



## Annual Report on Supply Chain Due Diligence

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

**CID Number:** 1993

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

**3TG Materials Processed:** Gold

**Time Period Covered by this report:** 8/1/2019 to 9/30/2020

**Date of Last Assessment:** 9/18/2019 – 9/20/2019

**Assessment Conducted by:** ARCHE Advisors against the Responsible Minerals Assurance Process (RMAP), Gold Standard of 2017.

**Lead Auditor:** Monica Morales

### **Audit Findings:**

*The auditor found that the auditee's due diligence system are in conformance, in all material aspects, with the requirements of the Responsible Minerals Assurance Process Tin and Tantalum / Tungsten / Gold Standard of 2017 and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.*

**Audit Report:** A copy of the full Audit Summary Report is publicly available at <http://www.responsiblemineralsinitiative.org/media/docs/Public%20Reports/UPRM%20Public%20Report.pdf>

**Previous Reports:** A link to previous audit reports against the RMAP Standard can be found at [https://www.unitedpmr.com/supply\\_chain\\_due\\_diligence\\_policy.php](https://www.unitedpmr.com/supply_chain_due_diligence_policy.php)

**Next Assessment:** SCS Global – 11/17/2020 – 11/20/2020

## **United Precious Metal Refining, Inc. Supply Chain Due Diligence Program:**

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, tubing, as well as our own investment bars. In addition to its products and refining services, UPMR also provides precious metal assays and other analytical services.

United Precious Metal Refining, Inc. (UPMR) is 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 RBA – Responsible Business Alliance (formerly the EICC – Electronics Industry Citizenship Coalition). Our supply chain policy was developed with the assistance of 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 and the new Responsible Minerals Assurance Process (RMAP), Gold Standard of 2017.

### **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 or 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 using methods related to 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 compliance with the guidelines and use them as the model for our own due-diligence.

In order to ensure 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 metal 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 could potentially originate from or transit through a Conflict-Affected and High-Risk Area (CAHRA), and strategies for mitigating potential 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 officer, 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. UPMR was originally determined conformant with the Responsible Mineral Initiative’s (RMI) – RMAP Assessment Gold Standard (updated 2017) in September, 2018 and continues to engage in this assessment annually.

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 activities that 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 supplier.

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

UPMR’s Summary Annual Report is publicly available on our website at [www.unitedpmr.com/SAR](http://www.unitedpmr.com/SAR).

UPMR is committed to helping our customers/suppliers create and improve their own supply chain due diligence policies. Please contact us should you require guidance or have questions related to Supply Chain Due Diligence.

**If you are importing material into the U.S., please read the following information:**

As part of the ongoing due diligence process, should UPMR determine that further information is needed, we may require supplementary documentation in addition to the import documents presented to U.S. Customs. In those cases, UPMR will request copies of the Export Documents provided to the customer’s local government for review and approval by UPMR in advance of shipment.

One of the following documents will be required:

- Self-Declaration Certificate
- Certificate of Origin

Rev. Effective 10/05/2020

A copy of the “Supply Chain Due Diligence Policy” is publicly available at:

[https://www.unitedpmr.com/supply\\_chain\\_due\\_diligence\\_policy.php](https://www.unitedpmr.com/supply_chain_due_diligence_policy.php) or [www.unitedpmr.com/SCDD](http://www.unitedpmr.com/SCDD)

## **Management Structure:**

The company's controller, William C. 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.

In addition to the compliance officer, UPMR's compliance department also employs a Compliance Specialist, Raysa Garcia. The Compliance Specialist assists the Compliance Officer and has the benefit of focusing on compliance as their primary job function. One of the major functions of the Compliance Specialist is to perform regular site visits to potential and existing customers. For this reason, they must be knowledgeable of appropriate audit methodology and be fluent in the local language. Ms. Garcia's background is in banking regulatory compliance and her fluency in both English and Spanish make her uniquely qualified for her role as the Compliance Specialist. Her other responsibilities include documenting and updating UPMR's compliance policies and procedures.

Three other traders (inclusive of the Compliance Officer), with a combined experience of over 65 years in the precious metals industry assist the Compliance Specialist with implementing the Supply Chain Due Diligence program. Together the group is 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. Above all, the goal of the compliance department is to protect UPMR from inadvertently participating in money laundering or other criminal activities.

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's management council regularly meets once a month. During the management meetings, the compliance officer reports on 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 in order to gather input from other stakeholders within UPMR.

UPMR often refers to outside resources such as the Responsible Minerals Initiative and Materials Management Corporation to review scenarios and request guidance from industry leading compliance experts.

