

## LBMA Refiner's Compliance Report

The *LBMA Responsible Gold Guidance* and the *LBMA Responsible Silver Guidance* have 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 to combat terrorist financing practice.

This report summarises how ***Kennecott Utah Copper LLC***. (hereafter "KUC"), a Good Delivery Refiner for gold and silver, has complied with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance (henceforth "LBMA Responsible Gold / Silver Guidance").

### PART A: Refiner's Details

Refiner's name:	Kennecott Utah Copper LLC
Location:	Kennecott Utah Copper, Refinery 11500 W 2100 S, Magna, Utah, 84044, USA
Reporting year-end:	31 Dec 2019
Date of Report:	01 March 2020
Senior management responsible for this report:	Gaby Poirer Managing Director, Kennecott Utah Copper <a href="mailto:gaby.poirier@riotinto.com">gaby.poirier@riotinto.com</a> +1 801 204 2127

### KUC's evaluation

The following table lists the minimum requirements that must be satisfied by Refiners in accordance with the *LBMA Responsible Gold / Silver Guidance* to demonstrate compliance.

## **PART B: Summary of activities undertaken to demonstrate compliance**

### **Step 1: Establish strong company management systems**

We have fully complied with Step 1: Establish strong management systems.

#### **Has the Refiner adopted a company policy regarding due diligence for supply chains of gold/silver?**

The KUC “Conflict-Free Minerals (CFM) Policy” was updated in February 2019 to include silver in the due diligence process. The updated policy was to reaffirm our consistent approach in managing conflict minerals in our supply chain, which is coherent with the model set out in Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas*, and the principles laid down in the LBMA Responsible Gold / Silver Guidance.

#### **Has the Refiner set up an internal management structure to support supply chain due diligence?**

KUC is a member of the Rio Tinto Group, and as such operates according to the Rio Tinto overarching global code of business conduct, “*The way we work*”, which contains the principles and standards of conduct that affirm our commitment to corporate responsibility. These principles include our commitment to legal compliance, respect for human rights, anti-corruption and anti-bribery and other important principles for responsibly conducting business.

KUC has implemented and aligned with Rio Tinto’s Management System Standards under the Rio Tinto framework. The supply chain due diligence requirements was integrated into the existing framework to ensure effective implementation as well as overall efficiency.

Standard Work Instructions and Procedures (SWI/SWP) detailing the requirements and responsibilities of the supply chain due diligence are integrated into KUC HSEQ Management System.

The internal Management Team is made up of a core group of employees situated in KUC Precious Metals Plant, Rio Tinto Copper Sales and Marketing and with support from the Third Party Due Diligence team (under the Ethics and Integrity Department). This internal management structure enables communication and implementation of the program requirements, and monitoring of the supply chain due diligence program.

Management Review will be conducted by the internal Management Team at least once a year. In addition, top level Managing Director oversight was achieved by integrating the output of these reviews into the annual KUC HSEQ MS Management Review Process.

Rio Tinto’s *Supplier Code of Conduct* sets out expectations of suppliers and their subsidiaries and subcontractors with respect to key issues, including conflict minerals and human rights.

Both “*The way we work*” and “*Supplier Code of Conduct*” is accessible at our external website at <https://www.riotinto.com/footer/suppliers>.

**Has the Refiner established a strong internal system of due diligence, controls and transparency over gold/silver supply chain, including traceability and identification of other supply chain actors?**

We have a robust process, and specific documents must be received and transactional details entered before we process copper concentrates (including third party and tolling concentrates). KUC operates mining and metals processing facilities for the extraction of copper and other metals. Once ore is extracted and milled, concentrate is processed in a smelter to produce copper anodes, which are further refined into copper cathodes. Gold, silver, and other precious metals are captured in the electrolytic slime during the copper refining process. The electrolytic slime is transferred to the precious metals plant, where gold and silver are produced. The process and procedure for precious metal sale and procurement of third party copper concentrates are documented in the respective Standard Operating Procedure (SOP):

- MKTGSOP-001 Standard Operating Procedure Precious Metals Order Management, which has defined records retention period minimum 5 years, staff accountability on precious metal sourcing, and requirements on anti-money laundering for new and existing customers
- MKTGSOP-002 Operating Procedure External Raw Material Purchasing, which require Certificate of Origin (CoO) to be obtained and reviewed by the Sales Manager prior to purchase of third party copper concentrates. The CoO must be on the suppliers' letterhead, and include the contract number(s), and applicability of the CoO to the amendments of the contract. This is to ensure the raw material does not originate and does not transit via a conflict-affected or high-risk area. In addition, suppliers has to acknowledge and conform to KUC's Conflict-free Minerals Policy, which is aligned with Annex II of OECD Guidance.

Transfer documents are generated electronically in the Rio Tinto Business Solution system via the Invoicing process. This ensures transfer documents tie directly to orders and that the correct information is always included in the document. The invoice will indicate the customer to whom the material has been sold to. Since Feb 2017, a "Release Document Template" was implemented to strengthen the link between transfer documentation and physical movement of material, providing additional information, including on traceability.

