

# MMTC-PAMP Responsible Precious Metals Guidance

## Preamble

Fighting serious abuses of human rights, avoiding contributing to conflict over its supply chain and complying with high standards of anti-money laundering (AML) and combating terrorist financing (CFT), and addressing environmental and sustainability responsibilities are central tenets of MMTC-PAMP's operating procedures. Furthermore, MMTC-PAMP plays a leading role in the formulation and implementation of responsible supply chain practices in the industry.

MMTC-PAMP will apply this guidance and comply with the LBMA Responsible Gold Guidance for any type of precious metals handled. The LBMA Responsible Gold Guidance follows the five steps framework for risk based due diligence of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

As part of our Responsible Precious Metals Policy, our Group commits to:

- Neither tolerate, contribute to, assist with or facilitate the commission of:
  - Any forms of torture, cruel, inhuman and degrading treatment;
  - Any forms of forced or compulsory labor;
  - Illegal and/or unacceptable forms of child labor;
  - Other 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.
- Immediately suspend or discontinue engagement with our counterparty where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined above.
- Support measures to build secure, transparent, fair-trade and verifiable precious metals supply chains from artisanal miners to market.
- Never source from illegal mining operations.
- Not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals who:
  - Illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain, and/or
  - Illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or
  - Illegally tax or extort intermediaries, export companies or international traders.
- Immediately suspend or discontinue engagement with upstream suppliers where we identify a probable occurrence that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups as defined above.
- Eliminate direct or indirect support to public or private security forces with illegal practices.
- Recognize that the role of public or private security forces at the mine sites and/or surrounding areas and/or along transportation routes should be solely to maintain the rule of law, including safeguarding human rights, providing security to mine workers, equipment and facilities, and

protecting the mine site or transportation routes from interference with legitimate extraction and trade.

- Immediately suspend or discontinue engagement with upstream suppliers where we identify a probable occurrence that they are sourcing from, or linked to, any party providing direct or indirect support to public or private security forces with illegal practices or committing human rights abuses.
- Not offer, promise, give or demand any bribes, and resist the solicitation of bribes to conceal or disguise the origin of minerals, to misrepresent taxes, fees and royalties paid to governments for the purposes of minerals extraction, trade, handling, transport and export.
- Establish strong company management systems to fight serious abuses of human rights, to avoid contribution to conflict over our supply chain and to comply with high standards of anti-money laundering (AML) and combating terrorist financing (CFT) and to address environmental and sustainability responsibilities
- Not source precious metal from an area designated as a World Heritage Site.
- Perform appropriate due diligence on a risk-based approach over our counterparties before doing any business and ongoing monitoring of the relationship in order to assess the risk of contribution to conflict, money laundering, terrorist financing, serious human rights abuse and non-compliance with environmental and sustainability legal requirements and implement a strategy to respond to identified risk.
- Ensure that appropriate scrutiny and monitoring of transactions are undertaken applying a risk-based approach.
- Maintain adequate records to demonstrate that appropriate and ongoing due diligence have been followed.
- Make and receive payments for precious metals transactions through official banking channels.
- Take steps to contribute to the effective elimination of money laundering and terrorism financing. Should we suspect or have reasonable grounds to suspect that the funds or the precious metals are the proceeds of a criminal activity, or are related to terrorist financing we shall promptly report our suspicions to the local financial intelligence unit (FIU).
- Establish long-term relationships with precious metals suppliers and customers in order to build and support a responsible supply chain.
- Encourage our suppliers of precious metals to take appropriate steps to ensure that the provisions of MMTC-PAMP Responsible Precious Metals Policy are communicated to their employees and their own supply chain and to urge our suppliers to commit to a gold supply chain policy consistent with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains.

Our due diligence includes the following 5 steps:

## **STEP 1: Establish Strong Company Management System**

The Relationship Manager of MMTC-PAMP retains the ultimate control and responsibility for combating human rights abuse, money laundering, terrorism financing and avoiding contribution to conflict over the transactions performed through its Company. The Relationship Manager will carefully select and supervise the Compliance Officer and give him the necessary means to perform his duty. The Relationship manager should review the effectiveness and performance of the due diligence procedures yearly and document the results of these reviews.

