



# ANNUAL REPORT ON SUPPLY CHAIN DUE DILIGENCE 2023



# United

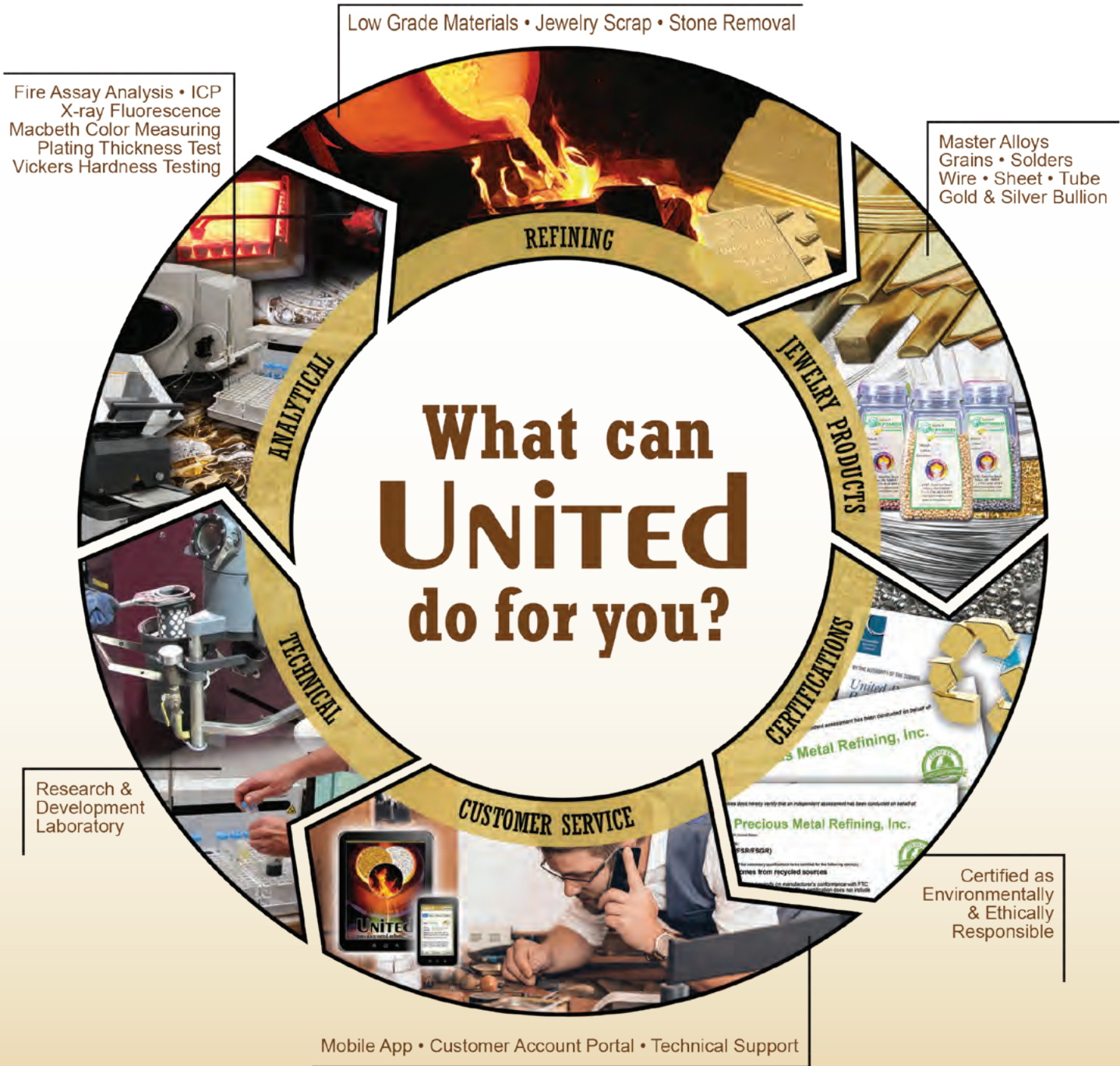
PRECIOUS METAL REFINING, INC.

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United PMR is a full-service refiner and supplier of precious metals, serving the jewelry industry.



