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]	Production division “B” of the Company
LME Brand name(s)[2,3]	
Reporting Period start date (DD/MM/YYYY)	01-Янв-2023
Reporting Period end date (DD/MM/YYYY)	31-Дек-2023
Date of submission (DD/MM/YYYY)	14-Июн-2024
Address of Brand producing site	
Website of Brand Producer	
Name of person submitting RFA	
Job title of person submitting RFA	Lead manager, Sustainable Development Department
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.

The Policy ensures the sustainable development criteria are met by the Company's* suppliers of raw materials, goods and services. The Policy sets out the principles of responsible supply chain management at the Company, which are applicable to the Company's Policy is available to all stakeholders at its corporate website.
The Policy reflects the Company's priorities with regard to responsible sourcing and its approach to the risk management throughout its supply chain.

The Company has also a Supplier Code of Conduct, which is available to all stakeholders at its corporate website.
The Code requires the counterparties to conduct their business in line with the principles of sustainable development. In case a supplier does not fully meet the Code requirements, the Company may initiate a process of identification and management of supply chain risks and may review its relations with the supplier upon taking the corrective actions.
The Code has been developed on the basis of relevant corporate, national and international laws and regulations.

In addition to the applicable national laws and corporate policies, the Company's Responsible Sourcing Policy and its Supplier Code of Conduct have incorporated the following international laws and regulations:
China Chamber of Commerce of Metals, Minerals and Chemicals Importers & Exporters (CCCMC) Chinese Due Diligence Guidelines for Responsible Mineral Supply Chain

[4] OECD Guidance, page 20

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

The Company communicates the Policy and the Code to all stakeholders at its official website.

The Addendum concluded between the Production division "B" (further - the Division**) and its sole supplier of mineral raw materials provides for the obligations of the parties to comply with the principles and responsibilities set out in the Policy and the Code, as well as informs the supplier about the Company's Grievance mechanism.

**The Division produces LME brand. The Division is a part of the Company. The Company's regulatory documents are in application at its divisions.

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]

A dedicated Office of the Division is responsible for supply chain due diligence process and the due diligence management system (DDMS). In addition to this Office, other Division units participate in the due diligence procedure.

Division standard "Due Diligence Management System, 2023" outlines responsibilities in the due diligence process.
The Standard defines a due diligence procedure based on the 5-Step Due Diligence Framework of the OECD Guidance, including responsibilities, tools, processes and actions. The 2023 revision of the Standard has been expanded to include sections describing the following:
- standardized mineral raw materials (i.e. minerals containing cobalt, nickel, and copper);
- international names of standard;

[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].

Division's Due Diligence Procedure in 2023

Supply chain due diligence procedure is applicable to all current and potential suppliers of the Division. A potential supplier undergoes due diligence prior to entering into contractual relations.

In 2021-2023, the Division sourced metal-containing raw materials from one supplier. In 2024, the Division carried out due diligence of the supplier for 2023 as required by the new provision of the Division standard, stipulating to conduct due diligence of suppliers annually. Due diligence revealed no red flags, which is stated in the Division internal report and the annual public report of the Company on responsible sourcing.

Control system over the mineral supply chain

If any red flag is identified during the due diligence process, the Division Office carries out the enhanced due diligence of the supply chain (as required by the Division standard).

Such enhanced due diligence includes a monitoring procedure with raw materials flow audits. The raw materials flows are managed via the electronic system. The quantitative and qualitative data obtained as part of the supplier due diligence is reconciled based on the data from the electronic system used both by the Division and its sole supplier of metal-containing raw materials. This data ensures that no other metal-containing raw materials from outside sources enter the brand production chain during transportation and processing. Measures and data to control raw materials mined and processed by the Division were described in the 2021 RFA reports and remained valid in 2023.

[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]

In 2021-2023, the Division sourced metal-containing raw materials from one supplier. In 2024, the Division carried out due diligence of the supplier for 2023 as required by the new provision of the Division standard, stipulating to conduct due diligence of suppliers annually. Due diligence revealed no red flags, which is stated in the Division internal report and the annual public report of the Company on responsible sourcing.

Nevertheless, the Division updated its standard "Due Diligence Management System" (as described in the Section 2, C above) and CAHRA Assessment Tool (as described in the Section 2, G below).

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

The corporate Grievance mechanism was launched to ensure prompt response to reported violations, abuses and embezzlement. Its remit extends across all business units of the Company as well as contractors and subcontractors operating and providing services at the Company facilities.
The corporate Grievance mechanism is governed by the relevant Grievance mechanism Procedure of the Company.
The Audit Committee of the Board of Directors monitors and assesses the mechanism performance. Employees responsible for the mechanism performance have their individual KPIs linked with an improvement of the Grievance mechanism operational efficiency.
The mechanism allows any employee of the Company or any external stakeholder to inform the Company's management about violations, non-compliances, corruption, commercial bribery, fraud or other unacceptable situations inside the Company or by the Company's counterparties (listed in the Grievance mechanism Procedure

[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]

The Division has its own conflict-affected and high-risk areas (CAHRAs) assessment tool. The Tool identifies CAHRAs in the supply chain. The final list of indices selected for the Tool meets all RMI criteria and falls into the OECD Guidelines definition of CAHRA which is also reflected in the Methodology description. The indices are the indirect variables of CAHRA characteristics, specifically, corruption and money laundering, political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence, human rights abuses and violations of national or international law.
The selected indices are published by reputable international NGOs and research institutes recommended by RMI.
Three key risk areas defined in Annex II of the OECD Guidance, i.e., conflicts, human rights and governance, are also covered by the indices. They are regularly updated and provide the comprehensive information on country level having left only few countries uncovered due to data unavailability.

The Tool was developed by the Company in cooperation with external consultants.

In 2023, the threshold values for the Tool were updated to reflect the values the countries had achieved:

GPI threshold was set at 3.5; WGI1 threshold was set at -1.7; WGI6 threshold was set at -1.7.

Furthermore, Somalia was removed from the list of countries as there is no HDI index for this country and the Company has no business relations with companies operating there.

[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 transif 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	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.	
Answer	*Country A*	*Source*	*Primary raw material*	*No CAHRAs*	*Yes*	*No*	*No*	*No*	*The Company strives to be EITI compliant, so the total amount of taxes and other payments to the government has been disclosed.*	
		Transit only								

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".	
Answers	*Country A*	*Mineral Production*	*No CAHRAs*	
	Country B	*No Mineral Production*	*No CAHRAs*	

Appendix 1: Attachments

1. Responsible supply chain due diligence management systems 2023
2. Procedure on the corporate trust line 2023
3. Company databook of mineral resources