LME
An HKEX Company

LME Red Flag Assessment Template

Reporting template for LME-listed brands, edition 2

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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 are 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.

[1] OECD Guidance, page 12

Section 1. BRAND INFORMATION

LME Brand Producer name[2]	Company
LME Brand name(s)[3]	
Reporting Period start date (DD/MM/YYYY)	
Reporting Period end date (DD/MM/YYYY)	
Date of submission (DD/MM/YYYY)	
Address of Brand producing site	
Website of Brand Producer	
Name of person submitting RFA	
Job title of person submitting RFA	
Phone number	
Email address	
Hotline	

[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]

The Responsible Sourcing Policy has been developed and implemented at Company (Director of Company is in charge for implementation of the Responsible Sourcing Policy).

Company has developed and introduced the Code of Business Conduct, which is binding upon its employees and stakeholders.

Link to the policy: [link]

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

The Responsible Sourcing Policy is an integral part of the supply contracts and is provided to the suppliers of minerals used for production.

The staff of the company in charge was properly informed about the Due diligence company policy.

[4] OECD Guidance, page 17
[5] OECD Guidance, page 20

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 working group has been established at Company to adopt decisions on interaction with potential suppliers. The working group is composed of leaders/heads of departments/offices and approved by the Order of Director.

The working group is a cross-functional team of experts with the following responsibilities:

Department/Office	Scope of responsibility
Commercial department	Contract terms and conditions, information on alternate Suppliers, risk mitigation through logistic schemes modification. Risk assessment of delayed/suspended contractual sales in the event of termination of cooperation with the Supplier
Quality control service	Supplier due diligence and production quality control
Accounting department	Compliance check of the Contract terms and conditions with the applicable law of the Russian Federation
Technical Department	Risk assessment of production shortfall in the event of termination of cooperation with the Supplier

[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 aninstitutionalised mechanism)[8], and
   d. for how long this information is stored[8]

Company Management Systems: Company has implemented, certified and keeps functioning management systems in accordance with international standards: ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2018.

The Company has developed and implemented the system of monitoring and transparency of the mineral supply chain, including:

– Responsible Sourcing Policy;

– Code of Business Conduct;

– Procedure on the identification of CAHRAs in minerals supply chain of Company P 00194429-17-2023 (The Director for Commercial and Financial Affairs of Company is responsible for implementing the provisions of the Procedure on the identification of CAHRAs in minerals supply chain of JSC "Company");

- Internal Standard STO 00194429-027 "Raw Material Supply for Main Production" containing description of the control system over the mineral supply chain to the Company, determining how the system operates, the suppliers categories, assessment and selection of the raw materials suppliers, risk management actions for mineral supply, record-keeping system;

– system implementation agents (specialized functional departments) and distribution of responsibilities within the company.

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

Besides, Annex A to the Procedure on the identification of CAHRAs in minerals supply chain contains Questionnaire KYC, to be forwarded to Minerals Suppliers. The Commercial Department is responsible for mailing, collecting and processing information from Minerals Suppliers. Information from Suppliers is collected during the contractual campaign stage. The questionnaire is sent electronically.

Annex B to the Procedure on the identification of CAHRAs in minerals supply chain contains a spreadsheet for collecting information on the traceability of minerals supplies. A soft copy of the spreadsheet is maintained by the Commercial Department.

Such information is retained in the Commercial Department for 5 years.

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

Company created a working group on responsible minerals initiative. It is the review and decision-making body for the initiative within the company and the industry.

Commercial Department generates the List of Countries of Origin, Sustainability and International Relations Office generates the List of CAHRAs. The working group shall draw up a Minutes with the decisions taken.

It has strengthened the company's due diligence efforts to meet the requirements for responsible sourcing of minerals for the production of Brands listed on the London Metal Exchange, as well as to manage the risks of adverse effects associated with the supply of minerals from conflict-affected and high-risk areas.

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

Company has a procedure for reviewing claims and pleas to/from suppliers/consumers.

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

Procedure establishes requirements for development of corrective actions based on the review of comments and suggestions received from customer satisfaction surveys.

For the purpose of avoidance/satisfaction of any ethical claims and grievances, Company has developed the Code of Business Conduct, which defines the ethical operating principles. In case of Human Right Abuse or Conflict of Interests or Anti-Corruption Measures, a stakeholder may communicate via an e-mail address or telephone number indicated therein. Code of Business Conduct is attached to the contracts with our counter partners.