# ANNUAL REPORT ON SUPPLY CHAIN DUE DILIGENCE

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

**CID Number:** 1993

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

**Materials Processed:** Gold (RMAP) Gold, Silver, Platinum, Palladium (RJC)

**Date of Last Assessment:** May 15, 2023 - May 18, 2023

**Dates Covered by Assessment:** February 06, 2022 - March 31, 2023

**Assessment Conducted by:** SCS Global Services against the Responsible Minerals Assurance Process (RMAP), Gold Standard of 2017, Responsible Jewellery Council (RJC) Code of Practice 2019 & Chain of Custody 2017

**Lead Auditor:** Elise Mattenson

## **Audit Findings:**

*The auditor found that the auditee's due diligence system is in conformance, in all material aspects, with the requirements of the Responsible Minerals Assurance Process Tin and Tantalum / Tungsten / Gold Standard of 2019 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 <https://www.unitedpmr.com/supply-chain-due-diligence-policy/>*

**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/>

**Next Assessment:** July 2024

# 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, solder, 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. 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 combating terror financing. Since 2013, UPMR has been compliant as a Conformant Smelter by the RBA – Responsible Business Alliance - RAMP (formerly the EICC – Electronics Industry Citizenship Coalition). Our AML policy is reviewed annually by a third-party, independent consulting firm which reviews our program using in-person consultations with key personnel. 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 2019.



Formerly the  
Conflict-Free Sourcing Initiative  
CONFORMANT SMELTER

## 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 gold, silver, platinum or palladium 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 benefited/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 these guidelines and use them as the model for our own due-diligence.

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 from which material could potentially originate or transit through – categorized as a Conflict-Affected and High-Risk Areas (CAHRAs) - and strategies for mitigating potential risks that are identified in our supply chain.

In order to ensure our commitment to a “responsibly sourced” and OECD aligned supply chain, UPMR has integrated the following due-diligence protocols for analyzing and assessing our metal suppliers and metal supplies:

UPMR will ensure that training of management and all relevant employees is performed annually. UPMR further commits to a review of its supply due diligence process annually for effectiveness and to explore and implement possible improvements to our assessment strategy. A senior manager and the current UPMR compliance officer, Michael A. Mikolay, has been assigned the responsibility for ensuring supply chain compliance.

UPMR is also committed to undergo an independent third-party audit to ensure that our documentation, implementation, authentication, and verification processes are accurate and secure. Through these audits, UPMR displays transparency while allowing our customers to obtain audit-based assurance that UPMR’s supply chain due diligence policy is verifiable and effective. It also provides UPMR with third-party feedback opportunities to provide suggestions to the outside auditors for continued improvement. UPMR was originally determined conformant with the Responsible Mineral Initiative’s RMI – RMAP Assessment Standard (updated 2017) in September, 2018 and continues to renew our conformant assessment annually.

UPMR communicates this sourcing policy to our suppliers and customers and makes it publicly available for review. Additionally, UPMR requires international customers to acknowledge the policy and commit to providing information, documentation, and accommodations for site visits deemed 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 attempt 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 disengage 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 ensure materials in our supply chain are “responsibly sourced” and to only obtain materials 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:  
<https://www.unitedpmr.com/supply-chain-due-diligence-policy/>

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 required, we may request 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.

Rev. MM, RG 4/14/2023

A copy of the "Supply Chain Due Diligence Policy" is publicly available at:  
<https://www.unitedpmr.com/supply-chain-due-diligence-policy/>



## MANAGEMENT STRUCTURE:

The company's Compliance Officer, Michael A. Mikolay has been 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.

Five other traders (inclusive of the compliance officer), with a combined experience of over 80 years in the precious metals industry assist the compliance specialist with implementing the Supply Chain Due Diligence program. Together the group, along with a document review specialist, 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 unlawful activities.

The company's Chief Financial Officer is responsible to assess the AML program, risk management design, and implementation annually for effectiveness. The CFO may also choose to have an experienced internal finance based senior manager or an outside third-party assessor perform this function.

UPMR's compliance team meets quarterly (or when specific issues arise) to discuss and review changes in activity/volume or noteworthy events affecting any account. Any serious issues are referred to senior management for informational and advisory purposes. In addition, the compliance officer/compliance specialist meets with management to report on improvements to be implemented to the company's risk assessment programs, any new 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 representatives from the Responsible Minerals Initiative (RMI), Materials Management Corporation, as well as accredited third-party auditors to review scenarios and request guidance from industry leading compliance experts.

