

Assunto	Data de Emissão	Edição	Folha
<b>3.6. Procedure to Identify Conflict-Affected and High-Risk Areas (CAHRAs)</b>	<b>July/22</b>	<b>V2.0</b>	<b>1 / 3</b>

**1. Responsibility:** The Managing Director and the Internal Compliance Committee will be responsible for the maintenance and implementation of this procedure to identify Conflict-Affected and High-Risk Areas (CAHRAs), including the disclosure for all staff members and its publicity.

**2. Frequency:** The below outlines the frequency by which this procedure shall be reviewed and applied.

- a. For review: Managing Director will annually assess the effectiveness and composition of the procedure to identify if CAHRAs exist in the areas where Marsam sources material when conducting a management system review and will ensure the procedure aligns with the Marsam's operations and objectives.
- b. For updates to international standards: This procedure will be reviewed every 2(two) years, to comply with the definition of CAHRAs as prescribed by international standards such as the OECD Guidance and the European Union Directive and to determine its applicability to Brazil.

**3. Criteria:** For the objectives of this procedure, will be classified as CAHRA, any areas that meets the core components of the OECD's definition of CAHRA.

- a. The presence of armed conflict, widespread violence, or other risks of harm to people. Armed conflict may include conflict of international or non-international character.
- b. Areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, and widespread violence.
- c. Areas characterized by widespread human rights abuses and violations of national or international law.

If the supplier's country of origin is not previous listed by Marsam as CAHRA, then it should be checked against the following international regulations and sources:

1. Section 1502 Dodd Frank Act (<https://www.sec.gov/rules/final/2012/34-67716.pdf>)
2. European Union CAHRA list (<https://www.cahraslist.net/>)

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If the supplier's country of origin is not listed among above mentioned sources, then extra sources shall be used to perform the perfect assessment of the country of origin.

**4. Resources and thresholds:** For the objectives of this procedure, Brazil will be classified as conflict-affected or high-risk area when two of the three below resource indicator's thresholds are met (in the context of these indices, State means country).

- a. Fragile State Index: if Brazil is classified by the most recent Fragile State index as having a fragility score of more than 80.
- b. Worldwide Governance Indicators: if Brazil scores in the 30th percentile or lower in all the worldwide governance indicators.
- c. United Nations Development Programme International Human Development Indicators: if Brazil scores in the "low development" category.

If Brazil is classified as a conflict-affected or high-risk country, then a further verification of the subnational regions where the materials are sourced is conducted regarding CAHRA's thresholds described above in section 3.

The verification of the above criteria must be carried out at least every 12 (twelve) months by the Internal Compliance Committee, and the evidence must be files for a period of 5 (five) years.

**5. Process:** The Internal Compliance Committee will assess to assure the following is occurring:

- a. That all processed material originates in Brazil.
- b. If not originated in Brazil, that originates in countries not classified as CAHRAs.
- c. There is an understanding of the client's business and where their material comes.
- d. There is verification that our clients have their own KYC, AML, CFT, Anti-Bribery, and supply chain policies and compliance systems, that establish the basic principles for the control and monitoring of its activities, of its customers, of its employees, of its service providers and of its suppliers, and its alignments with international good practices.
- e. If Brazil is classified as CAHRA country, there is a verification of the subnational region within Brazil where the materials are sourced regarding CAHRA's thresholds described above.

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- f. If Brazil regulatory framework related to AML, CFT, and Anti-Bribery is aligned with international standards or if there is any information of its weak enforcement.
- g. There is follow-up and review of press reports, articles, information from private entities or public bodies, regarding allegations, convictions, investigations, or complaints for crimes of illegal or unlawful mineral exploration or acquisition by the clients.
- h. There is follow-up and review of press reports, articles, information from private entities or public bodies, regarding allegations, convictions, investigations, or complaints for crimes of corruption, money laundering, financing of international terrorism, slave labour, child labour or any other human rights violations by the clients.
- i. That clients have submitted for all incoming shipments, a certified statement of the origin of the material in each invoice, which for LSM and ASM clients, must include mineral origin licence information.
- j. That monthly verification of all transactions is within the expected and historically volumes, declared origins and conditions, including checking if the grades of ores containing precious metals are in accordance with historical patterns to identify origins in areas other than the usual ones. If any deviations of expected volumes or transaction circumstance changes, explanations are requested to the client.
- k. That for any new client an analysis of the client business is conducted to understand their business and origin of their material prior to the establishment of the commercial relationship.

**6. For areas defined as a CAHRA:** If there is an area or region flagged as a CAHRA, the Internal Compliance Committee will communicate to the Managing Director, who is responsible to determine a course of action and risk mitigation strategy for material sourced from that CAHRA region on a case-by-case basis, which may include even the termination of business relationship.