

LME responsible sourcing update

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SETTING THE GLOBAL STANDARD



Agenda

Introduction
to the LME



Responsible sourcing at
the LME



Sustainability at
the LME





What are the primary services of the LME?

1 Trading

1a

Hedging

1b

Investing

2

Pricing

3

Warehousing
and delivery

Terminal
market

Price convergence

What is an LME brand?



What is an LME brand?

- A brand (metal product) approved for delivery against LME contracts.
- An LME brand usually operates at the smelter / refiner point of the value chain.
- To be approved, the metal needs to comply with certain chemical composition requirements and responsible sourcing requirements.



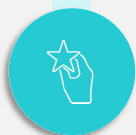
Why is the list of LME brands important?

- The LME delivery system relies on a user being guaranteed a specified quality and quantity of metal.
- This common base of understanding creates certainty, enables transparency for the whole supply chain, and allows for the creation of a liquid futures market.



What are the benefits of being an LME brand?

- Recognition for meeting a globally known standard.
- LME prices (corresponding to the LME brand requirements) serve as reference prices in many commercial contracts.
- Metal listed as an LME brand provides a market of last resort.



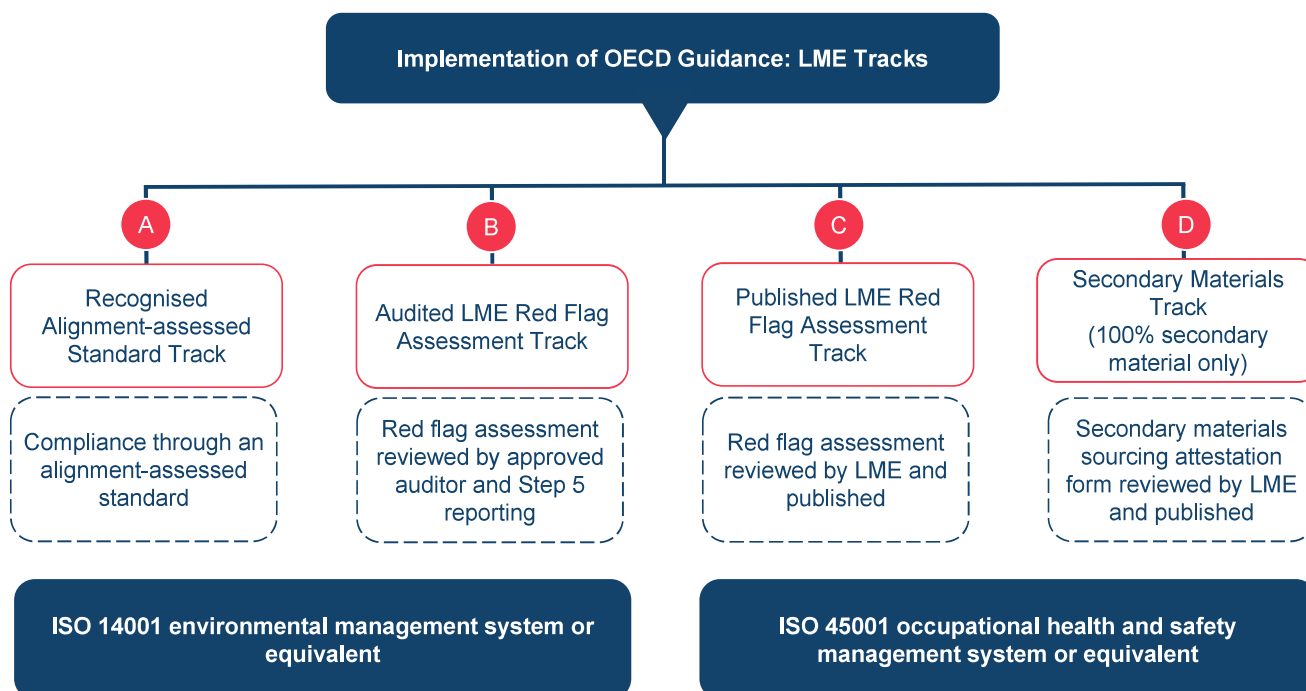
Who makes up the current list of LME brands?

- 362 brands from 48 countries for the following metals: copper, lead, zinc, nickel, primary aluminium, aluminium alloys, tin, and cobalt.
- The full list of brands is available on our website.