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## 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 commissions 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 (including PEP's) on a monthly, quarterly, and annual basis. UPMR employees are also subject to a similar risk-based monitoring.

Other members of the office staff (International Paperwork Group) are responsible for collecting, filing, and updating customs paperwork as required by Customs Border Patrol (CBP) "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 preliminary estimated weights and values to actual post-refining weights and values after the materials are processed. Finally, this group also files actual "use" certificates and responds to any broker or CBP inquiries.

The Lot Entry Department is responsible for reviewing the precious metals 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 refining stream for processing. If there are any discrepancies the material will be segregated and held while awaiting additional information. They are also responsible for reporting to management when packages appear to have been 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. Calendar year 2023 AML trainings were performed for all relevant employees during late July & early August. Supply Chain due-diligence training was also 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's 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. 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/location 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 encourages the supplier 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 a minimum we will require such a declaration 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 requested or deemed useful.

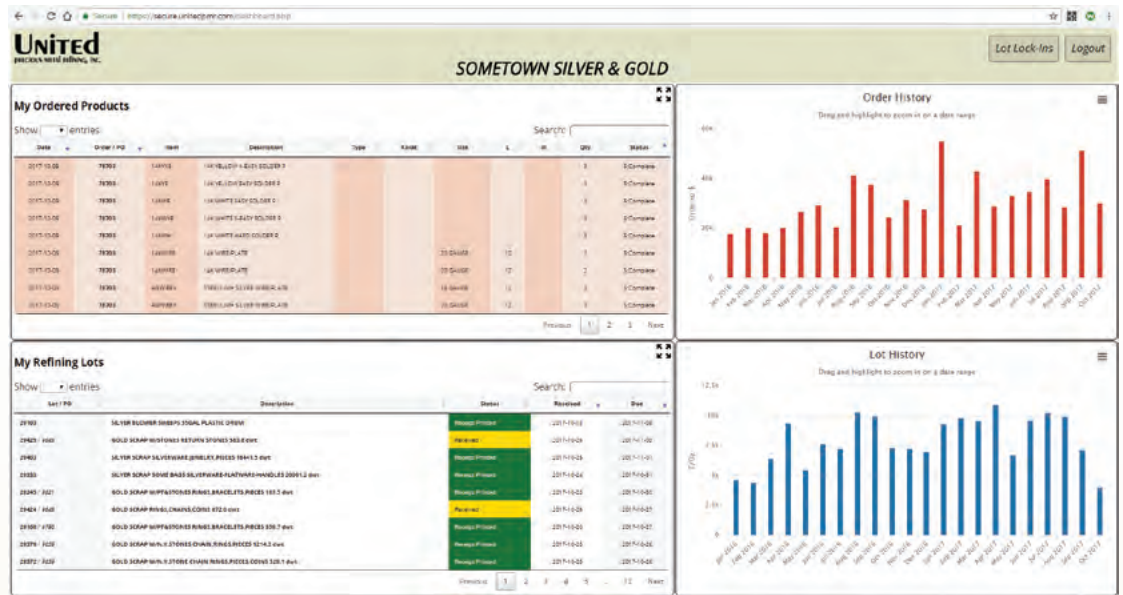


# RECORD KEEPING AND RETENTION OF DOCUMENTATION:

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

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 existed for that timeframe. For international shipments, the paperwork is retained for a minimum of seven years as required by Customs Border Patrol (CBP) "Reasonable Care" standards. UPMR secures most records for a period greater than that in a computerized format.

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REFINING LOTS  
LOT HISTORY  
LOT LOCK-INS  
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## **KNOW YOUR COUNTERPARTY PROCESS:**

The Sales Department solicits new business and would be the first group of UPMR employees to request a business or individual to become an approved customer/supplier. The sales representatives conduct an introductory interview with the perspective customer/supplier and complete an online questionnaire utilizing our database. These elements are designed to delineate our understanding of the potential customer's business, type of business structure, the type of material to be processed, products that may be needed, along with other salient data. This will, in turn, generate all appropriate documents to be sent to the customer as the initial step of our basic due-diligence process. The Sales Department assists 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 as their refining scrap should be in the form of trees and buttons. Then again, a pawn shop would have mainly old jewelry, while a repair shop would have wire and bench sweeps as their outturn and may have a need for gold/platinum solder.

