

CSR Information



Corporate Policy on Precious Metals Material Sourcing

October 1, 2018

Chugai Mining Co., Ltd. promotes corporate social responsibility. As part of such activities in the area of precious metals material sourcing, we work toward responsible precious metals material sourcing that is based on consideration for human rights, environment, ethical concerns, etc. In accordance with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, we strive to source minerals responsibly and reasonably guarantee that our business does not involve or contribute to human rights abuses, direct or indirect support to non-state armed groups, direct or indirect support to public or private security forces, money laundering, illegal transaction or conflict in conflict-affected and high-risk areas nor funding to terrorists.

Human rights abuses include the following.

1. any forms of torture, cruel, inhuman and degrading treatment;
2. any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily;
3. the worst forms of child labour;
4. other gross human rights violations and abuses such as widespread sexual violence;
5. war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

• Establishment of Management System

We have established and implemented a responsible precious metals management system that enables the risk assessment of and response to precious metals material supply chain and promote responsible precious metals management.

• Assessment of Sourced Materials and Suppliers

Under the responsible precious metals management system, we continuously assess supply chain and transport risks of precious metals sourcing and keep the records properly. If conflict risk or suppliers' human rights abuses, funding for terrorists, money laundering or illegal transaction, or the possibility of such risk in high-risk area is found, we will work on mitigating the risk. If we find that risk mitigation is not possible, we will stop purchasing or transaction immediately.

• Implementation of Education and Training

We continuously provide all employees engaged in responsible precious metals management necessary education and training.

• Monitoring and Recording of Transactions

We monitor that all incoming precious metal materials align with information received from suppliers, and keep the records properly as well as conduct due diligence on our suppliers.

• Implementation of Third-Party Audit

Regarding responsible precious metal management system and the state of implementation, we continuously improve our system as appropriate and undergo independent third-party audit regularly.

[PDF DOWNLOAD \(34.6KB\)](#)

RMI Due Diligence Report (as of June 10, 2019)

1. Corporate Information

The Company's name is Chugai Mining Co., Ltd. (CID000264).

It changed to its current trade name, Chugai Mining Co., Ltd., after the 1936 merger of its predecessor, Mochikoshi Mine Co., Ltd. (founded in 1932), with Yakumo Mining Co., Ltd. and two other companies.

The Company has one refinery (the Tokyo Factory), located at 2-12-16 Keihinjima, Ota, Tokyo, Japan. Its refinery handles gold products.

2. RMAP Assessment Summary

We conducted a RMAP assessment of the Tokyo Factory on October 18–19, 2018. This assessment remains in effect for one year. This assessment covers the period from September 1, 2017, through August 31, 2018. Intertek performed the assessment. Because this is our first audit, we have not published the assessment summary report. However, the Company plans to publish the report on its website (<https://www.chugaikogyo.co.jp>) after the Company becomes conformant.

3. Corporate Policy Concerning Its Supply Chain

The Company has established a supply chain policy with the goal of avoiding the use of conflict minerals that could directly or indirectly benefit or finance armed groups in conflict-affected and high-risk areas (CAHRA), or that otherwise engender severe human rights violations. This supply chain policy completely complies with the third edition of the OECD Due Diligence Guidance for Responsible Mineral Supply Chains (OECD Guidance). This policy applies globally to all risks identified in Step II of the Supplement to OECD Guidance. The Company will do its utmost to eliminate risks in the event that any of those described in Step II of the Supplement are identified. The Company's upper management has reviewed and approved the policy, while pledging their support to its enforcement. In addition to having provided the policy to its stakeholders (suppliers, clients, and employees), the Company has made it available on its website (<https://www.chugaikogyo.co.jp>).

4. Corporate Management System

Management structure

As part of its thorough dedication to complying with its supply chain policy, the Company has internal rules that include the following provisions in regard to due diligence:

- The responsibility for the supervision of due diligence and risk management planning and implementation falls to the Company's precious metals business director.
- To ensure that each business division appropriately fulfills the roles and responsibilities needed to implement the due diligence program and to report on any identified red flags or potential risks, the Company has appointed a due diligence program manager who is responsible for coordinating tasks among the relevant divisions, which include the sales, manufacturing, and administrative divisions.
- The Company conducts annual training on its due diligence management system for all key personnel who belong to any of the business divisions that must comply with the due diligence program. It will conduct additional training, as necessary, when updating its due diligence program.

