



## PUBLIC DUE DILIGENCE REPORT

**Name:** United Precious Metal Refining, Inc.

**CID Number:** 1993

**Address:** 2781 Townline Road  
Alden, New York 14004

**3 TG Materials Processed:** Gold

**Time Period Covered by this report:** April 1, 2017 – March 31, 2018

**Date of Last Assessment:** May 3-4, 2017

**Assessment Conducted by:** SCS Global Services against the Supply Chain Transparency Smelter Audit Protocol for EICC and GeSI Gold Supply Chain Transparency: Smelter Audit Standard and Instruction, Revision: June 12, 2012.

**Lead Auditor:** Michael Turner

**Audit Findings:** United Precious Metal Refining, Inc. was found to operate in conformance with the above listed standard.

**Audit Report:** A copy of the full Audit Summary Report is publicly available at [www.unitedpmr.com/auditsummaryreport](http://www.unitedpmr.com/auditsummaryreport)

**Previous Report:** This is UPMRs first report on Due Diligence

United Precious Metal Refining (“UPMR”) is a primary precious metal refiner established in 1988. Most of its processes involve the refining of gold, silver, platinum, and palladium. UPMR also produces and sells products such as alloys, casting grain, solders, wire, sheet, tube as well as our own investment bars. In addition to its products and refining services, UPMR also provides precious metal assay and other analytical services.

United Precious Metal Refining, Inc. (“UPMR”) has been committed to fighting serious abuses of human rights and avoiding contributing to conflict with regard to any metal used in our supply chain. UPMR also complies with our own strong standards of anti-money laundering (“AML”) and combatting terror financing. Since 2013, UPMR has been compliant as a Conflict-Free Smelter by the EICC – Electronics Industry Citizenship Coalition, which is now known as the RBA – Responsible Business Alliance. Our supply chain policy was developed with a consultant from the RBA and is consistent with the standards set forth in the Supply Chain Policy of the OECD – Due Diligence Guidance – Annex II. Our new policy, updated in May of 2018 will be an integral part of our RMAP – Responsible Minerals Assurance Process assessment scheduled for September 12-14, 2018.



## UNITED PRECIOUS METAL REFINING SUPPLY CHAIN DUE DILIGENCE POLICY

United Precious Metal Refining, Inc. (“UPMR”) has always been committed to ensuring that our supply chain is free of any metal which was gathered for the support or benefit of armed conflict groups or involving serious abuses of human rights. Further, abusive practices from public or private security forces or support to non-state armed groups will not be tolerated. As part of our supply chain due diligence, UPMR shall be watchful for and assess the severity of various risks as recommended in the OECD Guidance Annex II Model Supply Chain Policy;

Specifically:

- Serious abuses associated with the extraction, transport or trade of minerals:
  - Any forms of torture, cruel, inhuman and degrading treatment
  - Any forms of forced for compulsory labor
  - The worst forms of child labor
  - Other gross human rights violations and abuses such as widespread sexual violence

- War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide
- Direct or indirect support to non-state armed groups
- Direct or indirect support to public or private security forces
- Bribery and fraudulent misrepresentation of the origin of minerals
  - Money laundering
  - Non-payment of taxes, fees and royalties to governments

UPMR strongly condemns such activity and will refuse any material which we believe was obtained involving serious human rights violations or which benefitted or supported armed rebels or terrorist groups through illegal finance or other activities. This is in accordance with U.N. resolutions and Section 1502 of the Dodd Frank Act. In addition, the (“OECD”) Organization for Economic Cooperation and Development has released guidelines for due-diligence for sourcing from Conflict-Affected and High-Risk Areas (“CAHRAs”). We endorse their guidance and use their recommendations as the model for our own due-diligence.

In order to ensure our compliance with our commitment to a “non-conflict affected” and OECD aligned supply chain, UPMR has integrated the following due-diligence protocol for analyzing and assessing our metal suppliers and supplies:

Establish strong management and reporting systems to be in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affect and High-Risk Areas (Annex II). This process will include a system of ongoing customer and transaction due diligence, enhanced due diligence for areas in which material would potentially originate from or transit through a conflict affected high-risk area (“CAHRA”), and strategies for mitigating risks that are identified in our supply chain. UPMR will ensure that training of management and all relevant employees is done at least annually. UPMR further commits to a review of the supply due diligence process annually for effectiveness and to explore and implement possible improvements to our strategy. A senior manager and current compliance office, William C. Merkle, has been assigned responsibility for ensuring supply chain compliance.