The Compliance Officer is responsible for all matters regarding precious metal supply chain/AML-CFT due diligence. In particular, he reviews due diligence on suppliers, customers and supply chain actors and assesses if the due diligence documentation collected and maintained is adequate to ensure that these parties have not financed conflict, have not participated in abuse of human rights or money laundering nor financed terrorism and have addressed environmental and sustainability practices. He ensures as well that appropriate measures are executed in case of high-risk counterparties and transactions. He is also responsible for the training of the employees with respect to this guidance (participation list to training should be kept in the Company's records), and to give proper information to the Relationship Manager in order for him to perform his duty.

The Relationship Manager is responsible to perform due diligence and continuous monitoring of the business relationship as described in this guidance.

MMTC-PAMP will maintain a supply chain traceability system that collects and maintains supply chain information for each inbound and outbound shipment, including assigning a unique reference number to each input and output in a manner that tampering or removal will be evident. Shipments should as well be unsealed and opened only by authorized personnel.

Adequate records of due diligence documents and traceability system records are required to be maintained for at least 5 years to demonstrate that appropriate and ongoing due diligence have been performed.

Relationship managers of MMTC-PAMP are encouraged to build long term relationship based on trust and mutual recognition with their precious metals suppliers and customers. Where appropriate, the Companies should promote responsible sourcing practices throughout the supply chain and assist their counterparties or prospects in improving their own responsible supply chain practices.

MMTC-PAMP continually improves its due diligence practices.

MMTC-PAMP should make and receive payment for precious metals through official banking channels. Any cash transaction done by MMTC-PAMP should be clearly motivated, supported by verifiable information and approved by the Relationship Manager.

MMTC-PAMP should cooperate fully and transparently with government authorities and provide full access to records and information as appropriate.

MMTC-PAMP is responsible to update this guidance and to ensure that this guidance is properly implemented by the subsidiaries.

MMTC-PAMP has put in place the following e-mail address [responsiblepm@mmtcpamp.com](mailto:responsiblepm@mmtcpamp.com) allowing any employee, supply chain actor, or external stakeholder to voice any concerns over the supply chain or newly identified risk.

## STEP 2: Identify and assess risk

### 1. Identify risks

MMTC-PAMP should identify and assess in accordance with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the following risks associated with the refining, manufacturing, trading or distribution of precious metals, in particular with the upstream and downstream supply chain:

- Systematic or widespread human rights abuses associated with the extraction, transport or trade of precious metals, including worst forms of child labour, any forms of torture, inhuman and degrading treatments, widespread sexual violence or other gross human rights violation forced or compulsory labour, war crimes, crimes against humanity or genocide;
- Direct or indirect support to illegitimate non-state armed groups, public or private security forces which illegally control mines sites, traders, others intermediaries, transport routes through the supply chains or illegally tax or extort money or minerals through the supply chains (“illegitimate non-state armed groups, public or private security forces”);
- Bribery and fraudulent misrepresentation of the origin of precious metals;
- Non-compliance with taxes, fees and royalties due to Governments related to mineral extraction, trade and export from conflict affected and high-risk areas;
- Money laundering or terrorism financing;
- Contribution to conflict.
- Sourcing from illegal mining
- Non-compliance with Environmental and Sustainability legal requirements.

### 2. Due diligence

In order to assess the risks effectively, MMTC-PAMP should perform due diligence following a risk based approach before entering into business relationship with any precious metal counterparty.

The due diligence measures should comprise of the following:

- Identifying the counterparty and verifying its identity using reliable, independent source documents, data or information. It includes obtaining the documentation of the power of attorney arrangements of the legal entity and the representative’s passport, Identity card or driver’s license.
- Identifying the beneficial owner(s) (natural person(s) who ultimately owns or controls the counterparty (including ultimate effective control over 25% over a legal person) and/or the natural person on whose behalf a transaction is being conducted. The identification of the ultimate beneficial owner is not required in case of companies part of a group listed on a stock exchange, a bank with appropriate AML-CFT policy or a government entity.
- Checking that the counterparty and the beneficial owner are not listed by governments for wanted money launderers, known fraudsters or terrorists;
- Collecting financial information
- Collecting KYC information based on the risk level of the relationship. KYC information may include description of the customer’s business activity, purpose and nature of the relationship, precious metals flow of transactions, , details on the source of funds/wealth and origin/destination of precious metals, expected volume and frequency of the transactions, economic background of the

transactions, stakeholders, banking relationship, AML and regulatory environment in place, AML-CFT and/or supply chain policies;