Internal management system

In October 2018, the Company updated its due diligence management system to conform with OECD Guidance and RMAP. As of October 2018, the Company intends to notify all its identified upstream suppliers about the changes to its supply chain policy and procurement requirements. Any contracts that the Company enters into directly with suppliers will include legally binding clauses regarding the suppliers' agreements to the due diligence-related terms. To gather information on handling grievances from relevant parties, the Company refers to RMI's grievance resolution mechanism (<http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/grievance-mechanism/>).

Record-keeping system

The Company has decided to store all records related to its due diligence program for a period of at least 10 years on a database system that launched in April 2019.

5. Risk Identification

The Company uses a rigorous process for identifying risks in its supply chain.

First, it has established a procedure for identifying CAHRA in reference to the risks in its supply chain policy. This procedure includes the necessary resources, definitions for "conflict-affected and high-risk areas," and the frequency with which the Company will review its decisions. In determining CAHRA, the Company refers to the following resources:

- The Heidelberg Conflict Barometer, which offers a conflict map that shows areas of armed

conflict for every year;

- The Fragile State Index, which provides a list of human rights violations and the rule of law by country; and

- The OECD's Financial Action Task Force blacklist, which lists countries with a high risk of money laundering or corruption.

The Company has established terms and benchmarks for determining CAHRA in reference to information in its supply chain policy and from external specialized agencies.

Second, the Company intends to set up a Know-Your-Supplier (KYS) database that includes information on the legal status and identities of its suppliers, maps of their locations, and any potential risks.

All its outsourcing smelters have already recorded their KYS information for this system and sent it to the Company. The manager in charge of the Company's due diligence program has worked with the sales division to review the information these suppliers provided, according to the UN's sanctions list. In the event that it discovers any inconsistencies, errors, or incomplete information on the KYS forms suppliers have provided, the Company will notify these suppliers about the entries that require improvement and ask them to resubmit the form. In the event that it identifies red flags, the Company will, as necessary, specify the problematic points in writing and ask the supplier in question to make improvements. During this audit, the Company did not identify any red flags on the KYS forms its suppliers submitted.

Third, the Company demands from its suppliers documentation of their sourcing areas for all materials transactions and uses this information to thoroughly enforce its system for understanding the sourcing areas, transport routes, and names and addresses of its direct suppliers for all transactions. The Company generally complies with Japanese laws, and a majority of its transactions are with Japanese companies. It does not directly handle any imported goods or materials. It primarily handles recycled goods, and it asks its suppliers to certify that they agree with its supply chain policy.

Fourth, the Company reviews all information it gathers in light of CAHRA, the Sanctions List, local laws, and internal procurement requirements.

[Page Top](#)

Corporate Social Responsibility



At the Precious Metal Business Tokyo Plant, we take the utmost care to conserve the environment through the management of our waste water and exhaust gas.

The processed waste water is neutralized and filtered to remove all metal in our waste water processing facility.

At the final waste water disposal pipe, we are constantly monitoring water quality. Should there be an irregularity in the waste water, all water procurement and discharge will be stopped. Even in the event of natural disasters like the event of an earthquake, it is highly unlikely that waste water in the process of metal refinement will leak into the environment.

Gases that are generated during the refining process is filtered with chemicals before being released into the open air.

To secure a safe working environment, all gases emitted during our refining process is collected and processed in our gas cleaning tower. In the gas cleaning tower, gases are broken down and absorbed so that any exhaust released is clear and free of any smells. Even in the event of such unforeseen accidents as power failure, gas producing processes will be immediately stopped and the sections will be sealed to prevent leakage.

In the future, Chugai Mining will continue to be considerate of the environment, promote recycling, and remain a socially responsible corporate citizen.

In addition to the maintenance and management of closed mines, Chugai Mining is contributing to conservation through the processing of mine waste water at the Jokoku Mine.



Also, Chugai Mining owns 4.36 hectares of mountainous forest in Kuromatsunai-cho, Suttu District, Hokkaido, with over 10,000 Japanese larch being planted and harvested, cooperating with the Minami-Shiripeshi Forestry Cooperative's forest management efforts as part of its global conservation efforts.

[Page Top](#)