UPMR is also committed to be audited by an independent third party to ensure adequate testing of the system to ensure that the verification and documentation process is secure. Through these audits, UPMR displays transparency and our customers gain audit-based assurance that UPMR’s supply chain due diligence policy is verifiable and effective. It also provides UPMR with additional direction for enhancement and opportunities to provide feedback to the outside auditors for continued improvement. Our next audit is scheduled to be performed by the Responsible Materials Initiative September 2018.

UPMR communicates this sourcing policy to our suppliers and customers and make it publicly available for review. Additionally, UPMR requires the customer to acknowledge the policy and commit to

providing information, documentation, and accommodations for site visits as necessary to complete our due diligence as outlined in our basic due diligence and enhanced due diligence policies.

If UPMR should discover, through its ongoing due-diligence that our customer is engaging in suspect practices or practices do not meet our responsible sourcing requirements, we would immediately suspend sourcing from the identified supplier and develop a plan to mitigate the identified risks. Should the mitigation fail to resolve a matter to our satisfaction or we uncover activities which indicate extreme abuses, dishonesty, or situations where a supplier is unwilling to assist in our due-diligence, UPMR will immediately discontinue any activity with that entity.

UPMR continues to work with our advisory organizations and agencies to continue to upgrade our practices and improve our processes to safeguard our supply chain from “conflict affected” materials and to only obtain material which are sourced in a legitimate and ethical manner.

Finally, UPMR publishes and makes publicly available an annual summary due diligence report to include the following:

1. Third Party Assessment Summary
2. Company Supply Chain Policy
3. Company Management System
4. Risk Identification
5. Risk Mitigation

Rev A Effective 8/1/2018

A copy of the “Supply Chain Due Diligence Policy” is publicly available at: [www.unitedpmr.com/SCDD](http://www.unitedpmr.com/SCDD)

### **Management Structure:**

The company’s controller William Merkle is the senior manager designated as the chief compliance officer. He is tasked with designing, updating and implementing all facets of the Supply Chain Due Diligence Policy. As the compliance officer he has the authority to make decisions that might be contrary to those of other managers but that protect the company from vulnerability to criminal influence.

Three traders (inclusive of the Compliance Officer), with a combined experience of over 55 years in the precious metals industry, are primarily tasked with the responsibility of ensuring that all appropriate information related to a potential precious metal supplier is gathered, examined and deemed acceptable by UPMR.

The company’s Chief Financial Officer is responsible to assess the AML program and risk management design and implementation annually for effectiveness. The CFO may elect to have an outside assessor

perform this function. UPMR underwent an annual AML systems test in June of 2018. The assessment was conducted by Michael Riess of Materials Management Corp. and concluded that “UPMR’s key areas of substantive and regulatory exposure have been well tended to.”

The company’s Compliance Officer is the due diligence program manager to coordinate the work of the relevant departments (including the Finance Department, Production Department and sales staff).

UPMR’s management council regularly meets once a month. During the management meetings, the compliance officer reports to improvements to be implemented, risks identified, mitigation plans, audit results, or other issues related to the Supply Chain Due Diligence process.

In some cases the compliance officer or other senior management may request separate meetings to address and discuss identified actual risks and to gather input from other stakeholders within UPMR.

### **Functional Departments:**

Opportunities for obtaining sources of supply are generally presented to the company by representatives of our Sales Department based upon their contacts in the industry. However, it is worth noting that the Sales Department is not involved in the decision to approve or deny any potential supplier. Further, there are no financial incentives of any sort to any UPMR personnel for the approval of any entity to our supplier chain. Our Sales personnel are not remunerated by commission or bonuses.

Our Financial Department assumes all responsibility for maintaining adequate liquidity for UPMR’s supply chain. However, as any approval of suppliers should be completed after adequate due diligence and approval, any potential risks to the supply chain should be effectively mitigated by that point. In the event that a previous unforeseen potential (or actual) risk in the supply chain implementation or during actual processing, it is UPMR’s stated policy to immediately suspend for discontinue engagement with any upstream participant should we identify any reasonable risk that the supply chain directly or indirectly supports illegally acting public or private security forces or has been involved in gross human rights violations.