We have maintained annual training programs for all staff involved in the gold and silver supply chain.

Under KUC's Anti-Money Laundering Policy, which customers and suppliers need to acknowledge and accept, has clearly stipulated KUC's policy of not accepting cash for precious related sales and that any payment should be made through official banking system.

**Has the Refiner strengthened company engagement with gold/silver supplying counterparties, and where possible, assisted gold/silver supplying counterparties in building due diligence capabilities?**

All gold and silver produced from KUC was derived from refining of copper mining by-product (anode slimes). No externally procured copper feedstock of the refinery is sourced from or have transited through conflict-affected and high-risk areas (CAHRAs). No externally procured recycled gold or silver is used in the process.

Rio Tinto has developed a comprehensive supplier identification process. Prior to engagement with supplier, each supplier has to undergo the “Know Your Supplier (KYS)” procedure. Our “Know Your Supplier” (KYS) procedure is the overarching guidance for our supplier due diligence process. This facilitates identification of the potential risks regarding our supplier relationships, whether these risks relate to human rights issues including modern slavery, bribery and corruption, money laundering, trade sanctions or denied party transactions. Due diligence checks are performed for all new suppliers meeting the KYS risk criteria, as well as for renewals of contracts and engagements with existing suppliers in higher risk jurisdictions. We conduct system-based monitoring on relevant suppliers centrally and where applicable, we keep a close eye on enforcement actions, sanctions-related alerts and significant changes in counterparty data.

For third party copper concentrate that contains gold and/or silver, specific clause which make adherence to KUC’s conflict minerals policy requirements are included in supplier contracts.

**Has the Refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?**

Rio Tinto has developed a confidential grievance mechanism allowing any employee or external stakeholder to anonymously voice concerns, including over the gold and silver supply chains or any identified risk. KUC has established a “Managing External Inquiries” procedure to document the manner in which KUC deal with all external inquiries in a consistent and appropriate way. The procedure also outline the accountable role and appropriate response.

Rio Tinto is committed to creating a culture of transparency and encourages our employees, contractors and other partners, including community members, to speak up about their issues and concerns, either through management, our Human Resources or Ethics & Integrity teams, through our confidential and independently operated whistleblowing service “Talk to Peggy” (<http://talktopeggy.com/>) or community complaints and grievance mechanisms.

Whenever a complaint or grievance is received, the accountable role/ personnel will investigate, determine and implement an appropriate response. The response and any communication will be capture in the Rio Tinto Business Solution system.

## Step 2: Identify and assess risks in the supply chain

We have fully complied with Step 2: Identify and assess risks in the supply chain.

### Does the Refiner have a process to identify risks in the supply chain?

Rio Tinto identifies and assesses risks in the supply chain. Rio Tinto has established a “*Know Your Supplier Procedure*”, which forms part of the Business Integrity Standard and the Procurement Standard, and focuses on third party relationships with suppliers. It is supported by the standards and expectations set out in Rio Tinto’s ‘*The Way We Work*’ and ‘*Supplier code of conduct*’. The procedure is the overarching guidance for our supplier due diligence process. This facilitates identification of the potential risks regarding our supplier relationships, whether these risks relate to human rights issues including modern slavery, bribery and corruption, money laundering, trade sanctions or denied party transactions; these risks are highlighted in Annex II of the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance),

Due diligence checks are performed for all new suppliers meeting the KYS risk criteria, as well as for renewals of contracts and engagements with existing suppliers in higher risk jurisdictions. We conduct system-based monitoring on relevant suppliers centrally and where applicable, we keep a close eye on enforcement actions, sanctions-related alerts and significant changes in counterparty data.

In addition, KUC’s approach in managing conflict minerals in supply chain, as outlined in the Conflict-Free Minerals Policy, is also aligned with the model set out in Annex II of the OECD Guidance. MKTGSOP-002 Operating Procedure External Raw Material Purchasing, requires suppliers to acknowledge and adhere to Conflict-Free Minerals Policy prior to entering any business relationship with the suppliers.

Rio Tinto also have a centralised “Know Your Customer” (KYC) procedure to ensure we understand the potential risks regarding our customer relationships, whether they relate to human rights issues including modern slavery, bribery and corruption, money laundering, trade sanctions, denied party transactions, other financial crimes or other reputational risks,

These processes are formal requirements before entering any business relationship with any raw materials (including third party copper concentrates) supplying counterparty.

### **Does the Refiner assess risks in light of the standards of their due diligence system?**

Rio Tinto conducted supply chain due diligence following a risk-based approach before entering into a business relationship with any raw materials (including third party copper concentrates) supplying counterparty. We have systems and processes in place to perform enhanced due diligence for higher-risk categories, which includes those where raw materials originate from or transit via a conflict-affected high-risk area. In addition, we conducted appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship.

