

**Italpreziosi S.P.A.**  
**Compliance Report 2022**

<b>Table 1: Refiner's details</b>	
Refiner's name	Italpreziosi S.p.A.
Entities and locations	Headquarters: Zona Industriale San Zeno, Località S. Zeno, 32, 52100 Arezzo AR
Reporting year-end	31.12.2022
Date of Report	14.02.2023
Senior Management responsible for this report	Mr. Roberto Tanganelli
Compliance Officer	Miss Serena Pallini
<p><b>History</b></p> <p>Italpreziosi was founded in 1984 and became one of the main operators in the refining and trading of precious metals, a synonym for quality and reliability. The headquarters and the refining plants of Italpreziosi SPA are located in Arezzo, Italy. The plants have an annual refining capacity of more than 350 tonnes of silver and gold combined. Italpreziosi works with several business partners including all operators in the precious metals business: mines, professional dealers, banks, jewel producers, industrial consumers and private investors. Italpreziosi has been an Associate Member of the LBMA (London Bullion Market Association) since 2008, member of the RJC (Responsible Jewellery Council) since 2012 and of the IPMI (International Precious Metals Institute) since 2011. In addition, it is registered with Banca d'Italia as a professional operator in gold n. 5000120. In 2020, we signed the "OECD Stakeholder Statement on Implementing Gender-Responsive Due Diligence and ensuring the human rights of women in Mineral Supply Chains" through Women's Rights and Mining (WRM). In 2022, Italpreziosi became member of RMI (Responsible Minerals Initiative), Watch and Jewellery Initiative 2030 and Fairmined Authorized Supplier by the Alliance for Responsible Mining.</p> <p>Italpreziosi is committed to promoting sustainable and ethical businesses that allow the creation of a more inclusive market for all and respecting the environment. This is why we are active in associations and organizations to improve sustainability in the precious metal industry and to reduce impacts on the environment, in the community and in health. Italpreziosi believes that collaboration and partnerships with specialized organizations, institutions and associations, and with companies in the supply chain represent a key resource to achieve this goal. This is why Italpreziosi has also been a member of the Program Advisory Group (PAG) of the planetGold Program funded by GEF since 2019, where various stakeholders involved in the supply chain work together to create projects to help artisanal miners in eight different countries. Italpreziosi actively participates in multi-stakeholders roundtables and joins events to share its experience in order to boost and constantly support the creation of a more sustainable supply chain and transparency.</p> <p><b>Methodological Note</b></p> <p>Italpreziosi receives lots of high-, medium- and low-grade materials containing Precious Metals and returns precious metals such as, producing gold bars from mines, industrial scraps and recycled jewels, as well as precious metals in the form of investment gold supplied by private investors and banks. All Italpreziosi products are created for the industrial, banking and investment sector.</p>	

This Compliance Report refers to the year 2022.

## Italpreziosi evaluation

**Table 2: Summary of activities to demonstrate compliance**

### Step 1: Company Management Systems

Compliance Statement with Requirement:

We have fully complied with Step 1: Establish strong responsible sourcing company management systems.

1.1 Has the Refiner adopted a supply chain policy regarding due diligence for supply chains of gold and/or silver?

Comments and Demonstration of Compliance:

Italpreziosi has adopted a company-wide policy and procedures regarding due diligence for the supply chain of gold.

In 2016 Italpreziosi started formalizing a Supply Chain Policy for responsible Gold which is based on the Code of Conduct and the Annex II of the OECD due diligence guidance for responsible supply chains of minerals from conflict-affected and high-risk areas guidance. This sets out the responsibility for conducting due diligence, screening and monitoring of all transactions and governance structures in place. The latest Supply Chain Policy can be found on the website.

The policy has then been updated, so to include ESG principles in the Due Diligence process.

The supply chain policy is approved by the Board of committee and publicly available on the website.

1.2 Has the refiner set up an internal management structure to support supply chain due diligence?

Comments and Demonstration of Compliance:

Italpreziosi has set up an internal due diligence structure and procedures which are based on the OECD Due Diligence Guidance, on the United States' Dodd Frank Act, on the European Union's Conflict Minerals Regulation, on the national regulations and on the documentation guaranteed by the London Bullion Market Association (LBMA), the CRAFT Code de Alliance for Responsible Mining (ARM) and the Responsible Jewellery Council (RJC).

Italpreziosi's internal management system, formalized in the Internal Due Diligence Manual, updated in 2022, collects and maintains documentation regarding the sources of Mined and Recycled gold and the other precious metals in order to ensure that the material is sourced from a responsible, sustainable and transparent supply chain. The current version has been updated to be aligned with the recently released LBMA RGG v9.