The lot entry department is responsible for reviewing the materials when they are received and entering the descriptions and weights into the computer. They are responsible to ensure that the materials and weights received are consistent with the materials expected and to separate the materials into the correct stream for processing or for holding the materials. They are also responsible for report to management when packages appear to be tampered with.

### **Other Core Elements:**

All employees of UPMR participate in AML and Supply Chain Due Diligence training annually. Members of the Sales/Refining, office, Lot Entry, and senior management will participate in additional trainings as improvements and update are made to our policies and procedures. Trainings for 2018 were performed for employees during the first week of January and last week of March.

UPMR strives to maintain its commitments by application, ongoing maintenance and continuous improvement of our management systems, processes and procedures. In 2018 UPMR has worked with a consultant provided by the RMI to develop and implement a Supply Chain Due Diligence policy that is fully compliant with the OECD due diligence standards, specifically Annex II.

Though UPMR continues to source almost exclusively from recycled sources, the new “Supply Chain Due Diligence Policy” that has been developed would allow UPMR to source primary materials and from CAHRA areas with the assurance that “Red Flags” are properly identified and mitigated. UPMR’s new Supply Chain Due Diligence allows us to easily communicate and repeat the procedures to stakeholders in the supply chain and requires a contractual obligation by the supplier to agree to the terms of the policy. The new Supply Chain Due Diligence Policy expands on UPMR’s previous Know Your Counterparty and Anti-Money Laundering policies to include a CAHRA Determination and defined Enhanced Due Diligence procedures among other enhancements.

### **Controlling the Origin of Materials**

Currently UPMR sources almost exclusively from recycled sources. For most of UPMR’s customers/suppliers their supply chain is simple and the origin is the store front where they manufacture jewelry or purchase jewelry from the public. UPMR provides each potential customer/supplier with a copy of their Supply Chain Due Diligence policy and requires the supplier to contractually obligate themselves to the policy and to develop similar policies of their own proportionate to the level of risk in their supply chain.

When materials are received in a form that is not easily identifiable as recycled, UPMR requests that the customer provide additional information about their supply chain due diligence procedures, what form the material was originally in, and a commitment from the supplier to provide additional documentation if requested by our auditors. For some customers/suppliers and certain materials this information may be requested for each transaction, or at least annually.

UPMR has also modified and adopted for its use the RMI “Supply Chain Mapping Tool” to map the factual circumstances of more complex supply chains.

UPMR encourages its customers/suppliers to engage with third party assurance mechanisms when appropriate.

### **Record Keeping and Retention of Documentation**

United Precious Metal Refining maintains a formal record retention policy to assure current and future customers of our desire to be in compliance with market standards as they evolve. The final step for a customer/supplier checklist is to ensure that all documents are stored electronically.

UPMR maintains an electronic document capture system which allows us to “scan” documents into an individual customer/supplier file. These files are easily viewable by senior management and the office personnel tasked with assisting in the due diligence process. The files are encrypted to protect sensitive information and only few employees have the ability to edit the stored documents.

UPMR will maintain and secure due diligence documentation related to our compliance with the (RMI) - Responsible Minerals Initiative for a minimum period of five years to ensure proof of verification standards as they presently exist.

## **Know Your Counterparty Process**

The sales/refining department solicits new business and would be the first group of UPMR employees to request for an individual or business to become an approved customer/supplier. The sales representatives conduct an introductory interview with the perspective customer/supplier and complete a computerized questionnaire. These elements are designed to delineate our understanding of the potential customer’s business, type of business structure, and the type of material or products that may be needed and to generate all appropriate documents to be sent to the customer as the initial step of our basic due diligence process. The sales department must assist in determining that the nature of the business matches the type of materials and services that we may provide. For example, a casting company should have a need for casting grain and perhaps some refining services since the refining scrap should be in the form of trees and buttons. Alternatively, a pawn shop would have mainly old jewelry, while a repair shop would have a need for gold solder and wire; bench sweeps should be their outturn for refining.