Once the questionnaire is complete, the necessary documents are then populated and e-mailed to the customer/supplier based on their desired product(s) and service requirements. All suppliers are required to complete, at a minimum, the "Know Your Counterparty Questionnaire", and "AML Compliance/Exemption" forms.

Foreign entities are also required to provide full business registration paperwork, as well as written AML and purchasing policies.

As part of the ongoing KYC due-diligence and monitoring, UPMR will conduct the following reviews based upon changes in activity or employees:

- Review of accounts based on increased volumes
- Review of beneficial owners and key persons (high-risk customers)
- Review SDN/U.S. Treasury sanctioned list against UPMR database which includes customers and employees
- Review of criteria for CAHRA Determination

## **KNOW YOUR MATERIALS PROCESS:**

The Lot Entry personnel will 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 "OECD 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 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.

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. In that vein, UPMR will take steps necessary to ensure that the customer/supplier 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\*\*\***

Regarding public or private security forces, UPMR will take steps necessary to ensure its supply chain is free of the same concerns as 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 with regard to, and 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 third-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 will, and have met with local bank and government officials during visits.

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

## *Purpose*

This procedure is part of the heightened standards for "Responsible Sourcing" certification. The purpose of this procedure is to identify conflict-affected and high-risk areas ("CAHRAs") that will be applied to all materials and suppliers of materials (including their 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, conflict which may involve two or more states, or may consist of wars of liberation, 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 continue its efforts to help ensure supply chain sustainability. UPMR uses its proprietary rating model which provides a high-quality risk analysis and a confidence risk rating for each country evaluated. UPMR will classify each country based on multiple data points collected within the CAHRA Determination Overview (CDO). The CDO will have information on the following topics, which will help UPMR make a Risk Level determination for each country.

- Armed Conflict
- Governance
- Human Rights
- Anti-Money Laundering
- Bribery & Corruption
- Negative News
- Plausibility
- EU Regulation 2017/821
- RMI Risk Assessment Tool
- Scope Relevance
- References



UPMR will also utilize the RMI 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. The map provides information on most countries and internal regions, a confidence percentage in their analysis, a risk band level, and an overall risk score.

Additional outside resources will be utilized to determine if a specific country's risk level should/could be elevated to a higher risk rating when additional data or information is reported from other organizations, or red flags are identified while conducting due diligence review of a country.

If a country has a higher rating based on political instability, armed conflict, or human rights abuses but the overall risk band is assessed as low or medium, Compliance may make the determination to identify the country as higher risk due to any red flags being identified because of our own due-diligence.

If the RBA Overall Risk Confidence percentage is below the 80%, confidence level, additional due diligence will be conducted on the country by UPMR to carry out a more detailed assessment.

When evaluating countries that are not listed on the RMI Country Risk Assessment Tool, UPMR will utilize the additional data collected within the CAHRA Determination Overview to make a Risk Level determination.

## **EVALUATING SUPPLY CHAINS FOR CAHRA'S**

Using information obtained through UPMR'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

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

A list of all CAHRA's in the UPMR 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 or a team member from the Compliance department using the CAHRA Matrix. The UPMR database 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.

## **IDENTIFYING CONFLICT MATERIAL THROUGH SUPPLY CHAIN DUE DILIGENCE**

UPMR affirms our commitment to show that gold we supply to our customers are in accordance with the OECD (Organization for Economic Co-operation and Development) policies. UPMR is also in compliance with the RMI's Responsible Minerals Assessment Protocol (RMAP) for sourcing only from "non-conflicted" areas of the world and is committed to Responsible Supply Chain Due-Diligence. This guidance, as recommended by the OECD, is in keeping with the compliance and reporting information that is required by the Dodd-Frank Act, Section 1502, has been part of UPMR policy since October of 2011. This guidance, provided by the OECD, RMI, RJC, as well as the LBMA, has made efforts to harmonize the protocol for all participants.

The countries which are currently included in the Dodd-Frank list of "conflicted areas" are listed below:

**Democratic Republic of the Congo**  
**Central African Republic**  
**Tanzania**

**Angola**  
**Republic of the Congo**  
**Uganda**  
**Rwanda**

**Burundi**  
**Sudan**  
**Zambia**

We also exercise enhanced due-diligence in any country which has been determined by the European Commission (reg. EU - 2017/821) to be a CAHRA.