- Collecting KYC corroborative documentation based on the risk profile;
- Collecting and assessing the counterparty's AML-CFT and supply chain policies and practices, if applicable;
- For physical deliveries of mined precious metals from large scale mine/medium scale mine (LSM) to MMTC-PAMP:
  - Identifying the origin of the precious metals based on reasonable and good faith efforts, including if the precious metals is purchased by the counterparty from third-party producers (including ASM). The origin of mined precious metal is where the mine is located.
  - Obtaining mining license;
  - Obtaining import/export precious metal license, if applicable;
  - Collecting and assessing mining practices (health & safety measures, extraction, processing and transport methods, system to avoid negative impact on environment) and human right abuse risk; As part of health & safety measure assessment, free access to appropriate Personnel Protective Equipment, health & safety training, health monitoring should be taken into consideration.
  - Obtaining data on mining production and processing capacity, if available;
  - Assessing the environmental policies and practices of the producers.
  - Assessing the impact (positive and negative) of the supply chain on local communities.
- For physical deliveries of mined precious metal from artisanal and small-scale mining (ASM) to MMTC-PAMP, the Companies should gather evidence to determine the factual circumstances of precious metals extraction, trade, handling and export. Companies should, with reference to Appendix 1 of the OECD Supplement on Gold, consider measures to create economic and development opportunities for artisanal and small-scale miners and assist legitimate ASM producers to build secure, transparent and verifiable precious metals supply chains from mine to market. Measures should include:
  - Identification of the origin of the precious metals based on reasonable and good faith efforts, The origin of mined precious metal is where the mine is located;
  - Identification of the suppliers of ASM precious metals sources to local precious metals exporter, including local artisanal mining team, association or cooperatives using reliable, independent source documents data or information. It is however not expected to identify the individual diggers;
  - Assessment whether artisanal mining team or association can be considered to be involved in legitimate ASM;
  - Collecting and assessing mining practices, including extraction, processing and transportation method and assessing human right abuses risk.
  - Assessing the environmental impact on this supply chain
  - Assessing the impact (positive or negative) of supply chain on local communities;
  - In case of utilization of mercury, understanding how the mercury is stocked, handled, used and recovered, and access the impact on the environmental and on the health of those involved in the production, handling and processing of gold.
- Conducting ongoing due diligence.

MMTC-PAMP should apply each of the due diligence measures described above but may determine the extent of such measures on a risk sensitive basis depending on the type of counterparty and supply chain, business relationship or transaction type, location of the company or actors of the supply chain. In the due diligence process, MMTC-PAMP shall use LBMA Toolkit.

For high risk categories, enhanced due diligence should be performed and the following additional steps are required:

- On-site investigation/visit (mining sites for mined precious metals or counterparty office for recycled precious metals) aimed at substantiating the documentary due diligence findings.
- Ideally these visits should be conducted before any transactions occur, however they must have occurred within the first six months of the business relationship. On-site visit should be conducted by competent employees or a competent independent third-party consultant. For this purpose, LBMA toolkit shall be used.
- MMTC-PAMP should take proportionate measures to assess supplying counterparties' compliance with the payment of taxes, fees and royalties due to governments/government agencies on mineral extraction, trade and export from conflict affected and human right abuse high-risk areas.
- For physical deliveries of recycled precious metals to the MMTC-PAMP; KYC should be done for each company, located in conflict affected or human right abuse high risk area, involved in the chain from the precious metals supplying counterparty to the MMTC-PAMP (including transporters).
- For physical deliveries of mine precious metals to the MMTC-PAMP:
  - From LSM located in conflict affected or human right abuse high risk areas:
    - Proportionate KYC should be collected on each company involved in the chain from the mine to the MMTC-PAMP (including producers, intermediaries, traders and exporters, and transporters);
    - Nature of public or private security services provided at the mine sites and through the supply chain (including the screening and training of security employees) should be assessed progressively. Ideally such assessment should be done during on-site visit.
    - Militarization of mine sites and transportation routes and the risk of direct or indirect support to illegitimate non-state armed group or public or private security forces should be assessed, where relevant;
    - Evidence of any serious abuse of human rights committed by any party at mine sites, transportation routes and points where precious metal is traded and/or exported should be collected, if any;
    - Estimation of the number of ASM miners (if any) on the producer's concession should be collected during the mandatory on site visit. Assessment whether they can be considered to be involved in legitimate ASM, identification of instances of conflict or tensions between the producer and the ASM actors and assessment if precious metals from other sources is being unknowingly introduced into the producer's processing operation should be performed
  - For ASM supply chain located in conflict affected or human right abuse high risk areas:
    - Proportionate KYC on each company located in conflict or human right abuse high-risk areas involved in the chain from the precious metal exporter to MMTC-PAMP should be progressively collected (including intermediaries, traders and exporters, and transporters);
    - Information on the government, political or military affiliations of ASM suppliers including in particular any reported instances of affiliation with non-state armed group and/or public or private security forces should be collected;
    - Evidence of any serious abuse of human rights committed by any party at mine sites, transportation routes and points where precious metal is traded and/or exported should be collected;