## **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 important to note 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 compensated by commission or bonuses.

Our Finance Department assumes all responsibility for maintaining adequate liquidity for UPMR's supply chain. Together with other members of the office staff, the finance department is responsible for establishing the policies, procedures, training, and ongoing improvements related to the compliance function. During the onboarding process, members of the finance department that make up the compliance staff review and approve suppliers while conducting basic and enhanced due diligence (as required) in order to identify and mitigate any potential risks to the supply chain. The compliance specialist or other members of the compliance staff are also responsible to perform ongoing risk-based monitoring of entities and key individuals on a monthly, quarterly, and annual basis.

Other members of the office staff are responsible for collecting, filing, and updating customs paperwork as required by Customs Border Patrol "Reasonable Care" standards. These individuals will ensure that all materials supplied to UPMR originating from or transiting through international locations are declared and properly classified upon importation. They are also responsible to update estimated weights and values to post-refining actual weights and values after the materials are processed. Finally, the international paperwork group also files actual "use" certificates and responds to any broker or Customs Border Patrol ("CBP") inquiries.

The lot entry department is responsible for reviewing the materials when they are received and for entering the descriptions and weights into the computer. They are responsible to ensure that the materials and weights received are consistent with the materials and weights expected and to separate the materials into the correct stream for processing or for holding the materials. They are also responsible for reporting 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 or updates are made to our policies and procedures. 2020 AML trainings were performed for all relevant employees during the middle two weeks of September. Supply Chain due diligence training was performed for the sales, office, management, and lot entry staff during that time. New employees have participated in due diligence trainings as part of the "onboarding" process. UPMR strives to maintain its commitments by application, ongoing maintenance, and continuous improvement of our management systems, processes, and procedures. Though UPMR continues to source almost exclusively from recycled sources, the "Supply Chain Due Diligence Policy" that has been developed would allow UPMR to source primary materials from mines, including from CAHRA areas with the assurance that "Red Flags" are properly identified and mitigated to our satisfaction. UPMR's Supply Chain Due Diligence Policy allows us to easily communicate 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 Supply Chain Due Diligence Policy expands on UPMR's prior Know Your Counterparty and Anti-Money Laundering policies to include a CAHRA Determination and clearly defined Enhanced Due Diligence procedures among its enhancements.

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

As noted above, presently UPMR sources almost exclusively from recycled sources. For most of UPMR's suppliers their supply chain is simple and the point of origin is the storefront where they manufacture jewelry or purchase jewelry from the public. UPMR provides each potential supplier with a copy of our Supply Chain Due Diligence policy and requires the supplier to contractually obligate themselves to the policy and to develop similar policies of their own that are proportionate to the level of risk in their own 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 suppliers and certain materials this information may be requested for each transaction, or at minimum annually.

UPMR has also modified and adopted for its use the RMI – Country Risk Assessment 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. Our knowledge and expertise are always available and is offered when deemed useful.

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

UPMR 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” or save 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 select 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. For international shipments, the paperwork is retained for a minimum of 7 years as required by Customs Border Patrol (CBP) “Reasonable Care” standards.

## **Know Your Counterparty Process:**

The sales 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 to be processed, or products that may be needed in order 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 while wire and 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 estimated quantities, material types and regions from which the customer/supplier sources or transports their materials to be refined or the estimated quantities and intended 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”). A politically exposed person (PEP) is defined as an individual who is or has been entrusted with a prominent public function. Due to their position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering offenses and related predicate offenses.

Once the database questionnaire is complete, the necessary documents are then populated and e-mailed to the customer/supplier based on their desired product and service requirements. All suppliers are required to complete, at minimum, the “Supply Chain Due Diligence Policy”, “Know Your Counterparty Questionnaire”, and “AML Compliance/Exemption” forms.

The “Supply Chain Due Diligence Policy” outlines the different steps that UPMR will take to ensure that it is sourcing materials in a socially responsible way and requires suppliers to sign the document in order to acknowledge and agree to the following:

- That they understand and commit to align their practices with the overall policy goals.
- That they confirm their organization has or is developing a similar policy and they continue to monitor its effectiveness and improve their own policy.
- That they agree to accommodate UPMR’s due diligence requirements

The KYC Questionnaire requires that the customer/supplier 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 date/place of registration
- Beneficial Owners including ownership percentage and each date of birth
- Key Persons, Title(s) and each date of birth
- 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, in addition to the above documents, are also required to provide full business registration paperwork, written AML and purchasing policies.