UPMR, through its use of The RMI Risk Assessment Tool and our own CAHRA Determination Matrix, is able to determine the countries that meet our criteria as High Risk CAHRA's. As such they are subjected to enhanced due-diligence prior to UPMR transacting business with them. In addition, site visits to these locations are performed on a regular basis or when health conditions permit safe travel.

Gold, or their derivatives, including tantalum, tin and tungsten are mined by armed groups and rebels using unfair human rights and labor practices. It does happen that some of this material is moved in such a way to attempt to integrate it into the supply chain for use in the creation of products used around the world. As part of our commitment to punish and eliminate these practices, UPMR will avoid and refuse any materials that directly or indirectly support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law.

To comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act (Section 1502), UPMR performs "due-diligence" on certain minerals in which the original type of material and source of origin cannot be readily verified (such as melted gold or processed material).

***It has been and remains the policy of UPMR to refuse any metals from the "conflicted areas" as indicated in the original Dodd-Frank legislation. \****

However, to ensure that such material does not enter the supply chain, UPMR will perform due-diligence on material received by UPMR in a form that are not readily identifiable.

UPMR forwards to these customers a declarative document which we ask customers to fill out annually seeks to verify the origins of their material and to state that it originates from "non-conflicted" areas. We also inquire as to the countries/areas that the materials transits through.

\*It is permissible to accept metal from the countries/regions classified as Higher Risk following an extensive due-diligence/chain of custody search in order to ensure that such materials were obtained and processed through approved and well documented channels. UPMR will not accept any materials from these countries/regions referenced above unless such documented supplies were in sufficient quantity to make it economically viable.

## **FREQUENCY & REVIEW**

Given the evolving nature of the information about countries and areas where metal can be sourced, UPMR takes a 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 our semi-annual review. At that time, the UPM-UPMR/CAHRA Matrix will be updated 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:

UPMR aligns 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, 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. In the rare event that such material be delivered to UPMR before such risks are discovered, 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 no later than 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 determined to require 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 sources 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 impacted/affected by the activities which initially violated our standards.

UPMR senior management will use OECD 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 reviewed and updated, and timelines for reassessments can be determined.

From time to time, UPMR will find itself in the position of having to reject potential customers due to issues or circumstances which are not acceptable to the company and our internal 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 payments be “split” or payable to a third party
- Potential receipt of payments from an unrelated third party in payment for goods ordered without explainable circumstances
- Customer material does not coincide with the type of business the customer is involved in
- A site visit indicated inconsistencies with the companies’ stated procedures

## **IMPROVEMENTS AND NOTABLES DURING REPORT PERIOD:**

UPMR continues to enhance its Supply Chain Due Diligence program through internal review and external assessments. Many of our policies and procedures that have been in place for years; we continue to utilize the overall policies and previously accepted practices in order to document our policies in a way that are better comprehended and repeatable.

Our focus for improvement has been to collect, store, and report on information in our database in ways that are purposeful and permit UPMR to perform meaningful analysis. The goal is to be more efficient and thorough in how we perform our due diligence and analyze risks in our supply chain. These enhancements are implemented over time due to the large number of customers and volume of transactions that UPMR processes on a year-over-year basis. Although UPMR takes a risk-based approach, our continued goal remains to apply our enhanced policies and procedures to our entire database. This ensures that our entire customer base and supply chain are conformant with our current policies and procedures. As such, this policy focuses on implementing changes immediately to the higher risk suppliers and transactions, gradually bringing the suppliers and transactions labeled as lower risk up to the same standard as soon as feasible.

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
  - Formalizes the process of Site visit evaluations by the specialist, SME, and Compliance Officer
- Metal Source Declaration

UPMR has replaced our Supplier Certification of Materials with a Metal Source Declaration form to be more in line with new Supply Chain Due Diligence policy by inquiring about a materials “path” to UPMR, including the source, transit routes, method of transportation. We also inquire if the material has been used in the manufacturing process and whether or not the supplier has melted the material themselves.

We have begun to utilize an online application methodology which will ensure that all pertinent questions be completed and that all required fields are populated before the applicant can move to another page. This has eliminated some of the inefficiencies of the onboarding process and allow UPMR to obtain and verify all information received in a more expeditious manner. We expect this methodology to become increasingly utilized as time goes by.