During the Introductory interview the salesperson will request information about the how the business operates and the nature of the business. They will further inquire as to the quantities, material types and regions from which the customer/supplier sources their materials to be refined or the use of the materials to be purchased. The final step of the introductory interview is to identify any key persons of the customer/supplier or their families who may have been or currently are politically effected persons (“PEP”).

Once the database questionnaire is complete, the necessary documents are then created and emailed to the customer/supplier based on their desired product and service requirements. All customers/suppliers are required to complete, at minimum, the “Know Your Counterparty Questionnaire”.

This document requires the potential customer/supplier to provide the following:

They receive a copy of the “Supply Chain Due Diligence Policy” that they must sign and acknowledge the following:

That they understand and commit to align their practices with the policy goals.

That they confirm their organization has or is developing a similar policy and they continue to monitor its effectiveness and improve their policy.

That they agree to accommodate UPMR's due diligence requirements

The KYC Questionnaire on the third page requires that the customer provide the following information:

Their Company's legal name and address and any other trade names

Nature of the business

How the business is structured

Government Identification Number and place of registration

Beneficial Owners and their birthdates

Key Persons and their birthdates

Trade References and Associations

The final page of the initial document is for the customer/supplier to acknowledge that they have or are exempt from the requirement of having an AML policy.

Foreign entities are also required to provide full business registration paperwork.

Once the sales department completes the questionnaire a checklist is generated outlining and documenting the steps the office must complete before a customer can be authorized to do business with UPMR. The office personnel are responsible to complete the checklist as it pertains to UPMR's "Supply Chain Due Diligence Policy". A several members of the office are trained to perform the initial steps of basic due diligence which include ensuring completeness of information submitted, review of key persons and owners against sanctions lists, and background checks.

As part of the ongoing KYC due diligence, UPMR evaluates its database against sanctions lists quarterly.

Once the office staff has completed their initial review, the documents are forwarded to members of senior management for final review.

As part of our basic due diligence process, senior management will determine the countries from which materials originate and transit through. The facts of the supply chain are reviewed against our CAHRA – Conflict and High Risk Areas determination policy (details of this policy are found in the next section). If necessary, senior management will be responsible for performing enhanced due diligence for customers/suppliers.

Lot Entry is also a key part of UPMR's Supply Chain Due Diligence process. All packages are opened in the Lot Entry room under security camera. All materials and paperwork are reviewed to ensure that they are consistent with the materials described and weights given by customer before shipping. The materials are then entered into the system and assigned two unique lot numbers. At this point our system may automatically determine, based on the material type, that additional due diligence is needed. Simultaneously the system will send out an automatic email to alert the sales department and members of the compliance group that additional action is required in order to release the materials to be processed. The materials will then be set aside until the additional due diligence is completed.

The Lot Entry personnel will also set aside other materials for which there are inconsistencies or "Red Flags" identified. They will then notify the compliance officer of their concerns and the compliance

officer will determine what steps need to be taken before the materials can be processed or if the materials need to be rejected.

Once a customer/supplier is determined to be in a CAHRA and based on the “Red Flags” determined during the CAHRA and Basic Due Diligence process, UPMR performs Enhanced Due Diligence on each customer/supplier and their supply chain that have been identified as “High Risk”. Once it is determined that a customer/supplier is sourcing from or transiting sourced materials through a CAHRA, UPMR will be required to evaluate the “Risks” as defined by the “OCED Due Diligence Guidelines”, specifically Annex II, and determine if the identified “Risks” represent actual risks in the supply chain.

Being that UPMR is sourcing gold, and gold itself has a higher potential for money laundering, UPMR collects and evaluates AML and purchasing procedures from all “High Risk” customers/suppliers. (For low customers/suppliers, this is done on a risk based approach).

UPMR makes efforts to understand each government’s requirements for taxes, fees, and royalties related to the sourcing and export of gold in or through CAHRAs. United will collect evidence of such payments being remitted for all “High Risk” customers/suppliers.

Additionally, UPMR will present its “Anti-Corruption/Anti-Bribery Policy to each “High Risk” customer/supplier and request that they provide evidence of their implementation a similar program.