Once the sales department completes the questionnaire, a checklist is generated outlining and detailing 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”. Several members of the office are trained to perform the initial steps of basic due diligence, which include ensuring all areas of the documents are completed and a review of key persons and owners identified against sanctions lists, negative news searches, and background checks.

Once the office staff has completed their initial review, the documents are forwarded to the compliance specialist or other 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-Affected and High-Risk Areas determination policy (details of this policy are found in the next section). If required, senior management (in conjunction with compliance) will be responsible for performing enhanced due diligence for suppliers.

As outlined by UPMR’s Ultimate Beneficial Ownership policy, UPMR will engage in the appropriate amount of due diligence to identify the beneficial ownership and “Key” persons of an entity. The compliance department will create and maintain organizational charts when necessary to outline and create an understanding of related entities or individuals.

If a possible PEP is identified through the interview or other review process, the compliance specialist will provide the identified individual with a Politically Exposed Person Certification form to complete. This form will help us to determine the risk associated with the identified individual and help UPMR to determine whether or not they will continue to conduct business with the individual or related entity.

As part of the ongoing KYC due diligence and monitoring, UPMR will conduct the following reviews with the corresponding frequencies:

Review of accounts based on increased volumes	Monthly
Review of beneficial owners and Key persons (high-risk customers)	Quarterly
Full review of SDN and sanctioned list against entire database	Quarterly
CAHRA Determination	Quarterly

## **Know Your Materials Process:**

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 cameras. All materials and paperwork are reviewed to ensure that they are consistent with the materials described and weights given by customer prior to 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 e-mail to alert the sales department and members of the compliance group that additional action is required in order to release the materials for processing. 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 additional steps need to be taken before the materials can be processed or if the materials need to be rejected.

### **Enhanced Due Diligence Process:**

Once a supplier is determined to be in/part of a CAHRA, and based on the “red flags” determined during the CAHRA and Basic Due Diligence processes, UPMR performs Enhanced Due Diligence on each supplier and their supply chain that have been identified as “High-Risk”. Once it is determined that a 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” - , Annex II, and determine if the identified “Risks” represent actual risks in the supply chain.

Being that UPMR is sourcing gold, and gold material itself has a higher potential for money laundering, UPMR collects and evaluates AML and purchasing procedures from all “High-Risk” suppliers.

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. UPMR will collect evidence of such payments being properly remitted for all “High-Risk” customers/suppliers.

While UPMR recognizes that it has focused much of its efforts to identifying risks related to money laundering, tax avoidance and corruption, it 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 RMI – Country Risk Assessment Tool, 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 RMI – Country Risk Assessment Tool, 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, with a particular emphasis on our supplier’s operations.

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 points of export

\*\*\* Currently UPMR does not refine any mined material from any country classified as a CAHRA\*\*\*

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 perform the following assessments:

- 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. UPMR 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 supplier's sites "Site Visit" 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 Specialist or by other members of management in conjunction with a member of UPMR's staff 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. 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 employees, 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 superior levels of auditing and investigation in this particular level of expertise. UPMR will rely on their report and recommendations before sourcing from suppliers who are categorized at this level of risk.

During our site-visits, UPMR employees make observations and gather evidence that support the information provided by the suppliers. Additionally, when appropriate, UPMR representatives have met with local bank and government officials during visits.

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). UPMR 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

UPMR will utilize the RMI – Country Risk Assessment Tool, which provides country rankings and indices to assist with Risk Assessment.

The RBA's Risk Assessment Platform is the first step in the RBA Risk Assessment Model, which UPMR will be utilizing in efforts to help ensure supply chain sustainability. It introduces a new rating model which provides a dynamic scoring method, providing a high-quality risk analysis and a confidence score for each supplier site evaluated.

The map will provide information on each country, a confidence percentage, a risk band level and an overall Risk score.

UPMR will classify each CAHRA based on the Risk Band level provided in the RBA Risk Assessment Model.

- Any potential supplier located in or identified as having materials travel through a country classified under the Risk Band Level as **EXTREME**, UPMR will **NOT** source material with said company or individual.
- Any potential supplier located in or identified as having material travel through a country classified under the Risk Band Level of **HIGH**, UPMR will classify that company or individual as a CAHRA, and will conduct Enhanced Due Diligence on any metal sourcing, as applicable.
- Any potential supplier located in or identified as having material travel through only countries classified under the Risk Band Level of **LOW** or **MEDIUM**, UPMR will perform Basic Due Diligence and additional Enhanced Due Diligence when applicable or as "red flags" are identified.

## Evaluating supply chains for CAHRA's

Using information obtained through UPMR's basic due diligence procedure that is performed on all of its suppliers and when appropriate collected through 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

Once a CAHRA has been determined, UPMR 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 supplier from this region.