- Expanded the evaluations of each country we conduct business with, including a risk determination report
- Enhanced our procedure to capture red flags through a pre-lot entry due-diligence procedure
- Combined our questionnaire/introductory interview processes
- Expanded on reports to capture material's country of origin
- Created Recycle Type designation based on material type

As previously mentioned, UPMR undergoes an annual third-party assessment of our AML program, which was performed in November, 2023. UPMR was audited against the Responsible Jewellery Council 2019 - Code of Practices Standard in May of 2022. UPMR earned a 3-year extension which will be up for renewal in early 2025. UPMR also earned a three-year certification against the Responsible Jewellery Council's 2017 Chain-of-Custody Standard.

UPMR continues to engage with customers, suppliers, financial institutions, and other members of the industry to promote responsible sourcing practices. Michael Mikolay continues on the Board of Directors of the International Precious Metals Institute and (IPMI) and continues on Audit and AML Committees, as well as being the Co-President and Treasurer, of the New England Chapter. Raysa Garcia is also a member of the AML Committee is part of a regular panelist of "experts" on AML and Supply Chain sourcing best practices at the IPMI winter meeting in Orlando in early 2024.

As usual, a few suppliers had requested that 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.

UPMR continues to earn business from many new suppliers over the past few years due to the quality of our services, the rising price of precious metals, and the continued consolidation of our industry. As more customers seek to utilize our precious metal services, UPMR has also rejected many suppliers attempting to establish these 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 its practice of declining any materials (recycled or primary) that originates from suppliers that source both primary and secondary materials. This is done to prevent UPMR from potentially sourcing primary materials that could be commingled with secondary materials at the same facility due to any ambiguity in the production lines of the supplier. This practice will continue unless there is visual and definitive evidence, along with sufficient record-keeping practices to ensure a comfort level with that particular customer's practices. 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 not found it necessary to submit any SAR (Suspicious Activity Report) or CTR Form 8300 for this reporting period.

## **FINDINGS:**

We refer to our supply chain policy and information from external specialized agencies to develop the conditions and benchmark indicators to determine CAHRAs. Secondly, we have created a supplier KYC document package that includes questions on the legal status and identity of suppliers, supplier mapping, and other information which helps to identify potential risks.

During UPMR's efforts to align with the OECD Due Diligence Guidance for Responsible Supply Chains, the Compliance team identified several countries or areas which met the current classification criteria of CAHRA.

UPMR then identified customers that currently source or transport materials from/through these countries or areas. To determine any potential risk for UPMR, the Compliance team conducted enhanced due diligence via document review, online searches, and written and verbal interactions with the customers.

In addition, our Compliance Specialist conducted onsite assessments for each customer who was identified as sourcing from a country or area currently classified as a CAHRA.

Our on-the-ground assessment determined that all customers met all the necessary requirements established by UPMR to be in compliance with the current standard.

During this reporting period (April 1, 2023 to June 12, 2024), no red flags were identified or detected with any suppliers or in any transactions.

## **CONTINUING PROGRAM ENHANCEMENTS:**

UPMR continues to work on implementing a new Risk Rating Matrix to better automate the current Due Diligence procedures. As one would expect, this is a process which will never (and should never) be completed. As we continue to streamline our process, any improvements will allow the compliance team to better delineate risk levels and reallocate compliance efforts based on these defined levels.

As noted above, UPMR has begun to rollout of our new documentation delivery program. This system will allow UPMR to consolidate documentary requirements into a packaged information request packet and to deliver to the customer any forms required in a much more expedited and efficient manner.

## **COVID EFFECT ON THE INDUSTRY:**

COVID concerns have all but disappeared over the 2023 calendar year as the number of cases have decreased to the point where it is as probable to suffer from as catching the flu. All Industry trade events in 2023 took place as scheduled, with no reported outbreaks of the illness occurring.

Our Compliance Specialist, Raysa Garcia, has been able to make site visits to most of our CAHRA locations. We will also continue to exercise caution to potential risk to health and safety by limiting our onboarding of new suppliers to locations where site visits are not hampered by any potential restrictions.

## **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. We are proud of our efforts and are willing to accept the responsibility of performing the scrutiny required to ensure that conflicted metals do not make their way into the supply chain. 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 our own sourcing initiatives. This mechanism is publicly available on our website to all supply chain actors and employees [www.unitedpmr.com](http://www.unitedpmr.com). As of this writing, UPMR is pleased to report that no outside third party to examining operation has found it necessary to question the UPMR due-diligence processes.