UPMR recognizes that it has focused much of its efforts to identifying risks related to money laundering, tax avoidance and corruption, but is also committed to identifying other Annex II risks as follows:

For customers/suppliers for whom their supply chain was determined to be a CAHRA because of their rating within the Fragile States Index, UPMR will also concentrate its enhanced due diligence to make sure its supply chain is free of the following:

- Any forms of torture, cruel, inhuman and degrading treatment:
- Any forms of forced or compulsory labor, 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:
- The worst form of child labor
- Other gross human rights violations and abuses such as widespread sexual violence:
- War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

For customers/suppliers for whom their supply chain was determined to be a CAHRA because of their rating according to the Heidelberg Conflict Barometer, UPMR will also concentrate its enhanced due diligence on the presence of non-state armed groups and public or private security forces within the country.

UPMR will take steps necessary to ensure that it is not supporting non-state armed groups (or their affiliates), directly or indirectly, through any part of its gold supply chain. These steps may include, but are not limited to:

- Validating legal ownership of the mine sites
- Evaluate whether or not supply chain actors could be taxed or extorted at mine sites, along transit routes, or point of export

With regard to public or private security forces, UPMR will take steps necessary to ensure its supply chain is free of the same concerns listed above for non-state armed groups and the following:

- Make evaluations to determine whether or not they are performing duties solely to maintain the rule of law including:
  - Safeguarding human rights
  - Providing security to mine workers, equipment, and facilities
  - Protecting the mine site and transportation routes from interference with legitimate extraction and trade.
- Where we or any company in our supply chain contract public or private security forces, we commit to or we will require that such security forces will be engaged in accordance with the Voluntary Principles on Security and Human Rights.
- We will support efforts, or take steps, to engage with central or local authorities, international organizations, and civil society organizations to contribute to workable solutions on how transparency, proportionality, and accountability in payments made to public security forces for the provision of security could be improved.
- We will support efforts, or take steps, to engage with local authorities, international organizations and civil society organizations to avoid or minimize the exposure of vulnerable groups, in particular, artisanal miners where minerals in the supply chain are extracted through artisanal or small-scale mining (ASM), to adverse impacts associated with the presence of security forces, public or private, on mine sites.

UPMR will also make inquiries to the different supply chain actors to reasonably ensure that their process for extracting gold or for processing gold are consistent with environmentally safe industry practices.

UPMR performs enhanced due diligence to assess whether the risks are actually present in our supply chain. United uses publicly available information, including but limited to, publications by the UN, OECD and other NGO groups. Additionally, UPMR collects other non-public information from the customer/supplier, including but not limited to, the KYC information they have collected from their supply chain actors, government documents, and transaction records.

When UPMR cannot collect sufficient information to reasonably eliminate all risks through the above method, UPMR prepares an on-the-ground assessment plan to visit the customer sites and observe all parts of the supply chain in order to identify actual risks. The plans are outlined in the *UPMR Site-Visit Questionnaire* and executed by the compliance officer or other member of management in conjunction with a member of UPMR who speaks the native language. Our representatives will visit and make observations about mines, traders, transporters and transportation routes. When possible they visit all mines. When that is not practical, a representative sample of locations is determined as part of the site visit plan using the sampling guidelines provided in the RMAP Gold Refiner Standard. This selection decision will include a review of “public and non-public information” and their assessment against Annex II risks. They will also collect photographic evidence and written documentation as well as collecting other evidence to support their observations.

As part of the on-the ground assessment, UPMR representatives interact with employs, local government officials, and other Key stakeholders. Interviews are conducted to further ensure that any red flags identified are adequately mitigated.

When it is not feasible for UPMR to conduct site visits or when risks are determined to be of the highest level, UPMR will use a 3<sup>rd</sup> party investigator who is trained in the highest levels of auditing and investigation. UPMR will rely on their report and recommendations before sourcing from suppliers who are categorized at this level of risk.

During sites visits, UPMR employees made observations and gathered evidence that supported the information provided by the customers/suppliers. Additionally, when appropriate, UPMR representatives have met with local bank and government officials during visits.

UPMR conduct on going site visits and technical visits to their customers, however they recognize increased training for the staff conducting the sites visits as an opportunity for improvement. Additionally, UPMR looks to improve and better document their methodology for site visits in the coming year as well.

UPMR representatives also conducted site visits to a few mines in South America in order to understand their processes and perform due diligence. At this time UPMR has decided to continue its practice of not sourcing from mines.

