

MARSAM REFINADORA DE METAIS LTDA

Public due diligence report 2019

February 10th, 2020

1- Company Information:

Marsam Refinadora de Metais Ltda.

The Responsible Sourcing Initiative CID number is CID002606

Head offices is located at Rua Antonio das Chagas, 1733, São Paulo, SP Brazil.

The company was established in 1997 under the name of UBR (Brazilian Union Refiners) as a merger of three other refiners: (i) Vanity Metals founded in 1982, (ii) Goldmine Refiner founded in 1984 and (iii) Ourinvest Refiner founded in 1981.

The company engages in refining gold and other precious metals for third parties. It does not purchase gold or any other precious metals and does not take title of the refined materials. The company processes dore, fine gold bars and scrap jewelry.

The company's portfolio of clients includes mining companies, financial Institutions, precious metals brokers, jeweler manufacturers, jeweler retailers, import and export companies, scrap gold buyers among others.

This report covers calendar year 2019.

2- Responsible Minerals Assurance Process (RMA) Assessment Summary

Marsam refinery has been audited for the first time, under CSFI protocol for the period of 01/01/2016 through 31/03/2017. The assessment was conducted by Intertek do Brazil on March 27, 2017. The final report was issued on March 31st, 2017.

Subsequently the company has been audited under the new RMI protocol for the period of 04/01/2017 through 31/05/2018. The assessment was conducted by UL Responsible Sourcing (formerly STR Responsible Sourcing) on June 14 and 15, 2018. The final report was issued on September 7, 2018.

Following 2018 audit, this year an off-Year RMAP Conformance remote audit process was conducted on July 2019, and final “conformance status” was granted by email on July 23, 2019, by Mrs. Catherine Tyson, RMI program manager.

The RMAP assessment reports are available at:

<http://www.responsiblemineralsinitiative.org> and

<http://www.marsamrefinadora.com.br>

3- Company Supply Chain Policy

The company has implemented a Supply Chain Policy since 2013, with specific focus on avoid processing of any precious metals that potentially could be classified as conflicted material. Marsam’s policy is in line with OECD Annex II.

Supply Chain Marsam’s Policy is clearly communicated to stakeholders and its employees, covering not only gold, but all others precious metals.

The policy last review by senior management was on December 2019, who are committed to improve its adherence to Marsam’s operational procedures and focus to fast address any identified risks.

Company policy is available at: <http://marsamrefinadora.com.br>

4- Company Management System

a- Management Structure

The company has an Internal Procedures Manual, for implementing Know Your Client (KYC), Know Your Employee (KYE), Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF) policies and Supply Chain Process and procedures.

The following Managerial responsibilities are defined in the Manual:

- Board of Directors: responsible to oversee the implementation of the policies;
- Plant Manager: responsible to implement and to review the day to day due diligence process.
- Compliance Committee: responsible for the day to day due diligence process and compliance analysis;
- Commercial Department is responsible to develop the KYC processes and evaluate clients' Supply Chain policies and programs;

Training sessions are conducted annually for relevant staff (Preparation Operator; Head of Laboratory; Commercial Manager; Plant Manager; Compliance Committee members).

The company has redefined its internal compliance process to be aligned with the RMI's Responsible Minerals Assurance Process (RMAP), Gold Refiner Standard, in February of 2018 and reviewed all process and procedures on December 2019.

b- Internal Controlling Systems

The company reviews the KYC related documentation of its clients approximately once every 24 months, to update client's KYC status; for the ones considered to represent potential source of higher risk, the company also verifies the client's specific KYC and Supply Chain Processes and issues a due diligence report addressing client's suitability, level of risk of the client's materials and relevant public and grievance information.

Such report is used as a basis to establish, continue or discontinue client's commercial relationship.

For all incoming shipments of non-certified refiner, it is required that the client provide a certified statement of the origin of the material for each incoming invoice. Clients are required

to confirm that the shipped material complies with OECD norms and do not come from conflicted-affected or high-risk areas (CAHRAs).

Regular Compliance Committee meetings are held to review all active client's volumes, KYC, AML, CTF and Client's Origin Declarations to check if all client's precious metals processes during the analysis period are aligned with company and RMI policies.

Documents for each Compliance Committee meetings are maintained on company our records for at least five years.

As part of the management review process, company has hired consultancy services from Responsible Trade, LLC to review and audit its practices and to assure it is aligned with the OECD due diligence standards and RMAP Gold Standard.

c- Record Keeping

All client's and company invoices are electronically registered in its accounting system and records are kept for at least five years.

All files and Compliance Committee reports are maintained for at least five years.

In addition to the Process of RMI, the RMAP Marsam does an annual evaluation review of its systems and processes, aiming at its improvement. The company also maintain an external auditor for its financial and accounting systems.

These Auditors also perform a physical mass balance annually and accompanies the annual inventory. At this inventory, a physical counting of the materials is performed and compared with internal accounting records and operational controls.

5- Risk Identification

Marsam only processes material that comes from Brazil. For all incoming shipments of noncertified refiners, it is required that clients provide a certified statement of the shipped material (Client Origin Declaration).

Regular Compliance Committee meetings are held to identify any inconsistencies or potential risks.

Approximately every 24 months, all active client's files are updated.

Prior to acceptance of any client, Marsam conducts a KYC evaluation, verifying clients' legal status, final beneficiary owners, existence and commitment to a Supply Chain Policy

compatible with OECD's requirements, and the kind of material that will be sent to be refined (primary mine material, artisanal miners' material, scrap material and fine gold).

For higher risk clients a suitability due diligence report is mandatory.

Any inconsistencies or potential red flag risks identified on clients file review or on the day to day relationship are communicated to clients for clarification and or mitigation, if needed.

Eventually, if red flag risks are identified, client's relationship can be suspended or even terminated.

All identified risks are communicated to the Compliance Committee.

No risks as defined by the OECD Annex II and Gold supplement have been identified so far.

6- Public Reporting

The annual report that conforms to RMAP Gold Standard and OECD due diligence requirements are available on company's website (www.marsamrefinadora.com.br) along with a summary copy of the RMAP audit assessment report and updated company's Supply Chain Policy.