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LME responsible sourcing requirements



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Where are we today?



On 15 January 2024, the LME issued a notice providing an update on responsible sourcing reporting of brands following the 31 December 2023 Track A and ISO certification deadline.



In January 2024 the LME initiated suspension or delisting of 10% of brands, which grew to 17% following a review of compliance information. To see up-to-date LME-listed brands, please visit www.lme.com/en/physical-services/brands/approved-brands



The LME anticipates that a proportion of these brands will be able to lift the suspension in due course, once they have completed the work to address the requirements of the LME's responsible sourcing policy.

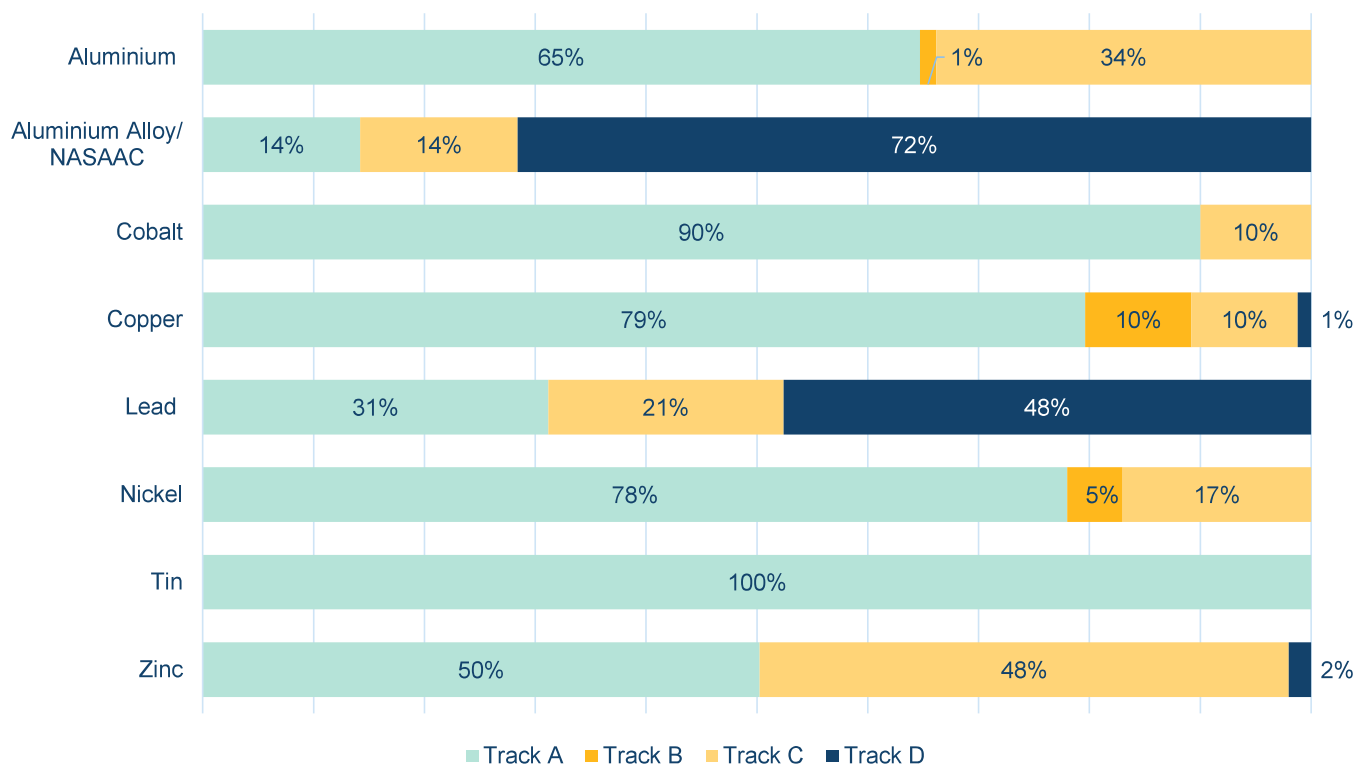
*Please note that aside from reasons relating to responsible sourcing, brands may also be suspended for other reasons. Please see the notice for further details:

<https://www.lme.com/-/media/Files/News/Notices/2024/01/BRANDS-GENERAL-24-005-2024-UPDATE-ON-RESPONSIBLE-SOURCING-REPORTING-FOR-LME-LISTED-BRANDS.pdf>

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Track selection breakdown by LME brands as of April 2024

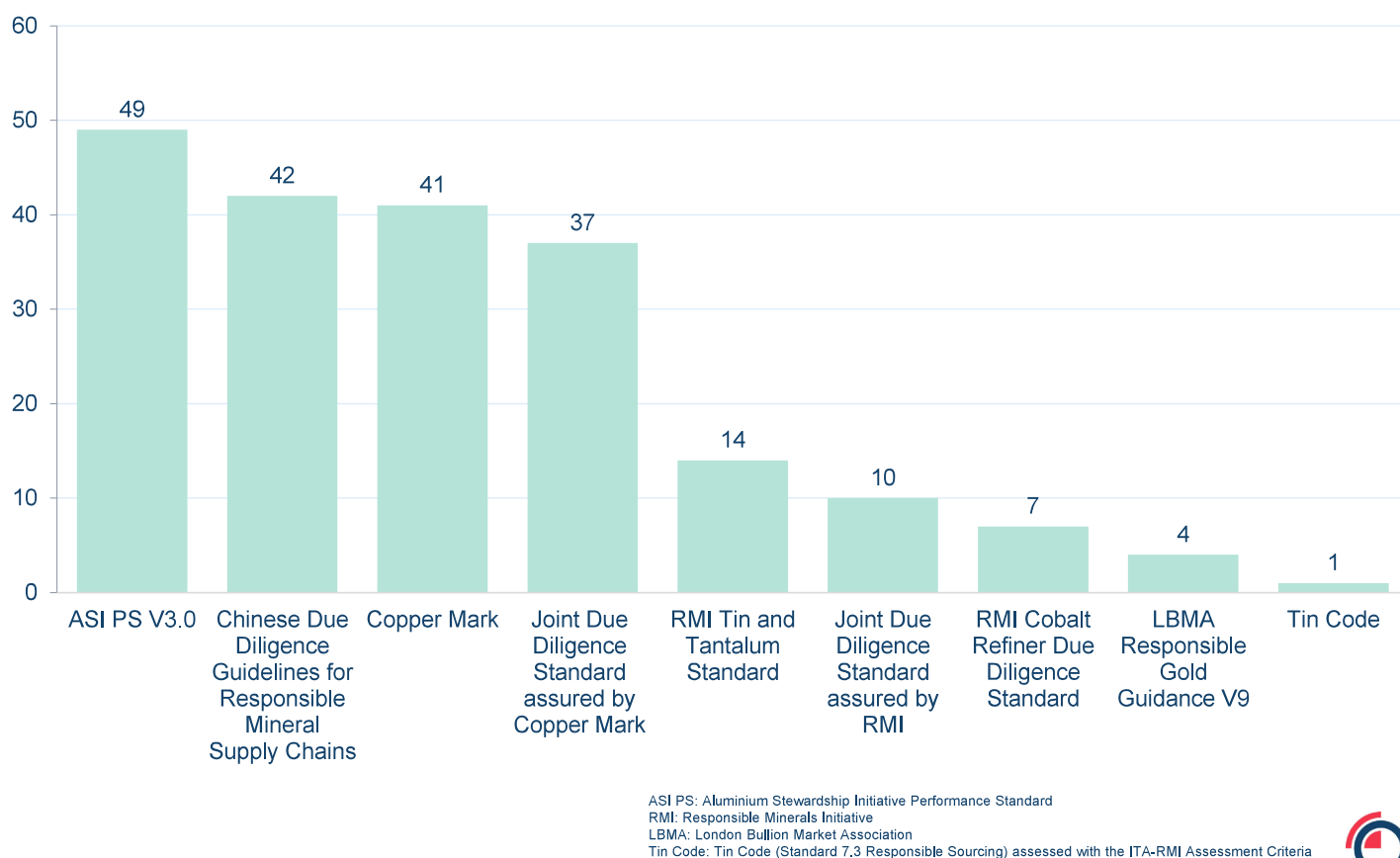


As of April 2024, there are 362 deliverable brands. Track A is the most selected for most of the LME brands.