## **PROCEDURE TO IDENTIFY CONFLICT-AFFECTED AND HIGH-RISK AREAS**

### **Purpose**

The purpose of this procedure is to identify conflict-affected and high-risk areas (CAHRAs) that will be applied to all primary materials and suppliers of primary materials (including beneficiaries). United Precious Metal Refining, Inc. (UPMR) will evaluate each country and identify the country as a CAHRA in one or more of the following areas: Armed Conflict, Governance, and Human Rights abuses.

## Definition of CAHRA's

CAHRA's are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.

## Identify CAHRA's

The following resources will be used to evaluate each element of a CAHRA as stated:

Heidelberg Conflict Barometer<sup>1</sup>: Presence of armed conflict and widespread violence.

Worldwide Governance Indicators<sup>2</sup>: Reports on aggregate and individual governance indicators for six dimensions of governance.

Fragile States Index's Human Rights and Rule of Law Indicator<sup>3</sup>: Other risks of harm to people (and rule of law).

The criteria and threshold for each of the above listed resources is defined in the below table:

<b>CAHRA Identification Sources and Criteria</b>		
<b>Resource</b>	<b>CAHRAs definition element</b>	<b>The country (or sub-country region) is classified a CAHRA if it:</b>
Heidelberg Conflict Barometer <a href="https://hiik.de/2018/02/28/conflict-barometer-2017/?lang=en">https://hiik.de/2018/02/28/conflict-barometer-2017/?lang=en</a>	<ul style="list-style-type: none"><li>• Presence of armed conflict</li><li>• Widespread violence</li></ul>	1. Has a sub-national ranking of 4 or higher in the region of origin (e.g. mine) or transit routes
Worldwide Governance Indicators <a href="http://info.worldbank.org/governance/WGI/#doc">http://info.worldbank.org/governance/WGI/#doc</a>	<ul style="list-style-type: none"><li>• Voice and Accountability</li><li>• Political Stability</li><li>• Government Effectiveness</li><li>• Regulatory Quality</li><li>• Rule of Law</li><li>• Control of Corruption</li></ul>	1. Has a Governance index ranking above the 20 <sup>th</sup> percentile of all countries in each category.

<p>Fragile State Index: Human Rights and Rule of Law indicator (P3)</p> <p><a href="http://www.fundforpeace.org/fsi/">http://www.fundforpeace.org/fsi/</a></p>	<ul style="list-style-type: none"> <li>• Other risks of harm to people</li> <li>• Political instability or repression</li> <li>• Institutional weakness</li> <li>• Insecurity</li> <li>• Collapse of civil infrastructure</li> <li>• Widespread human rights abuses</li> <li>• Violations of national or international law</li> </ul>	<p>1. Has a score of 8.0 or higher for the Human Rights and Rule of Law (HR) indicator</p>
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<sup>1</sup> Background on Heidelberg Conflict Barometer: Since 1991, quantitative conflict research at the Heidelberg Institute for International Conflict Research (HIIK) has analyzed political conflict by focusing on conflict processes rather than e.g. purely quantitative thresholds of casualties of war. Thus, the HIIK is particularly concerned with the concrete actions and communications between conflict parties. Such a process-oriented approach gives the analysis of political conflict, especially regarding intensities, a broader and more detailed empirical foundation.

Beginning in 2011, the institute has revised its definition of political conflicts and restructured its conflict intensity assessment. The latter now not only takes into account the intensity for a given conflict area in a given year, but determines the intensity of a conflict for first-level sub-national political units and months as well. As such, it allows for a much more detailed measurement of conflict dynamics.

<sup>2</sup> Background on the World Governance Index: The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the Natural Resource Governance Institute, the Brookings Institutions, the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

<sup>3</sup> Background on Fragile States Index and the Human Rights and Rule of Law indicator: The Fragile States Index (FSI) is an annual ranking of 178 countries based on the different pressures they face that impact their levels of fragility. The Index is based on The Fund for Peace's proprietary Conflict Assessment System Tool (CAST) analytical approach.