The internal management system is always monitored by the Board of Directors who periodically control the activities of the Compliance department, which is composed as follows:

- The Due Diligence Committee: it's made up of the Heads of the Administrative, Commercial, Legal, Financial Offices, Compliance Officer and Compliance Analyst and it has the objective of monitoring the activities of the Compliance Department and managing any cases of high risk.
- The Compliance Officer: she's responsible for managing the activities carried out by the Compliance





Department, which include the review, evaluation and monitoring of the activities carried out by the team and therefore of the due diligence processes. The Compliance Officer is responsible for organising refresher courses in the area of due diligence and responsible sourcing. Finally, the Compliance Officer must report every three months all the activities carried out by the Department to the Due Diligence Committee, which will assess and monitor the situation.

- The Compliance Analyst: she's responsible for carrying out the due diligence process by requesting documentation directly from potential counterparts, and for reporting each process to the Compliance Officer, who, following the review of the same, gives a response. The Compliance Analyst must therefore file the documentation in paper and digital form, communicate the response to the counterpart and the Sales Department, and periodically monitor the active accounts.
- All relevant departments are trained on due diligence procedures (more than 50% of employees), e.g. in relation to laws and regulations updates, internal processes, anomalies identifications, risk analysis and monitoring, non-conformities reporting. No violations of the due diligence procedures were detected during 2022, so no internal sanctions were taken.
- Italpreziosi does not accept or make any cash transactions, payments are made exclusively through banking channels.

### 1.3. Has the Refiner established a traceability system over gold and/or silver supply chains, including chain of custody mapping and identification of supply chain actors?

#### Comments and Demonstration of Compliance:

Italpreziosi's internal management system collects and maintains documentation regarding the sources of Mined and Recycled gold (and the other metals) in order to ensure that the material is sourced from a responsible, sustainable and transparent supply chain.

Italpreziosi has developed a traceability system through the software (AdHoc). The system allows the correct traceability through the collection and maintenance of all the gold supply chain information (type, weight, reference to the counterpart, receipts and dates). The system allows the identification of each lot refined, including assigning a unique reference number to each input and output through the internal ERP system (Zucchetti AdHoc).

Specific controls regarding received materials are carried out before processing incoming material as outlined in the internal guidelines:

- evaluation of quality through laboratory analysis, which includes analysis of eventual presence of hazardous chemicals and mercury;
- transportation documents;
- weight.

Italpreziosi maintains adequate records of the supply chain documentation and traceability.

Regular training of the employees ensures that the guidelines are followed through, especially training to detect any possible anomaly; any form of nonconformance is unacceptable and must be reported to the Compliance Officer and the Due Diligence Committee.

Italpreziosi also has various databases which help in verifying the potential counterparties, such as Dun & Bradstreet, World Check and Infocamere. The Internal Due Diligence Manual (Policy) draws all the updated internal processes in verifying, identifying, monitoring and managing each counterpart.

Italpreziosi has in place a strong transaction monitoring system and bank payments are constantly controlled in order to have effective monitoring.

Italpreziosi always cooperates with government authorities providing full access to the records and all the information collected.

Italpreziosi proceeds to the counterparty account activation only after the successful finalization of the due diligence process; non-activation may be due to various reasons, e.g., the UBO cannot be identified, the traceability of the supply chain cannot be ensured. In 2022, some cases of non-activation of potential



counterparties occurred.

1.4 Has the refiner strengthened company engagement with Gold supplying counterparties, and where possible, assist Gold supplying counterparties in building due diligence capabilities?

Comments and Demonstration of Compliance:

Italpreziosi has strengthened company engagement with gold supplying counterparts. Italpreziosi shares with all the potential new counterparties the Supply Chain Policy and the Code of Ethics: it's also asked to read and sign the Policies that make references to the OECD guidelines and the EITI principles. Moreover, in the new KYC Questionnaire, based on the new LBMA toolkit, Italpreziosi requests detailed information regarding national and international regulations and standards, with also a focus on environmental, AML, bribery, in order to assess whether the counterpart is knowledgeable or need support to improve their knowledge on this matter. In doing so, Italpreziosi invites the counterparts to read and apply the OECD Guidelines to their Due Diligence procedures, be conscious about Environmental and Sustainability, reduce the impact to the environment, and avoid the use of mercury. At the beginning of 2022, Italpreziosi developed an integration to the KYC questionnaire on ESG topics, which was then sent to all our counterparts, in order to explore these aspects in more detail and begin to develop KPIs; the issues requested cover corporate structure, human resources (with a focus on gender equality), environment practices specifically on carbon footprint. Moreover, according to Carbon Footprint guidelines, we are monitoring Emissions of the entire supply chain to be more aware and to mitigate our contribution to climate change, and not only do we organize education on the matter, but we are certifying the procedure.

