52 of the OECD Guidance, are embedded into global supply chains. As such, this template references the specific wording of the OECD Guidance in respect of EITI, but further requires that Producers explain broader disclosure on a per-country basis.
[13] The status of country's EITI implementation can be found here: https://eiti.org/countries
[14] Producers are encouraged to contact the EITI International Secretariat secretariat@eiti.org for support in finding and understanding supplier's reports.

Section 4. SUPPLIER RED FLAG EVALUATION

The Producer is expected to identify all intermediaries, consolidators, or other actors upstream in their supply chain through their management system[15]. This includes but is not limited to: traders who provide minerals to the Producer or the Producer's suppliers; parent companies of the Producer or the Producer's suppliers; and companies that have a controlling interest in the Producer or Producer's suppliers ("Relevant Companies"). The Producer then must identify whether any of the Relevant Companies operate in or source from CAHRAs[16].

If a Relevant Company operates in or sources minerals from a CAHRA, a potential OECD Red Flag is raised. Producers should verify through public sources, KYC checks, and engagement with suppliers to secure evidence (including spot checks as appropriate), that the supplier has strong company-wide due diligence management systems. If evidence is secured (and provided to the LME upon request) that minerals from a red flag location of mineral origin and transit have not entered the Brand's feedstock and the Relevant company has strong company-wide due diligence management systems, Producers may continue to use this template and follow the public disclosure requirements of the relevant Track. If no evidence is available, the supplier red flag remains and the Producer will be referred to Track A for enhanced due diligence with the support of an assurance framework[17].

Use the workbook to provide the following information:

a. Indicate where the "Relevant Companies" have operated in or sourced minerals during the Reporting Period.
b. Classify the locations provided in (a.) into either locations where no minerals are produced (such as headquarters, offices, or holding companies) or locations where minerals are produced.
c. Classify each country's CAHRA status:
   (i) A country of which no area falls into the CAHRA definition;
   (ii) A country of which all areas fall into the CAHRA definition; or
   (iii) A country of which some, but not all areas fall into the CAHRA definition. In this case, indicate whether the operations are located within the CAHRA in the comment column.
d. If any CAHRAs are identified, provide confirmation that the Producer has secured evidence that the origin or transit of the material entering their feedstock was not sourced from the CAHRA that raised the OECD supplier red flag and that the Relevant Company has strong company-wide due diligence management systems.

[15] OECD Guidance, page 34, which refers to the information expected to be collected by Producers on page 37

[16] The LME is aware that the OECD Guidance goes further on this point, including countries with limited reserves or production levels and countries where minerals from CAHRAs are known to transit; however, the LME considers these points to be adequately covered in Section 3.

[17] The LME provides a guidance note on this topic: https://www.lme.com/en/About/Responsibility/Responsible-sourcing#Guidance-notes-and-webinars

Section 5. RED FLAG ASSESSMENT		
a.	Is there any Input Material for the LME Brand where the origin is unable to be determined?	☐ Yes ☑ No
b.	Do any of the countries identified in Section 3 LOCATION OF MINERAL ORIGIN AND TRANSIT EVALUATION fall into the CAHRA areas identified in 3.d?	☐ Yes ☑ No
c.	Do any of the source countries identified in Section 3 LOCATION OF MINERAL ORIGIN AND TRANSIT EVALUATION receive a quantity of material that is out of keeping with the source country's known reserves and expected production levels as answered in 3.e?	☐ Yes ☑ No
d.	Do any of the countries identified in Section 3 LOCATION OF MINERAL ORIGIN AND TRANSIT EVALUATION fall into the list of countries known to transit materials from CAHRAs identified in 3.f?	☐ Yes ☑ No
e.	Do any of the countries identified in Section 4. SUPPLIER RED FLAG EVALUATION fall into the CAHRA areas identified in 4.c without confirmation provided in 4.d?	☐ Yes ☑ No
f.	Is the answer to any of Section 5.a – 5.e positive? If yes, the LME Brand is considered to have raised an OECD Red Flag and must use Track A.	☐ Yes ☑ No
g.	Does the Producer fail to identify the EITI status of any of the source countries identified in Section 3 LOCATION OF MINERAL ORIGIN AND TRANSIT EVALUATION in 3.g.(i)?	☐ Yes ☑ No
h.	Does the Producer fail to provide supplier's EITI disclosure information described in 3.g.(ii) for suppliers located in EITI-implementing countries?	☐ Yes ☑ No