KUC operates mining and metals processing facilities for the extraction of copper and other metals. Once ore is extracted and milled, concentrate is processed in a smelter to produce copper anodes, which are further refined into copper cathodes. Gold, silver, and other precious metals are captured in the electrolytic slime during the copper refining process. The electrolytic slime is transferred to the precious metals plant, where gold and silver are produced. The copper materials entering the process are sourced from KUC's Bingham Canyon Mine and third party copper concentrates, or other copper materials. These may contain gold and/or silver as an inherent part of the copper material.

For all purchases of third party copper concentrates and for tolling copper concentrates with payable gold, the Sales Manager executes KUC's Anti-Money Laundering (AML) Policy. The AML Policy requires that the Sales Manager review each supplier with regard to a set of requirements aimed at ensuring suppliers are not involved in money laundering, or other criminal activities such as terrorism, fraud and corruption. The AML Policy is signed by an Officer of the company and executed by the Marketing Department.

For the year under review, no high risk suppliers were identified. No third party copper concentrates were sourced from or have transited through conflict-affected and high-risk areas (CAHRAs).

### **Does the Refiner report risk assessment to the designated manager?**

The Ethics and Integrity team provides the risk assessment report to the relevant Sales Manager and Compliance Manager. In the event, red flags are identified, the report will be escalated to the relevant Subject Matter Experts (SME) and Rio Tinto Head of Compliance. A quarterly summary report of risk assessment and due diligence conduct are sent to relevant KYS stakeholders. The General Manager (GM) – Copper Products Sales and Marketing, representing senior management, will approve new suppliers. For any new suppliers classified as high risk, approval must be obtained from the relevant GMs as well as the Head of Compliance. Senior management retains the ultimate control and responsibility for the gold/silver supply chain.

For the year under review, no high risk suppliers were identified.

### Step 3: Design and implement a management system to respond to identified risks

We have fully complied with Step 3: Design and implement a management system to respond to identified risks.

**Has the Refiner 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?**

Rio Tinto has devised and adopted an appropriate strategy for risk management of any identified risk based on the standards and expectations set out in Rio Tinto's '*The Way We Work*' and '*Supplier code of conduct*'. Due diligence checks are performed for all new suppliers meeting the KYS risk criteria, as well as for renewals of contracts and engagements with existing suppliers. We conduct system-based monitoring on relevant suppliers centrally and where applicable, we keep a close eye on enforcement actions, sanctions-related alerts and significant changes in counterparty data.

In addition, MKTGSOP-002 Operating Procedure External Raw Material Purchasing, requires suppliers to acknowledge and adhere to KUC's Conflict-Free Minerals Policy. The strategy in managing conflict minerals in supply chain, outlined in the Conflict-Free Minerals Policy, is aligned with the model set out in Annex II of the OECD Guidance. In the event of an identified risk, the Sales Manager will be notified and the Sales Manager will require the supplier to declare that the raw material meets the requirements of the OECD Guidance. If the raw material does not meet the OECD Guidance, KUC could choose to disengage from the risk.

The strategy created allows Rio Tinto to manage identified risk through rigorous risk assessment and investigation (enhanced due diligence) prior to engaging any business relationship with a third party raw material (including copper concentrate) supplying counterparty.

In the reporting year, KUC did not identify any suppliers with high-risk level, which warrant additional risk mitigation steps to be taken.

**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.**

The procedure for risk mitigation as described above is strictly applied when and where necessary. In the reporting year, KUC did not identify any suppliers with high-risk level, which warrant additional risk mitigation steps to be taken.

#### Step 4: Arrange for an independent third-party audit of the supply chain due diligence

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

KUC has engaged the services of the assurance provider RCS Global Ltd. and their independent reasonable assurance report can be viewed on Rio Tinto's website once issued.

[www.riotinto.com](http://www.riotinto.com).

Prior RCS Global Ltd produced audit reports for LBMA Responsible Gold / Silver certificates 2019 are available on the LBMA website (<http://www.lbma.org.uk/good-delivery-list>).

#### Step 5: Report on supply chain due diligence

We have fully complied with Step 5: Report on supply chain due diligence.

For the year under review, due diligence conducted did not identify any issues.

Our Conflict-Free Minerals Policy, and independent third-party audit report are publicly available on our website <https://riotintokennecott.com/about-us/products/>. Statistics on due diligences conducted by Rio Tinto's Ethics and Integrity department are reported in the annual Sustainability Report and can be viewed on Rio Tinto's website ([www.riotinto.com](http://www.riotinto.com)).

**Table 3: Management conclusion**

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

**Yes**

In conclusion, KUC implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold/ Silver Guidance, as explained above in Table 2, for the reporting year ended 31 December 2019.

KUC is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis. Corrective Action Plans are communicated separately to the LBMA Executive, in its role as administrator of the LBMA Responsible Gold/ Silver Guidance.

**Table 4: Other report comments**

If users of this report wish to provide any feedback to KUC with respect to this report, they can contact Sales and Marketing team on [Kennecott.Sales@riotinto.com](mailto:Kennecott.Sales@riotinto.com).