In addition to this, in specific cases, with the approval of the Senior Management, Risk Mitigation Plans are opened and aims to help the counterpart to improve its due diligence processes. Moreover in 2020 Italpreziosi has developed a private website for suppliers working in potential high risk supply chains, called "Chain of Information". The aim is to allow all the counterparts to properly understand the key standards and regulations fundamental for us, such as the OECD Due Diligence Guidelines, explained in each of its 5 steps. A section is dedicated to the Sustainable Development Goals, why they are important, how to integrate them in the business and how to report them annually to the stakeholders. Information, formation and transparency represent key means for Italpreziosi in order to create more engagement with all the stakeholders in the supply chain, that is why the website is called "chain of information". The website is also available to counterparties for whom the relationship has been suspended so that it can be a source of training and continuous improvement.

Moreover, in order to monitor the situation properly in such a difficult year because of the pandemic, the Compliance Department has been holding video-conference calls with supplier in supply chains with potential high risks in order to better understand how Covid19 has been impacting in their supply chains and what did they do to support employees and local communities. The extent has been positive and it has been a possibility to invite counterparts to share more of their sustainability initiatives publicly to better communicate their mission to the stakeholders.

The outcome of the due diligence process may be positive or negative; in the event that the outcome of the due diligence process is negative, because unmanageable non-conformities have been detected (e.g we cannot properly identify the UBOs, we can't identify all the actors in the supply chain), Italpreziosi supports the counterparty in improving procedures (e.g. by sharing the 'chain of information' portal and related instructions) so as to have a positive impact on the supply chain in terms of due diligence procedures.

Italpreziosi did not purchase gold from a state-owned enterprise operating in an EITI country during 2022.



1.5 Has the Refiner established a company-wide confidential grievance mechanism?

Comments and Demonstration of Compliance:

Italpreziosi has developed a procedure in which is defined the grievance and whistleblowing mechanism, that allows internal and external stakeholders to anonymously raise any concerns or warnings about the supply chain or any other risks. Complaints can be submitted to Italpreziosi, in particular to the compliance department, via telephone, dedicated email, mail. No complaints were submitted to Italpreziosi during 2022. Moreover Italpreziosi has a strong training system which allows the constant update of the staff formation in different departments regarding anti money laundering and due diligence, so that each employee is capable to detect any potential anomaly, so properly and promptly communicate it to the Compliance Department, which then can hold the cases and open potential investigations. This training happens at least once a year in order to update the employees regarding any possible update and remark the crucial risks and procedures

**Step 2: RISK IDENTIFICATION AND ASSESSMENT**

Compliance Statement with Requirement:

We have fully complied with Step 2: Identify and assess responsible sourcing risk in the supply chain:

2.1. Does the refiner have a Due Diligence process to identify risks in the supply chain?

Comments and Demonstration of Compliance:

Italpreziosi has processes in place to identify the risks in the supply chain, which are explained in the Internal Due Diligence Manual and in the related document "Supply Chain Assessment Form" (SCAF) which represent a key document for the assessment of the counterparts. This document is inspired by the OECD Guidelines, LBMA refiner toolkit, the EU regulation on conflict minerals and the national and international AML regulations.

For every supplier Italpreziosi has established a database and allocated a risk profile form (SCAF). The form defined the high-risk and the potential risks categories criteria, the final risk rating and specific comments regarding the counterpart.

Also, Italpreziosi also draws up annually a "High Risk Countries Index", based on different criteria, such as: Governance, Security, AML, Corruption, Environment and Human Rights. The sources used are always International Organizations, Private Compliance Companies, Governments' databases and regulations, and NGOs reports.

Moreover, for each country, Italpreziosi produces a "Country File" with all the direct links to the main Governmental Authorities, National cadasters, Mining Agencies, National Laws, Environmental Laws and Commitments of the Country in the mining sector, the list of World Heritage Sites in the country and the Mercury commitment of the Country, in order to have an updated overview and make the Check-DD even more efficient.

Concerning resources, skills and experience of the team conducting the risk assessments and continuous monitoring, please refer to section 1.1

2.2. How does the Refiner classify identified risks in light of the standards of its due diligence system?



**Comments and Demonstration of Compliance:**

Supply chain due diligence comprising all measures required by the LBMA is performed before entering into a business relationship with any gold or other minerals supplying counterpart.