The Human Rights and Rule of Law Indicator considers the relationship between the state and its population insofar as fundamental human rights are protected and freedoms are observed and respected. The Indicator looks at whether there is widespread abuse of legal, political and social rights, including those of individuals, groups and institutions (e.g. harassment of the press, politicization of the judiciary, internal use of military for political ends, repression of political opponents). The Indicator also considers outbreaks of politically inspired (as opposed to criminal) violence perpetrated against civilians. It also looks at factors such as denial of due process consistent with international norms and practices for political prisoners or dissidents, and whether there is current or emerging authoritarian, dictatorial or military rule in which constitutional and democratic institutions and processes are suspended or manipulated.

## **Evaluating supply chains for CAHRA's**

Using information obtained through United's Know Your Counterparty (KYC) of all of its suppliers and our Supply Chain Mapping Tool, our Compliance Officer will identify all countries in its supply chain in each of the following categories:

- Material origins
- Material transit routes
- Supplier or beneficiary locations

The Heidelberg Conflict Barometer will be used to determine if a country in its supply chain is deemed to be a CAHRA due to armed conflict. The Heidelberg ranks countries armed conflicts based on National and subnational levels. A country-level listing of 4 or greater on the Heidelberg Conflict Barometer will cause UPMR to identify the country as a CAHRA.

In addition, United will look at the Worldwide Governance Index (WGI) to determine if the country in the supply chain has acceptable governance. United will evaluate all six categories for which the WGI ranks governance as listed in the table above. For this determination, UPMR will identify a country which ranks below the 20<sup>th</sup> percentile as a CAHRA.

Finally, we will evaluate each country to determine if there are human rights abuses. For this UPMR will refer to the Fragile States Index – Human Rights and the Rule of Law Indicator (P3 indicator). A country that is ranked 80 or above will be considered as an indicator of a CAHRA.

Once a CAHRA has been determined, United will follow our enhanced due diligence and risk mitigation policy to determine the level of due-diligence which must be completed before proceeding with any precious metal activity with a customer from this region.

A list of all CAHRA's in United's customer base will be compiled and referenced for identification of "Red Flag" or other supply chain risks. This process will be documented and updated by the compliance officer using the CAHRA Matrix.

## **Frequency & Review**

Given the evolving nature of the information about countries and areas where metal can be sourced, UPMR takes a very conservative approach to our sourcing regions. It is presently UPMR's policy to review any country from which we source materials as the resources used to identify CAHRA's are updated:

Heidelberg Conflict Barometer	Each year in February
World Governance Index	Each year in September
Fragile State Index	Each year in spring (April or early May)

UPMR will review all countries at the time a new publication is released and update the UPMR CAHRA Matrix to reflect the new ratings. Additionally, UPMR will re-evaluate each country and supplier affected by a change in ratings against our Supply Chain Due Diligence Policies.

## Mitigation of Risk

United PMR will once again align itself with the OECD Due Diligence for Responsible Supply Chains, Annex II for the purpose of mitigating actual risks that it has identified in its supply chain. Once an actual risk is identified in the supply chain, UPMR will engage with appropriate stakeholders, local governments, and international organizations to attempt to mitigate the risks. The risks will be reported as identified to UPMR senior management, who will then work to create a plan to mitigate the identified risks. The plan will include time tables, measureable steps and goals to be agreed upon with stakeholders to improve and reasonably eliminate the identified risk. Whenever UPMR feels that they will have a positive social impact on stakeholders in the supply chain by remaining engaged with a customer/supplier, UPMR will make sincere attempts to do so. When all efforts to mitigate risks are exhausted, or if UPMR cannot adequately engage stakeholders to participate in risk mitigation, UPMR will disengage from a supplier. UPMR will segregate materials from that customer/supplier and hold them from processing until actual risks are mitigated.

The OECD Due Diligence Guidance for Responsible Supply Chains, Annex II model prescribes the following mitigation related to each risk:

Regarding risk management of serious abuses:

We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined in paragraph 1. (Identified above as UPMR risks related to the Fragile States Index)

Regarding risk management of direct or indirect support to non-state armed groups:

We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups support to non-state armed groups as defining in paragraph 3.

Regarding risk management of public or private security forces:

In accordance with the specific position of the company in the supply chain, we will immediately devise, adopt and implement a risk management plan with upstream suppliers and other stakeholders to prevent or mitigate the risk of direct or indirect support to public or private security forces, as identified in paragraph 5, where we identify that such a reasonable risk exists. In such cases, we will suspend or discontinue engagement with the upstream suppliers after the failed attempts at mitigation within six months from the adoption of the risk management plan. Where we identify a reasonable risk of activities inconsistent with paragraphs 8 and 9, we will respond in the same vein.