i. Does the Producer believe that the Red Flag Assessment should result in a different outcome than indicated in 5.f? If so, then a full explanation must be given. Explanation: In 2023, the Lead Smelter purchased its feed materials from the Trading Company. We have reviewed the documentation provided by the Trading Company to ensure that the Trading Company has effective controls in place. The Trading Company sources some materials from CAHRA countries, but in 2023 none of these products have been delivered to the Lead Smelter. The Trading Company has a robust company-wide due diligence system that has been independently assessed using ISO 20400 (see information before), more information can also be found on this Link. The Lead Smelter has performed additional checks to make sure that the work that is performed by the Trading Company is in line with the OECD requirements and did not identify any risks. As part of its responsible sourcing management system, the smelter requests certificates of origin from its suppliers, in this case the Trading Company, for any shipment of new materials. The smelter management committee concluded that the responsible sourcing risk controls for the LME brands were sufficiently robust to follow track C.	☐ Yes ☑ No

Additional comments:

3g (i) Beyond reviewing whether a country is a `supporter' or a `non-supporter' of the EITI, the precise EITI status of countries from which the Lead Smelter sources feed materials from does not currently inform it's CAHRA identification tool. We would be happy to consider making such a change in future, if required. In the case of Mexico and Honduras, their EITI suspension related to restricted civic space which is a matter monitored through the smelter's CAHRA tool albeit through reference to, for instance, the `World Press Freedom Index' and the `Social Progress Imperative: Social Progress Index'.

3g (ii) The Trading Company's 2023 Payments to Governments Report, covering payments made in calendar year 2022, can be found here: Link. The Trading Company has advised the Lead Smelter that, "*in accordance with `EITI Expectations for Supporting Companies', it releases data on payments within expected timeframes*".

4b The list provided includes all of the Lead Smelter suppliers in CY2023. There are some countries that the Trading Company sources material from that do not supply feed materials to the Lead Smelter.

4c Ukraine was identified as a CAHRA by the smelter methodology. The list in the first version of the RFA workbook had been transposed incorrectly.

4d In 2023, the Lead Smelter purchased Lead concentrates from the Trading Company. The Trading Company purchased the Lead concentrates from sub-suppliers in certain countries (Australia, Honduras and Mexico). The Lead Smelter was able to verify the sources of the materials, based on the certificates of origin.

	Country identification			Red Flag 1	Red Flag 2	Red Flag 3	EITI Implementation		
Question from RFA	3.a. On the basis of the Producer's Company Management Systems for tracing the transit of materials from its operations and those of its suppliers, list all countries from which the minerals used for this Brand originated and transited through during the Reporting Period.	3.b. Identify whether each of the countries listed in (a.) is a source for the Brand material or a country through which the material only transits.	3.c. Specify the type of material being sourced or transited. This is optional to disclose and only requested to assist in answering the remaining questions.	3.d. Classify each country's Conflict-Affected or High-Risk Area ("CAHRA") status.	3.e. For each of the source countries identified, assess if the volume of mineral the Producer sourced during the Reporting Period is in keeping with the source country's known reserves and expected production levels. Provide the result of your assessment.	3.f. For each of the countries identified, assess if this country known to transit materials from CAHRAs.	3.g. For each of the source countries in (b.), assess the status of the supplier's Extractive Industry Transparency Initiative ("EITI") implementation following these steps		
	Australia	Source	Lead concentrate	No CAHRAs	Yes	No	No	N/A	Mining Company
	Honduras	Source	Lead concentrate	No CAHRAs	Yes	No	No	In compliance, report here: Link	Trading Company
	Mexico	Source	Lead concentrate	No CAHRAs	Yes	No	No	In compliance, report here: Link	