- Militarization of mine sites and transportation routes and the risk of direct or indirect support to illegitimate non state armed group or public or private security forces, should be assessed where relevant;
- During the mandatory on-site visit, MMTC-PAMP should identify any instances of conflict or tensions between LSM and the ASM actors and assess if precious metal from other sources is being unknowingly introduced:

MMTC-PAMP has defined the following minimum criteria as high-risk categories:

- The precious metals originate from, has transited or has been transported via a conflict-affected or human right abuse high risk area;
- The mined precious metal is claimed to be originated from a country that has limited known reserves, likely resources or expected production levels of precious metals;
- The recycled precious metals come from a country where precious metals from conflict-affected and human right abuse high-risk areas are known, or reasonably suspected to transit;
- The counterparty or other known upstream/downstream companies are located in a country representing high risk for money laundering;
- The counterparty or other known upstream/downstream companies or their beneficial owners are politically exposed persons;
- The counterparty or other known upstream/downstream companies are active in a higher risk business activity such as arms, gaming and casino industry, antique and art, sects and their leaders;
- The counterparty is a money changer who is neither located in a country with appropriate AML regulatory environment nor controlled by an international group with adequate AML guidelines;
- The counterpart is not active in the precious metals business, is neither a precious metals investor nor a precious metals collector nor an industrial conglomerate and wants to enter into physical transactions.
- The counterparty is a shell companies not part of a group listed on a recognized stock exchange
- The counterparty sources from artisanal mining supply chain
- The mined precious metal is produced with the use of mercury
- The mined precious metal originated from areas containing World Heritage Site.

In order to determine conflict-affected, human right abuse, money laundering high risk areas, MMTC-PAMP uses external reliable data as basis of its analysis.

In no circumstances an account will be opened for anonymous counterparty or shell bank as defined by the FATF.

In addition to local requirements applicable to company, MMTC-PAMP has decided to comply with UN, OFAC, EU and UK sanctions.

Members of MMTC-PAMP may rely on the results of due diligence procedures which may have been carried out by another MKS PAMP GROUP entity.

MMTC-PAMP should review the due diligence performed once in a year for high risk categories and every 5 years for non-high risk categories.

Following a change of risk level to high risk, MMTC-PAMP have to perform the enhanced due diligence steps within a responsible timeframe, and apply, if required, STEP 3, “design and implement a management strategy to respond to identify risks”.

### **3. Monitoring of transactions**

MMTC-PAMP should conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship to ensure that the transactions being conducted are consistent with the company's knowledge of the counterpart, their business and risk profile. Monitoring of transactions should be undertaken by applying a risk-based approach.

In this context, the Company should receive and document the following minimum information for each physical delivery to MMTC-PAMP in the traceability system:

- For Mined Precious Metals:
  - Type of precious metals
  - Weights and assay (declared and processed)
  - Shipping/transportation documents (Airway bill, pro-forma invoice)
  - Export and import form for high risk categories, if applicable
  - Reference to the due diligence file
  - Date of arrival at the refinery and date of finalisation of the refining process.
  