Italpreziosi has set up in its Internal Due diligence Manual (version 6.0 updated in 2022), its own KYC procedure, in which are defined all the activities in order to collect and verify all the ESG, financial, corporate, legal and public information relating to all the new potential business partners, also through specific databases (Worldcheck, Dun & Bradstreet, and public lists and reports), and then assess the counterparty risk, and further monitoring and controls.

Before the response, the DD Process must be held. After the acquisition of the official documents of the counterpart by the Compliance Analyst, requested by email, or hand delivery, or by post, and after the acquisition of all the information by Worldcheck, Dun & Bradstreet, and public lists and reports, The Compliance Analyst presents the profile of the counterpart to the Compliance Officer, who will have to assess whether it is a low, a high-risk or a low risk plus (with potential high risks) profile.

The risk is identified following the categories, divided in three macro areas of red flags, both for Mined Gold and Recycled Gold: Location of mineral origin and transit red flag, Supplier red flag, Type of material red flags.

If the counterpart doesn't fit in any of the abovementioned red flags and have all documents fully complying, the counterpart's account is approved as a low risk profile, which will be monitored and controlled, following the timing explicated in the Due Diligence Manual, in order to detect any potential risks.

Less than 3,5% of the entire purchase of gold of 2022 originated from high risk suppliers, identified as high risk due to the country of origin; Enhanced Due Diligence was taken in compliance with the due diligence procedures (please refer to section 2.3).

**2.3 Has the Refiner undertaken EDD measures for identified high-risk supply chains?**

If the counterpart fits in at least one of the abovementioned red flags, the profile will be high-risk. Still, depending on which red flag and category the counterpart fits in, the Compliance Analyst will have to make enhanced research as explained in the Due Diligence Manual/Policy, which consists of the Enhanced Due Diligence Process. If after the advanced research, the Compliance Officer, together with the Senior Management, defines that there are the bases for starting a business relation, the counterpart account will be approved with a high-risk status (which will be identified in the SCAF). This advanced research regards specific reports and documentations which are open sources from International Organizations, NGOs, Compliance companies, Governments' databases, and could also be represented by confidential informal information from local private and public stakeholders (which can happen directly or through the whistleblowing process outlined in our policy). Site visits are crucial to verify the documents and reports received. The time for the site visit of 6 months may vary based on exceptional circumstances and applicable only if the risk related to the counterpart profile is manageable and the event that involves this variation must be of an extraordinary nature. Furthermore, in the event that the aforementioned circumstances arise and have a longer duration than expected, where necessary, it is possible to use the remote audit system. This system consists of a visit to the office or to the mining site remotely with the use of specific apps. The site visits are recorded, in compliance with the the European privacy legislation (GDPR), and archived together with an accompanying remote site visit report. Seven remote site-visits were conducted during 2022; no in-person visits were conducted as no evidence of unmanageable high risk was identified by Italpreziosi. Annually, a list of counterparties that will be subject to site visits is prepared, which can be revised during the course of the year. No intermediate refineries with high-risk supply chains supply to Italpreziosi.

The account will be monitored and controlled following the timing explicated in the Due Diligence Manual/Policy. During the monitoring and controlling of the counterparts, if any anomalies are found (for example if any transaction is considered abnormal or suspicious, and/or exceed the legal limits, will be reported to the competent authorities), the counterpart will be required to give clarifications. If these won't be fully satisfying or poor in documentation, the Compliance Officer will have to decide whether to suspend the business relation and the account, or request more information, sharing together with the Due Diligence Committee. If the clarifications will fully satisfy the doubts, the business relationship will continue, still, with a



modification in the SCAF, where the potential risk or high-risk will be identified and assessed. Italtrepreziosi also draws up annually a "High Risk Countries Index", based on four criteria: Governance, Security, AML, Corruption, Human Rights and Environment. The sources used are always International Organizations, Private Compliance Companies, Governments' databases and regulations, and NGOs reports.

Moreover, for each country, Italtrepreziosi produces a "Country File" with all the direct links to the main Governmental Authorities, National cadasters, Mining Agencies, National Laws, Environmental Laws and Commitments of the Country in the mining sector, the list of World Heritage Sites in the country and the Mercury commitment of the Country, in order to have an updated overview and make the Check-DD even more efficient.

**Step 3: RISK MANAGEMENT**

Compliance Statement with Requirement:

We have fully complied with Step 3: **Design and implement risk management system**

1. Does the Refiner have a process to respond to the identified risks by either (i) mitigation of the risk while continuing to trade; (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?