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

(i) The Company shall compile and update the list of CAHRAs on an ongoing basis.

The list of CAHRAs, indicating the date and resources used, shall be compiled by the Sustainability and International Relations Office of the Company on the basis of and taking into account:

- **The indicative and non-exhaustive list of CAHRAs provided by the European Commission pursuant to Article 14.2 of the European Union Regulation 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas (далее – Regulation (EU) 2017/821);**
- **Commission Recommendations (EU) 2018/1149 "On non-binding guidelines for the identification of conflict-affected and high-risk areas and other supply chain risks under Regulation (EU) 2017/821";**
- **an indicative, non-exhaustive, and regularly updated list of CAHRAs or 'EU list': https://www.cahraslist.net/cahras, published by the European Commission Directorate General for Trade (DG TRADE);**
- **RMI Global Risk Map;**
- **Subnational risk factors – factors determined by relationship between cities and regions of the country;**
- **information on both the areas where the material is produced and other areas in some way involved in the supply and costing of the material;**

[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.

– **etc.**

The list of CAHRAs is kept by the Commercial department and is used by the Commercial Department to check the information of the minerals and supply chains for being related to CAHRAs.

(ii) Based on the results of identifying CAHRA list and determining whether the Suppliers of the minerals related to CAHRAs , the Working Group may make one of the following decisions:

CAHRAs ARE NOT IDENTIFIED[12]	CAHRAs ARE IDENTIFIED	
Option A	**Option B**	**Option C**
Agree the terms of cooperation with the minerals Supplier as part of the requested supply chain (source of minerals, transportation / transit route, minerals manufacturers for the Company, etc.)	Agree the terms of cooperation with the minerals Supplier as part of the requested supply chain provided that additional measures are taken to reduce the risk of such cooperation	Refuse to cooperate with the minerals Supplier as part of the requested supply chain

The decision made by the Working Group shall be based on the assessment of the risk for the Company to be involved or engaged in contributing to / supporting / initiating adverse impacts.

The decision made by the Working Group shall be documented in the Minutes.

Among the measures to reduce the risk of cooperation with minerals Suppliers, whose geography of operations and/or expected supplies (source countries) overlap with at least one of CAHRAs (Option B), the following measures may be selected:

- obtaining more detailed information on the minerals Supplier and/or the minerals it offers (e.g., running an extended questionnaire to obtain the information on the status of the subnational entity that is the business location of the minerals Supplier and/or the place of origin of the minerals), followed by a risk reassessment and making a decision in favour of the Option A;

- inclusion in the agreement/contract of additional provisions to ensure the supply transparency, as well as the assumption of additional supply obligations (e.g., demonstration of export legality and others);

- develop alternative logistics solutions for the transportation of minerals and/or materials.

(iii) The list shall be compiled at least once a year.

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	X 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	X 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	X 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	X 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	X No
f.	Is the answer to any of Section 5.a – 5.e positive?	☐ Yes	X No
	If yes, the LME Brand is considered to have raised an OECD Red Flag and must use Track A.		
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	X 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	X 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. ☐ Yes X No

Explanation:

Additional comments:

Country identification			Red Flag 1	Red Flag 2	Red Flag 3	EITI Implementation			
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**
Russia	*Source*	*Zinc concentrate*	*Some CAHRAs(Belgorod region)*	*Yes*	*No*	*No*	*NA*	*In line with the aims of EITI, mining companies report annually before February 1st to the governmental body on extracted volumes of minerals and pay Mining Resources Extraction Tax*	*Company is supplied from the Urals and Siberia regions*
Kazakhstan	*Source*	*Zinc concentrate*	*No CAHRAs*	*Yes*	*No*	*Yes*	*In compliance, report here: http://eiti.geology.gov.kz/ru/national-reports*	*NA*	-

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.
Russia	*Mineral Production*	*Some CAHRAs(Belgorod region)*	*Company is supplied from the Urals and Siberia regions*
Kazakhstan	*Mineral Production*	*No CAHRAs*	-

Appendix 1: Attachments

P-01-13-04-2023 PROCEDURE CAHRAs IDENTIFICATION IN MINERALS SUPPLY CHAIN OF [REDACTED] FOR [REDACTED] ZINC PRODUCTION