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Track A standard selection by LME brands as of April 2024



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Findings from Track D submissions

1. Explain whether the brand producer is relying solely on assurances from suppliers regarding the sources of material or on objective evidence.

- Most producers relied on a mixture of visits to their suppliers, inspection of deliveries, and quality testing.
- The responses to this question remain the same from 2022 to 2023.

2. List corporate level checks that brand producer conducts on its suppliers and if there is a management system in place with examples.

- Responses varied from detailed procedures including Supplier Codes of Conduct, ISO certifications, unique KYC forms and audits, to reliance on regulation or established relationships.
- Across responses from 2022 – 2023, producers relied on management systems for quality, such as ISO 9001, though some implemented a management system specifically for responsible sourcing of minerals.
- Government regulations are still an important factor into brand producers' supplier due diligence (either at their location or their supplier location).

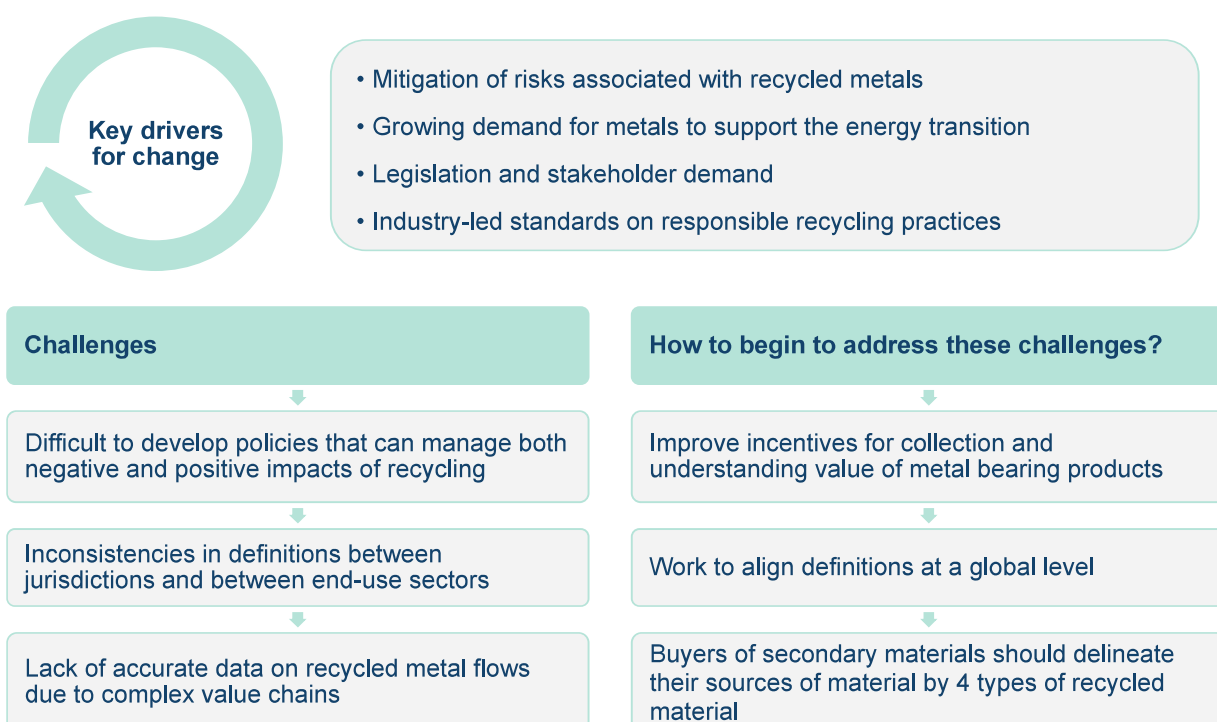
1. Secondary materials include pre-consumer and post-consumer scrap as defined in the LME responsible sourcing policy

Responsible sourcing programme overview



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Responsible recycling, are we ready?