A list of all CAHRA's in UPMR's customer base will be compiled and referenced for identification of "red flags" or other supply chain risks. This process will be documented and updated by the compliance officer using the RMI – Country Risk Assessment Tool. The UPMR database (CyberScreen) allows compliance to label a country a CAHRA or remove the CAHRA label from a country using the country code maintenance function. This function also allows compliance to label sanctioned or extremely risky countries as "do not allow" - which will prevent the entry of lots and or orders.

## **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 or for which materials transit through as part of their quarterly review. At that time the UPMR/CAHRA Matrix will be updated to reflect the new ratings. Additionally, UPMR will re-evaluate each country and supplier affected by a subsequent change in ratings against our Supply Chain Due Diligence Policies.

## **Mitigation of Risk:**

UPMR 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 actual risks are identified in the supply chain, UPMR will engage with appropriate stakeholders, local governments, and international organizations to attempt to mitigate the risks. These risks will be reported to UPMR senior management, who will then work to create a plan to mitigate the identified risks. The plan will include timetables, measurable steps and goals to be agreed upon with stakeholders to improve and reasonably eliminate the identified risk(s). Whenever UPMR feels that they will have a positive social impact on stakeholders in the supply chain by remaining engaged with a 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 supplier and hold them from processing until actual risks are mitigated when appropriate.

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Annex II ("OECD – Annex II") model prescribes the following mitigation related to each risk:

### **Regarding risk management of serious abuses:**

UPMR 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 OECD – Annex II - paragraph 1 & 2 (Identified above as UPMR risks related to the RMI – Country Risk Assessment Tool).

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

UPMR will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or are linked to, any party providing direct or indirect support to non-state armed groups as defined in the OECD – Annex II - 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 the OECD – Annex II - 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 their paragraphs 8 and 9, we will respond in the same vein.

Suppliers requiring additional fact and risk assessments:

As detailed in Step 3(D) of Annex I, UPMR will conduct an additional risk assessment on those risks requiring mitigation after the adoption of the risk management plan. If within six months from the adoption of the risk management plan there is no significant measurable improvement to prevent or mitigate the risk of direct or indirect support to public or private security forces, as identified in paragraph 5, UPMR will suspend/discontinue engagement with the supplier for a minimum of three months. Suspension may be accompanied by a revised risk management plan, stating the performance objectives for progressive improvement that should be met before resuming the trade relationship.

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 cognizant 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.

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

- 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 other 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 then 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 keep our account quality at a high level.

### **Improvements and Notables during Report Period:**

UPMR continues to enhance its Supply Chain Due Diligence program through internal review and external assessments. For many of our policies and procedures that have been in place for years, this may as simple as putting into writing what is already accepted and practiced in order to document policies in a way that are better understood and repeatable.

Our focus for improvements has been to collect, store, and report on data in our database in ways that are more purposeful and meaningful. The goal is to be more efficient and complete in how we continue to perform our due diligence and analyze risk in our supply chain. These enhancements do however take time to implement as a result of the large number of customers and volume of transactions that UPMR processes on a year-over-year basis. Therefore, though UPMR continues to improve its policies and procedures, due to the nature of our business it often takes an extended period of time to implement changes across our entire supply chain. For this reason, UPMR focuses on implementing changes immediately to the higher risk suppliers



and transactions. More gradually bringing the suppliers and transactions labeled as lower risk up to the same standard.

UPMR makes ongoing efforts to update and review existing policies/procedures relating to our compliance program. Also, UPMR has implemented the following policies/procedures since the prior audit period as a result of an additional need being identified or recommended:

- Site Visit Procedure and Tracker
  - Better centralize the date of site visits for more effective tracking
- Ultimate Beneficiary Procedure
  - To expand on our KYC procedures for Beneficial owners and key persons
  - To outline the procedures for KYC related to publicly traded companies
- Updated Supply Chain Due Diligence Policy
  - Expanded to include information that was previously included on the Supplier Certification of Materials
- Metal Source Declaration
  - Replaces the Supplier Certification of Materials to be more inline with new Supply Chain Due Diligence policy
  - Cover pages shortened to eliminate redundancy of due diligence policy
  - Additional questions added to increase collection of pertinent information

In addition to the annual AML program assessment performed in July 2019, UPMR was audited against the Responsible Jewellery Council 2013 - Code of Practices Standard on August 6, 2019. UPMR earned a 3-year extension of its current certification.