Regarding risk management of bribery and fraudulent misrepresentation of the origin of minerals, money-laundering and payment of taxes, fees and royalties to governments:

In accordance with the specific position of the company in the supply chain, we commit to engage with suppliers, central or local governmental authorities, international organizations, civil society and affected third parties, as appropriate, to improve and track performance with a view of preventing or mitigating risks of adverse impacts through measurable steps taken within reasonable timescales. We will suspend or discontinue engagement with upstream suppliers after unsuccessful attempts at mitigation.

*UPMR is aware that disengagement of our source of supply may not help to improve the human rights situations of those who are being impacted by such abuses. Therefore, whenever possible, UPMR will make every effort to mitigate the risks prior to disengagement. By doing so, UPMR can attempt to improve the situations of those affected by the activities which initially violated our standards.*

UPMR senior management will use OCED Due Diligence Guidance for Responsible Supply Chains, Annex III as guidance to developing and implementing risk mitigation plans. All identified risks will be listed on the Risk Mitigation Tool, where the progress and status of each risk can be monitored and updated, and timelines can be determined.

From time to time, UPMR will find itself in the position of having to reject potential customers due to issues or situations which are not acceptable to the company and our due diligence practices. Over the past year, United has rejected potential suppliers for various reasons which would violate our procedures and create situations which raise questions as to the veracity of the customers' information.

Potential customers have been rejected by UPMR for the following reasons in the past year:

- Unwillingness to complete the KYC documentation
- Unwillingness to complete documentation as to the source of their material
- Due diligence background checks which have uncovered a history of potential Money Laundering or other financially related "Red Flags"
- Submission of fraudulent documents
- Initial requests that payment check be "split" or payable to a third party

- Potential receipt of payments from an unrelated third party in payment for goods ordered
- Customer material does not coincide with the type of business the customer is involved in
- A site visit indicated inconsistencies with what the company stated procedure to supply metal

In certain situations as noted above, such as in the receipt /payment of funds or verifying that the customer/entity has a bona-fide business that needs or supplies metal, risk may be mitigated. In some cases, a telephone call or an e-mail which will address our issues or concerns will be made. In some cases their explanation may be valid or an understanding of our concerns may lead to a change of instructions. Others, such as an unwillingness to provide information, simply cannot be mitigated to UPMR's satisfaction.

UPMR also takes into account the proportionality of our potential risk as a function to the anticipated volume by the proposed customer. However, we also realize that in our broader view of the business, we would rather "turn down" transactions which contain possible risks than to try to justify why we made the determination to enter into a transaction in which details are unclear.

Maintaining our approval standards, regardless of account size, helps to ensure the integrity of our program and to maintain the rigid standards which keeps our account quality at a high level.

UPMR had a few cases where the source of the materials was unclear. These materials were set aside until the suppliers could provide more information about the source of the material that was determined to be plausible. Additionally, during a site visit, UPMR was able to identify a few customers that did not have a formal Anti-Bribery policy. Though it was not immediately addressed, UPMR has since put a plan into place to mitigate this risk and help the supplier establish such a policy and to evaluate if it is being effectively implemented over time.

Throughout the year, UPMR engages with key stakeholders during industry events. In addition, as active members of many of the industry's associations such as the LBMA, the IPMI and the PMANA. UPMR continuously engages with suppliers at many of their events that are aimed at increasing industry knowledge and improving relationships.

UPMR has hosted United States Customs officials and other government agencies to build their knowledge of our business practices as well as accommodate their requests for assistance.

## **Conclusion:**

UPMR takes steps to reasonably ensure that our processes identifies and mitigates all risks as identified in the Procedure for Enhanced Due Diligence and as identified in the OECD Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict - Affected and High Risk Areas. These steps are invaluable in ensuring that UPMR is not contributing or aiding in the support of armed groups or the abuses of the worst forms of human rights through their sourcing initiatives. UPMR has also created a grievance policy to help identify risks and shortcomings in its sourcing initiatives. This

mechanism is publicly available to all supply chain actors and employees on our website:  
[www.unitedpmr.com](http://www.unitedpmr.com).