- For Recycled Precious Metals:
  - Type of precious metals
  - Weight and assay (declared and processed)
  - Shipping/transportation documents (Airway bill, pro-forma invoice)
  - Export and import form for high risk categories, if applicable
  - Reference to the due diligence file
  - Date of arrival at the refinery and date of finalisation of the refining process.

Companies of MMTC-PAMP should verify the consistency between the documentation provided, the physical deliveries and the information from collected during due diligence process. The background of transactions which are not consistent should be examined and the findings established in writing and reported to the Compliance Officer. Precious metals should be physically segregated and secured until inconsistency are resolved.

Members of MMTC-PAMP should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background of such transaction should be examined and the findings established in writing.

Companies of MMTC-PAMP may rely on the results of monitoring procedures which may have been carried out by another MKS PAMP GROUP entity.

### **4. Report risk assessment to Relationship Manager**

Relationship Manager should approve each new supplier/customer and should revisit each year the decision to whether to continue with business relationships classified as high risk or not.

### **STEP III: Design and implement a strategy to respond to identified risk**

#### **1. Report findings to designated Relationship Manager**

Where appropriate, information gathered as well as actual and potential risks identified in the supply chain risk assessment should be communicated to Relationship Manager.

#### **2. Devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk**

If the result of the precious metal supply chain due diligence concludes that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group, or fraudulent misrepresentation of the origin of minerals or if the possibility of the same is deemed too high, the Company should stop immediately any transactions with this counterparty and report it to the appropriate authorities if applicable. However, in case of indirect support to non-state armed group carried out by extortion of good faith miners or other supply chain actors, the Company can continue to trade precious metals coming from this source provided that it adopts an improvement strategy.

If the result of the precious metal supply chain due diligence concludes that it is possible that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group or fraudulent misrepresentation of the origin of minerals, the Company should suspend any transaction with this counterparty until it can obtain additional information/data confirming or refuting the preliminary assessment.

Where the result of the due diligence is not fully satisfactory or when the result of the due diligence concludes that there is direct or indirect support to illegitimate public or private security forces, bribery, non-fraudulent misrepresentation of the origin of minerals or non-compliance of taxes fees and royalties due to government, or material breaches of environmental or health and safety legislation but the assessed company in the supply chain is using reasonable and good faith effort, the Company can continue to trade precious metals with this counterparty provided that it adopts an improvement strategy, devised with input and engagement from the counterparty, which clearly defines performance objectives within a reasonable timeframe.

#### **3. Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management**

The improvement strategy described in Section 2 above should state clear performance objectives, including qualitative and/or quantitative indicators in order to measure improvement. Significant and measurable improvement towards eliminating the risk within six months from the adoption of the risk management plan should be identified. Additional measures should then be defined in a revised improvement strategy, based on the progress achieved within the first six months. If no such measurable improvement can be demonstrated within the six-month period, the Company should suspend the relationship until the counterpart has responded to the improvement plan.

Risk mitigation plans and their effectiveness should be subject to on-going monitoring with regular reports made to Relationship Manager. The Company should consider suspending or discontinuing engagement with a counterparty after failed attempts at mitigation within six months from the adoption of the risk management plan.

The company should, where appropriate, cooperate and/or consult relevant stakeholder. The company may also benefit from the creation or support of community-based monitoring networks to facilitate monitoring of risk mitigation measures.

On the deadline, an assessment should be performed in order to determine if the measures have been properly undertaken. Relationship Manager should be informed of the results and make a decision as to whether to continue dealing, disengage or suspend the supply chain in question.

#### **4. Undertake additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances**

Supply chain due diligence is a dynamic process and requires on going risk monitoring. After implementing a risk mitigation strategy, companies should assess if Step 2 of this *Guidance* should be repeated or for instance if another on-site visit is required. Any change in the supply chain may as well require the Refiner to repeat some of due diligence steps to ensure effective management of risk.

### **STEP IV: Carry out an independent third-party audit of refiner's due diligence practices**

MMTC-PAMP should have their responsible precious metal management systems and practices audited for compliance with LBMA Responsible Gold Guidance by independent and competent third parties. This assurance engagement should be performed in accordance with ISAE 3000 on an annual basis.

### **STEP V: Reporting**

MMTC-PAMP should publicly report on its responsible precious metal due diligence policy.

**Rashmi Dastidar**  
**Chief Risk & Compliance Officer**

Date: 30-April-2019