UPMR continues to engage with customers, suppliers, financial institutions, and other members of the industry to promote responsible sourcing practices. Michael Mikolay has taken on the role of treasurer for the International Precious Metal Institute (IPMI) – New England Chapter, as well as being a Board member. and regularly attends chapter events. He is also a member of the Audit Committee for the IPMI - International. Most of the major industry events in 2020 were postponed due to COVID-19; nevertheless, David Siminski, our Head of Marketing, Sales & Technical did present at the RJO (Retail Jewelers Organization) and the MJSA (Manufacturing Jewelers & Suppliers of America) on topics which covered refining, due-diligence, certifications, compliance & paperwork. He also attended the IPMI Platinum Week Webinar (virtual this year) in September and will be attending the IPMI Annual Conference (virtual) this coming November.

Since the previous audit period, a few suppliers had requested UPMR process materials that were imported into the US, but for which UPMR had not received the proper importation paperwork. For most of the suppliers the paperwork was collected and reviewed and UPMR was able to receive and process the materials. For other suppliers that were unable to provide UPMR the appropriate paperwork, their materials were rejected and UPMR disengaged any further relationship with the suppliers.

One supplier whom UPMR had previously disengaged from had requested to re-instate his account in order to begin supplying UPMR with materials for refining again claiming to no longer having a relationship to a CAHRA country or countries identified as severe risks. Through our enhanced due diligence, UPMR was able to

determine the supplier was misrepresenting himself and continued is practice of not engaging with said supplier.

UPMR has been able to earn business from many new suppliers over the past few years due to some larger competitors exiting the market. For this same reason, UPMR has also rejected many suppliers attempting to establish new accounts as a result of red flags that have been identified during the basic and enhanced due diligence processes that we were unable to resolve. These red flags include, but are not limited to:

- Misrepresentation of origin of materials
- Materials sourced from mines in CAHRA countries
- Negative News about an entity or individual
- Failure to provide complete or comprehensive information about the supply chain or procurement process

UPMR continues to decline to accept any materials (Recycled or primary) from many potential suppliers that were sourcing from mines due to an ambiguity of discrete production lines. Other potential suppliers were not accepted due to our unfamiliarity with the country from which the supplier's materials originated.

Over the period following our last audit, UPMR has submitted one SAR (Suspicious Activity Report) on one customer and four CTR Form 8300 (for three customers) as a matter of course.

### **Future Program Enhancements:**

UPMR continues to work on implementing a new Risk Rating Matrix to better automate the current Due Diligence procedures. This will computerize the current manual process of analyzing and assigning risk to UPMR suppliers based on the following criteria:

- Business Type
- Location/Transit Route
- Product Type
- Volume

This improvement will allow the compliance team to better delineate risk levels and reallocate compliance efforts based on these defined levels.

UPMR continues to seek improvement in the delivery of documentations that it is presenting to suppliers in order to conduct our due diligence. In that vein, UPMR is exploring the alternatives in order to increase supplier understanding and cooperation of our policy and procedures:

- Condensing documentation and information collection processes
  - Eliminating redundancies
  - Easier to understand what is required
- Checklist to be sent to suppliers
  - Better communicate requirements of what UPMR needs in advance of conducting business with a potential supplier.

- Present Documents in the Customer Account Portal (CAP)
  - Make the documents available to customers/suppliers in additional formats to allow them to complete them in the format that is most convenient to them.

## **COVID - 19 Statement:**

UPMR, as has many other industries, been adversely affected by the pandemic for a few months of the year as a large portion of the jewelry industry was basically forced to shut down. As an essential business, UPMR continued its refining and manufacturing activities. In order to do so, UPMR made the necessary adjustments to protect our employees and put into place procedural changes to adapt and operate during these tumultuous times. These changes included a small reduction to the work force, moving employees to work remotely for a period of time, and diversifying the services we provide. Though it is notable that while the compliance staff was relatively unaffected by the changes listed above, the pandemic continues to limit the role of site visits as part of our due diligence program. The limitation is largely offset by the decreased applications by potential new suppliers. We will continue to monitor COVID- 19 at home and around the world and resume our site visits as when conditions improve and we are able to travel safely and with reduced restrictions. We will also continue to limit our company exposure to new potential risk by ensuring that we are not taking on new suppliers for which we cannot reasonably mitigate red flags without performing site visits to their physical locations.

One final note, one of our existing customers had expressed an interest in becoming “recognized” by the RMI as “conformant smelters”. Unfortunately, due the COVID-19, the visit to assess their company was postponed by the RMI until 2021. UPMR will continue to encourage this organization to follow through and obtain the “certification” when practical for all concerned.

## **Conclusion:**

UPMR takes steps to reasonably ensure that our processes identify 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 short comings 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).