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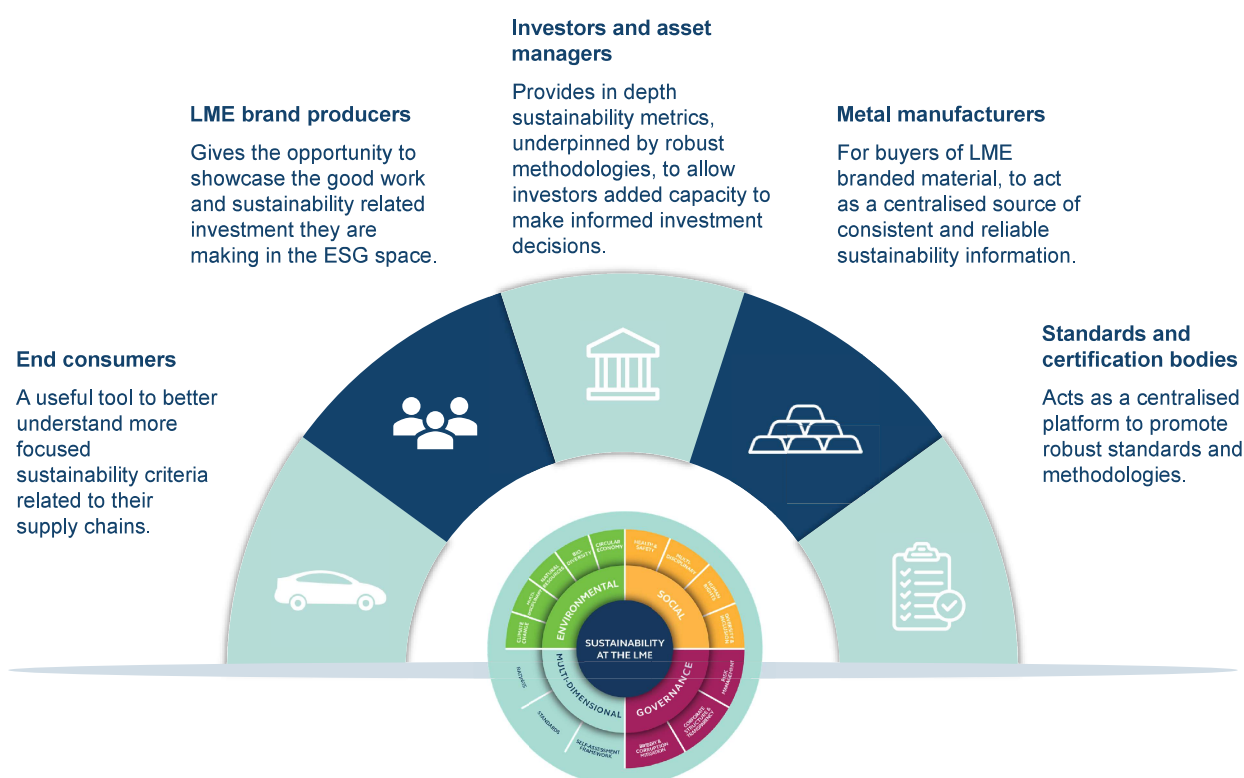
Sustainability at the LME

SUSTAINABILITY AT THE LME	
LMEpassport	LMEpassport is the LME's digital credentials register of sustainability metrics and certifications at the company, asset (smelter/refiner), and metal levels. LME-listed producers each have their own sustainability page on LMEpassport where they can voluntarily add a range of ESG credentials.
Responsible sourcing rules	LME responsible sourcing rules embed the OECD Guidance on responsible supply chains across all LME-listed brands, as well as ISO 14001 (environmental management systems) and ISO 45001 (health and safety management).
Electric vehicles	Some key battery metals such as nickel, cobalt, molybdenum and lead are already well established on the LME. We've introduced new futures contracts to provide further hedging and trading opportunities for battery materials, including LME Cobalt and LME Lithium.
Circular economy	The LME has introduced a range of scrap cash-settled contracts, including Steel Scrap CFR Turkey, Steel Scrap CFR India, and Steel Scrap CFR Taiwan, enhancing reliable pricing and trading of recycled and scrap metals. Additionally, 64 LME brands are 100% recycled metal on our physically settled contracts.
LME net zero	The LME has committed to achieve net-zero emissions by 2040. The LME is in the process of aligning to Science Based Targets initiative (SBTi) and is also a public supporter of the Task Force on Climate-related Financial Disclosures (TCFD).

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LMEpassport sustainability – who is it for?



LMEpassport sustainability data is available free of charge to all of our stakeholders on the LME website.

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Q&A

For further information please contact ResponsibleSourcing@lme.com or visit <https://www.lme.com/en/about/responsibility/responsible-sourcing>

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