Question from RFA	4.a. Indicate where the Relevant Companies have operated in or sourced minerals during the Reporting Period.	4.b. Classify the locations provided in (a.) into either locations where no minerals are produced (such as headquarters, offices, or holding companies) or locations where minerals are produced.	4.c. Classify each country's Conflict-Affected or High-Risk Area ("CAHRA") status.	4.d. If any CAHRAs are identified, provide confirmation that the Producer has secured evidence that the origin or transit of the material entering their feedstock was not sourced from the CAHRA that raised the OECD supplier red flag and that the Relevant Company has strong company-wide due diligence management systems.
Mining Company	Australia	Mineral Production	No CAHRAs	NA
Trading Company	Angola	No Mineral Production	No CAHRAs	NA
	Argentina	No Mineral Production	No CAHRAs	NA
	Australia	Mineral Production	No CAHRAs	NA
	Bolivia	Mineral Production	No CAHRAs	NA
	Brazil	No Mineral Production	No CAHRAs	NA
	Canada	Mineral Production	No CAHRAs	NA
	Chile	No Mineral Production	No CAHRAs	NA
	China	No Mineral Production	No CAHRAs	NA
	Columbia	Mineral Production	Some CAHRA regions	No Lead smelter feed material sourced from this country. Company has due diligence management system.
	Democratic Republic of the Congo	Mineral Production	Some CAHRA regions	No Lead smelter feed material sourced from this country. Company has due diligence management system.
	Denmark	No Mineral Production	No CAHRAs	NA
	Ecuador	No Mineral Production	No CAHRAs	NA
	Ghana	No Mineral Production	No CAHRAs	NA
	Greece	Mineral Production	No CAHRAs	NA
	Honduras	Mineral Production	No CAHRAs	NA
	India	No Mineral Production	Some CAHRA regions	No Lead smelter feed material sourced from this country. Company has due diligence management system.
	Indonesia	No Mineral Production	No CAHRAs	NA
	Ireland	Mineral Production	No CAHRAs	NA
	Japan	No Mineral Production	No CAHRAs	NA
	Korea	No Mineral Production	No CAHRAs	NA
	Mexico	Mineral Production	No CAHRAs	NA
	Mongolia	No Mineral Production	No CAHRAs	NA
	Pakistan	No Mineral Production	Some CAHRA regions	No Lead smelter feed material sourced from this country. Company has due diligence management system.
	Paraguay	No Mineral Production	No CAHRAs	NA
	Peru	Mineral Production	No CAHRAs	NA
	Philippines	No Mineral Production	Some CAHRA regions	No Lead smelter feed material sourced from this country. Company has due diligence management system.
	Republic of Panama	No Mineral Production	No CAHRAs	NA
	Romania	No Mineral Production	No CAHRAs	NA
	Singapore	No Mineral Production	No CAHRAs	NA
	South Africa	Mineral Production	No CAHRAs	NA
	Spain	No Mineral Production	No CAHRAs	NA
	Sweden	Mineral Production	No CAHRAs	NA
	Switzerland	No Mineral Production	No CAHRAs	NA
	Tanzania	No Mineral Production	No CAHRAs	NA
	The Netherlands	No Mineral Production	No CAHRAs	NA
	Turkey	Mineral Production	No CAHRAs	NA
	Ukraine	No Mineral Production	Some CAHRA regions	No Lead smelter feed material sourced from this country. Company has due diligence management system.
	United Arab Emirates	No Mineral Production	No CAHRAs	NA
	United Kingdom	No Mineral Production	No CAHRAs	NA
	United States	Mineral Production	No CAHRAs	NA
	Vietnam	No Mineral Production	No CAHRAs	NA
	Zambia	No Mineral Production	No CAHRAs	NA

Appendix 1: Attachments

1. Responsible sourcing policy
2. Statement which details the company's commitment in responsible sourcing
3. Signatory to the International Responsible Business Conduct Agreement
4. Anti-bribery/anti-corruption policy
5. Code of business conduct policies
6. Annual sustainability report
7. Payment to government report 2023