Comments and Demonstration of Compliance:

In some cases of high risk, where relevant and possible, it is necessary to accompany the practice with a plan of mitigation / improvement measures that allow the company to monitor and control that the counterparty is engaging in the adoption of measures that improve their practices. This type of plan is progressive, and where relevant, the company indicates to the counterpart possible and appropriate solutions or measures on the basis of each case.

The cases in which it is possible to start a plan are for example:

- Corruption
- Non-fraudulent misrepresentation of the origin of minerals
- Failure to comply with government taxes, fees and royalties
- Material violations of local environmental, health, safety, labor and community legislation and / or ESG risks that are highly likely to cause highly adverse impacts.

The risk mitigation / improvement plan is open with the approval of the Due Diligence Committee, signed and reviewed by the Compliance Officer and is then monitored by the Compliance Analyst. At the end of the defined time, the Compliance Officer, with the documentation requested from the counterpart (reports, policies and presentations), presents the developments to the Committee and the counterpart's mitigation outcome will be defined.

The risk monitoring strategy should at a minimum:

- Identify significant and measurable improvements towards eliminating the risk within six months of the adoption of the improvement plan.
- Define additional measures in a revised improvement plan based on progress achieved within the first six months.
- Formally evaluate performance to determine that measures have been adequately undertaken by the deadline (for example, an on-site follow-up visit, or remote review, as appropriate).

To facilitate monitoring activities, as appropriate, the Compliance Analyst should:

- Consult relevant stakeholders such as local or central authorities, upstream companies, international or civil society organizations and interested third parties.

After the six-month period, the Compliance Officer should consider:

- Suspend the relationship where a limited or non-measurable improvement can be demonstrated, until the supplier responds to the improvement plan; or

- Ending the relationship after failed attempts at risk mitigation and performance improvement.
- The Compliance Officer should frequently review the decision to continue with the business relationship as part of the risk mitigation strategy (i.e. at least annually).
- During 2022, Italpreziosi did not activate any Risk Mitigation Plan, so the usual monitoring based on the identified risk was carried out. During the year, Italpreziosi suspended an account after the due diligence update, finding a high risk that was no longer manageable.

#### **Step 4: INDEPENDENT THIRD-PARTY ASSURANCE**

Compliance Statement with Requirement:

We have fully complied with Step 4: **Obtain independent assurance on conformance with RGG:**

Comments and Demonstration of Compliance:

Italpreziosi has been arranging independent third-party audits of the supply chain due diligence since 2016. Since 2019 Italpreziosi engaged Deloitte & Touche S.p.A. (listed in the LBMA's Approved Service Providers List) to perform a reasonable level of independent external assurance on compliance against the LBMA Responsible Programme, version 9 for the period 1 January 2022 to 31 December 2022.

Italpreziosi selected Deloitte among LBMA's Approved Service Providers List ensuring its independence during the selection and engagement process.

#### **Report on supply chain due diligence**

Further information and details of how Italpreziosi's systems, procedures, processes and controls have been implemented to align to the specific requirements in the LBMA Responsible Sourcing Programme and have also been set out in the Supply Chain Policy which is available on the company website. Italpreziosi has issued a Management Review, for the LBMA Responsible Sourcing Programme Management System, which provide full explanations and clarifications on the following matters: 1) Details on the Gold; 2) New Business relationship arisen in 2022; 3) Examination and investigation on the monitoring documents provided by all the information sources useful for this aim; 4) Explanation about the training activity implemented during 2022; 5) Countries of origin of the recycled and mined gold purchased during 2022.

Moreover Italpreziosi yearly publish the Sustainability Report in accordance with GRI, where it transparently share all the information regarding due diligence and its supply chain. Italpreziosi takes part to different initiatives in the supply chain in order to support ASM, as defined in the website and in the Sustainability Report website (<https://www.italpreziosisustainability.com/en/>).



**Italpreziosi overall conclusion**

<b>Table 3: Management conclusion</b>	
YES	In conclusion, Italpreziosi implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Sourcing Programme version 9, as explained above in Table 2, for the reporting year end 31 December 2022. Since Italpreziosi is committed to continuous improvement, It has updated the risk analysis procedure with the inclusion of the category “low risk with potential high risk” and enhanced its own risk analysis process.
<b>Table 4: Other report comments</b>	
If users of this report wish to provide any feedback to Italpreziosi with respect to this report, they can contact the Compliance Officer: <a href="mailto:serena.pallini@italpreziosi.it">serena.pallini@italpreziosi.it</a> .	

Arezzo, February 14<sup>th</sup> 2023

Signature



Roberto Tanganelli

President of the Due Diligence Committee



