



The Refiner's Compliance Report

The *LBMA Responsible Gold and Silver Guidance* has been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarises how Good Delivery Refiners have complied with the requirements of the *LBMA Responsible Gold and Silver Guidance*

Table 1 : Refiner's details	
Refiner's name	LS Nikko Copper Inc
Location	15th Floor LS Tower, 92, Hangang-daero, Yongsan-gu, Seoul, Republic of Korea
Reporting year end	December 31. 2018
Date of Report	February 28. 2019
Senior management responsible for this report	Executive Vice President, BON-HYUCK KOO

LS Nikko Copper Inc's evaluation

The following table lists the minimum requirements that must be satisfied by Refiners in accordance with the *LBMA Responsible Gold and Silver Guidance* to demonstrate compliance. Refiners should complete the table and provide reasons for their responses in the space provided. All boxes not shaded should be completed.

Table 2:	Summary of activities undertaken to demonstrate compliance
Step 1: Establish strong company management systems	
Compliance Statement with Requirement: We have fully complied with Step 1: Establish strong management systems.	
LS Nikko copper Inc has adopted a policy regarding due diligence for supply chains of gold and silver	
Comments and Demonstration of Compliance: During 2018, we established an appropriate gold and silver supply chain policy, which is consistence with the model set out in the Annex II of the OECD Due Diligence Guidance. This sets out our responsibility for conducting risk-based due diligence, screening and monitoring of transactions and governance structures in place	
LS Nikko copper has set up an internal management structure to support supply chain due diligence	
Comments and Demonstration of Compliance: During 2018, details for our internal management system has been set up to define the governance, roles and Its responsibilities, internal audit, communication and management review as per the adopted policy. Our management level officer has been assigned to control this process, and has a official line of reporting to the executive committee.	
LS Nikko copper Inc has established a strong internal system of due diligence, controls and transparency over gold and silver supply chain, including traceability and identification of other supply chain actors	
Comments and Demonstration of Compliance:	



<p>We have a robust Responsible Gold and silver receipts process, and specific documents must be received and transactional details entered before we process the gold and silver-bearing material</p>
<p>LS Nikko copper Inc has strengthened company engagement with gold and silver supplying counterparties, and where possible, assisted gold and silver supplying counterparties in building due diligence capabilities</p>
<p>Comments and Demonstration of Compliance:</p> <p>We have modified our general term and conditions for the refining of materials so that they make reference to our Responsible gold and silver policy and the Annex 2 of the OECD Due diligence Guidance for responsible supply chains of minerals from conflict-affected and high risk areas.</p>
<p>LS Nikko copper Inc has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management</p>
<p>Comments and Demonstration of Compliance:</p> <p>Since ever we have an internal communication system in place, allowing employees to voice concerns over the Gold and silver supply chain or newly identified risk</p>
<p>Step 2: Identify and assess risks in the supply chain</p>
<p>Compliance Statement with Requirement:</p> <p>We have fully complied with Step 2: Identify and assess risks in the supply chain.</p>
<p>LS Nikko copper Inc has a process to identify risks in the supply chain</p>
<p>Comments and Demonstration of Compliance:</p> <p>We identify and assess risks in the supply chain. We have established our criteria for high-risk categories and applied them for any gold and silver supplying counterparty. We conduct due diligence following a risk-based approach. Following the due diligence process, we allocate a risk profile according to our risk profile criteria. This process is a formal requirement before entering into any business relationship with a precious metal supplying counterparty.</p>
<p>LS Nikko copper Inc assess risks in light of the standards of our due diligence system</p>
<p>Comments and Demonstration of Compliance:</p> <p>Supply chain due diligence comprising all measures required by the <i>LBMA Responsible Gold and silver Guidance</i> is performed before entering into a business relationship with any gold and silver supplying counterpart. We performed enhanced due diligence for higher-risk categories, which includes those where gold and silver originates from or transits via a conflict-affected or human rights abuse in high-risk area. In addition, we conducted appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship</p>
<p>LS Nikko copper Inc report risk assessment to Senior management</p>
<p>Comments and Demonstration of Compliance:</p> <p>The Compliance officer provides a commentary report to the Senior manager, representing the senior management team on due course. The Senior manager must approve all new suppliers classified as high risk. Senior manager retains the ultimate control and responsibility for the gold and silver supply chain management</p>
<p>Step 3: Design and implement a management system to respond to identified risks</p>
<p>Compliance Statement with Requirement:</p> <p>We have fully complied with Step 3: Design and implement a management system to respond to identified risks.</p>

<p>LS Nikko copper Inc has devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk</p>
<p>Comments and Demonstration of Compliance: During the reporting period, LS Nikko copper Inc has properly implemented required strategy to respond to the identified risks</p>
<p>Where a management strategy of risk mitigation is undertaken, it should include measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.</p>
<p>Comments and Demonstration of Compliances The relative procedure is in place and where and when necessary appropriately applied.</p>
<p>Step 4: Arrange for an independent third-party audit of the supply chain due diligence</p>
<p>Compliance Statement with Requirement: We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.</p>
<p>Comments and Demonstration of Compliance: LS Nikko copper engaged the services of the assurance provider Samjong KPMG, and their independent reasonable assurance report will be available on LS Nikko copper Inc's website when issued</p>
<p>Step 5: Report on supply chain due diligence</p>
<p>Compliance Statement with Requirement: We have fully complied with Step 5: Report on supply chain due diligence</p>
<p>Comments and Demonstration of Compliance: Our Responsible Conflict Mineral Policy is Available on LS Nikko copper Inc's website. Our Compliance report with the audit report will be available on LS Nikko copper's website when issued.</p>

LS Nikko copper Inc overall conclusion

Table 3: Management conclusion

Is the Refiner in compliance with the requirements of the *LBMA Responsible Gold and silver Guidance* for the reporting period?

Yes

In conclusion, LS Nikko copper Inc implemented effective management systems, procedures, processes and practices to confirm to the requirements of the *LBMA Responsible Gold and silver Guidance*, as explained above in Table 2, for the reporting year ended 31 December 2018

Table 4: Other report comments

[If users of this report wish to provide any feedback to [Refiner] with respect to this report, they can contact corporate relations on LS-Nikko Copper Inc.