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]	XX
LME Brand name(s)[2,3]	XX
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)	18-Jun-2024
Address of Brand producing site	XX
Website of Brand Producer	XX
Name of person submitting RFA	XX
Job title of person submitting RFA	XX
Phone number	XX
Email address	XX

[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.

XX supply chain due diligence policy is a framework for us to manage risks and drive compliance across our purchasing and strategic raw materials efforts. It aligns our activities with multiple stakeholders and ensures transparency and proper compliance. Our program defines criteria that potential suppliers must meet in order to qualify. Potential suppliers must not have any instances certain risk factors, such as: human rights violations, unfair labor practices, negative environmental impacts, violence, corruption, etc. XX performs a risk assessment on potential suppliers and continues to monitor their performance. Before entering into a supply agreement, we make it clear that suppliers must meet our "Purchasers Code of Ethics for Suppliers and Business Partners" and our Standard Terms and Conditions includes our expectation for ethical business practices. We maintain an active internal audit program of monitoring and testing and in addition work with a 3rd party to screen all active suppliers in our ERM system for red flags. We also have various community engagement forums in the local mining areas and engage with government authorities and NGOs to ensure we're good stewards of these natural resources.

[4] OECD Guidance, page 20

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

All of our policies can be found on our website: (XX). This resource is available to our employees, suppliers and the public.

Our employees receive training each year on multiple compliance topics, including Company's Code of Ethics, Anti-Corruption and Responsible Business Guidelines, etc.

Suppliers are sent our "Purchasers Code of Ethics for Suppliers and Business Partners" during the vetting process and each year in case there is any change. Additionally elements of our policy and our expectations are included in our Purchasing Standard Terms and Conditions.

Any impacts or violations would be reported in our annual Sustainability Report - also available on our website.

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]

Our raw material purchasing is handled by our Commercial department. Our Chief Commercial Officer is ultimately responsible for the activities of the department. The CCO reports directly to XX CEO. With in the purchasing department, we have a staff located in each country that we operate in. For the XX brand, the relevant purchasing department is on-site at XX. Oversight of this department is handled by our compliance function which sits within our Legal Department. Together, Compliance and Purchasing set and enforce the rules and procedures for supplier due diligence. In addition, the purchasing department is monitored and tested by our Internal Audit group that sits within our Corporate Finance team.

[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 XX brand only purchases alumina from a processing facility in the XX; therefore we collect information such as production date, quality/ chemical composition, etc. This information is digitally stored for a minimum of 7 years in our ERP system. However, as the ore processed in the XX was extracted in XX, upon request, the supplier is capable of providing information regarding extraction/ mining dates, mining locations, and shipping routes. Payments from the supplier to the local government are not made public, though the miner (XX which is majority owned by the XX government) does periodically produce an annual report in which they publish the fees paid by the supplier, which is referred to as an "Annual Use of Asset Fee".

[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 XX brand has a long standing relationship with the alumina supplier and we did not vet any new sources. Our 3rd party verification system did not find any red flags or instances of non-compliance

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

Yes, XX maintains a grievance system using a 3rd party called: "Ethical Advocate". There is both a telephone number and a website that a whistle blower may utilize.

This information is contained within our Code of Ethics document published on our website: XX

[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]

XX only purchases alumina from one supplier who is based in XX. However, as the ore was mined in XX we spent considerable time researching whether XX should be considered a "classification III" country, we ultimately determined "no".

We first cross-checked XX with the TDI Sustainability Initiative, who rates XX a "low risk". Next we checked the latest EU non-exhaustive list of CAHRAs, which doesn't list any region of XX as having characteristics of a CAHRA.

In addition, XX also mines bauxite in XX - as the majority owner of XX in the XX *[- though that material is not used for the XX brand]*. The bauxite used at XX is mined in XX by XX which is 51% owned by the XX. XX is not an area considered violent of having organized crime.

During our due diligence phase when making the acquisition of XX and in our daily operations since our acquisition, we have not been made aware by any authority that XX should be considered a CAHRA.

[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:	☐ Yes ☑ No

Additional comments:

	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			Additional comments
Clarification of required answers	Please enter the country name.	Please enter "Source" or "transit only".	Optional: you may enter the type of material sourced if desired.	Please enter country CAHRA evaluation as "No CAHRAs", "Some CAHRAs", or "All CAHRA". For "Some CAHRAs", provide specific region in comments column K.	For source countries only: Please enter Yes or No for source countries and NA for transit only countries.	For all countries: Please enter Yes if known to transit materials from CAHRAs or No if not.	For source countries only: (i) State whether or not the country is an EITI-implementing country. Please enter Yes or No for source countries and NA (Not Applicable) for transit only countries.	For source countries only: (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. Provide links to the relevant company's submission for the purpose of EITI reporting, where such a disclosure does not reveal commercially sensitive information.	For source countries only: (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.	
	XX	*Source*	*Alumina*	*No CAHRAs*	*Yes*	*No*	*No*	*NA*	*- Supplier does not take extra steps to provide transparency for government payments - claims they make no payments to the XX*	
	XX	*Source*	*Bauxite*	*No CAHRAs*	*Yes*	*No*	*No*	*NA*	*- Supplier does not take extra steps to provide transparency for government payments - They are a minority partner in the bauxite mine with the majority owned by the XX government. There is currently a bauxite levy on all shipments, but that payment is made by the JV not the minority partner.*	*The alumina we purchase is refined the XX., though the bauxite is sourced from XX. We spent considerable time researching whether XX should be considered a "classification III" country on 5a., we ultimately determined "no". the TDI Sustainability Initiative rates XX a "low risk" and the latest EU non-exhaustive list of CAHRAs doesn't list any region of XX. In addition, the supplier is a 49% minority owner in the mine, with the remaining 51% owned by the XX government ("XX" or "XX"). The mine sits in XX and is not an area considered violent or possessing organized crime. The XX government entity has a business mandate and is a good steward of the assets.*

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.
Clarification of required answers	Please enter the country name.	Please enter "No Mineral Production" or "Mineral Production"	Please enter country CAHRA evaluation as "No CAHRAs", "Some CAHRAs", or "All CAHRA".	
	XX	*Mineral Production*	*No CAHRAs*	
	XX	*Mineral Production*	*No CAHRAs*	

Appendix 1: Attachments

1. Supply chain due diligence policy
2. Sustainability report
3. Purchaser's code of ethics for suppliers and business partners