

ANNUAL REPORT ON SUPPLY DUE DILIGENCE

Basic Inputs

This review is related to the period 01.01.2019 – 31.12.2019 and has been required due to the end of the fiscal year 2019 according to the Italian regulation.

Key activities such waste containing gold or palladium inspection and laboratory testing process, gold and palladium waste containing recovery, gold and palladium purchasing process, supply chain risk assessment, refinery, storage, packaging, inventory, and products delivery were verified and audited.

The number of gold and palladium supplying counterparties is mainly confirmed having the same characteristics, with the following percentages:

Supplying Counterparties	Gold	Palladium
Industrial mining operations (large or small scale)	0 %	0 %
Artisanal mining operations	0 %	0 %
Traders / brokers	0%	0%
Recycled material	15,35%	35,40
Industrial scrap providers	0 %	0 %
Others: banks	84,65%	64,60

Step 1: Establish strong Refiner management systems

The company has developed the integrated management system (IMS) policy regarding due diligence for supply chain of gold and palladium in compliance with COP RJC. This policy is published in the company web site available to public www.faggi.it

The policy reviewed on 17/07/2015, provides an overview of the management system governing the due diligence policy for gold and platinoids supply chain. Trainings for key persons as well as management team are also provided. The Company has assigned person responsible for the implementation of due diligence, a compliance officer, implemented internal and external communications provisions.

The Company has established and applies a procedure for the gold and palladium supply within its Integrated management system according also to Know Your Customer principle.

The Company ensure that suppliers commit to a supply chain policy consistent with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In order to do this, the company:

1. Establish, where practicable, long-term relationships with suppliers as opposed to short-term or one-off contracts in order to build leverage over suppliers.
2. Only accepts conflict free gold traceable from refiners or banks on the current LBMA Good Delivery List.
3. Only accepts conflict free palladium traceable from RJC chain certified companies and recycled palladium traceable from companies qualified according to OECD guidelines criteria on KYC and Due Diligence.
4. Communicate to suppliers expectations on responsible supply chains of minerals from conflict-affected and high-risk areas, and incorporate the Company Policy and the Ethical code into commercial contracts and/or written agreements with suppliers

STEP 2: Identify and assess risk in the supply chain

Faggi Enrico S.p.A. has identified and assessed the risk for the supply chain within the risks assessment process using the RJC Risk Assessment Toolkit. (The identified risks are: incautious purchase, the missing application of IMS procedures and KYC principles). The risk level is low, no further action has been planned unless a change to the business or to the control effectiveness escalates the risk rating.

STEP 3: Design and implement a management strategy to respond to identified risks

The Company has established the actions to prevent risk in the gold and palladium supply chain such as:

- Communication of Policy and Ethical Code to internal and external stakeholders
- Competence of involved personnel
- Adoption of documented procedures within the integrated management system
- Defining roles, allocating responsibilities and accountabilities, and delegating authorities to ensure the effectiveness of the integrated management system and their procedures
- Record keeping procedure
- Training of involved personnel

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Faggi Enrico S.p.A. has arranged for an independent third party audit for the supply chain due diligence (Bureau Veritas Italia SPA). The last third party audit was performed on February 2018 (Palladium provenance claims bolt on Audit).

STEP 5: Report on supply chain due diligence

The Responsible Gold Guidance Policy and the LBMA Summary report is available on the company web site <http://www.faggi.it/it/>