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In Vestec 4.4.2023

## **SAFINA, a.s. COMPLIANCE REPORT** **RESPONSIBLE GOLD GUIDANCE**

3<sup>rd</sup> part

This report aims at presenting SAFINA, a.s. compliance with applicable requirements relating to responsible sourcing of gold and Responsible Gold Guidance and is focused on procedures in Gold supply chain.

### **Company information**

**Company name:** SAFINA, a.s.  
**Registered address:** Vídeňská 104, 252 50 Vestec, Praha-západ, Czech Republic  
**Refinery location:** Vídeňská 104, 252 50 Vestec, Praha-západ, Czech Republic  
**CID number:** CID002290  
**Reporting period:** 01/01/2023 - 01/31/2023  
**Assessment Cycle:** 1 year reporting period  
**Date of report:** April 4<sup>th</sup> 2023  
**Scope of report:** The scope of this Compliance report includes GOLD activities by SAFINA, a.s. (Standard for Gold - 2017)  
**Website:** www.safina.cz

SAFINA, a.s., the oldest precious metals processing company in Czech Republic. Throughout its history, SAFINA, a.s., has focused on the business of precious metals refining, processing gold, silver, palladium, platinum, rhodium and iridium and is offering a broad range of related products and services.

SAFINA, a.s. has no mining Operations nor purchase any raw minerals or ores, and is strictly focused on buying secondary materials (waste), recycling and purchasing of precious metals which are being usage in a wide range of products and technologies.

SAFINA, a.s. had been audited in 2017 and had been confirmed as Conflict Free Smelter. Successful re-assessments against CFSP and RMAP standards were undertaken annually since 2017. At presence gold sourcing from, nor transporting via, Conflict affected or high risk areas has not been identified.

<u>SMELTER ID</u>	<u>STANDARD SMELTER NAME</u>	<u>COMPANY STATE PROVINCE REGION</u>	<u>COUNTRY LOCATION</u>	<u>LAST ASSESSMENT DATE</u>	<u>ASSESSMENT CYCLE</u>	<u>CRUDE GOLD REFINER</u>
CID002290	SAFINA A.S.	VESTEC, PRAHA-ZÁPAD	CZECHIA	02/23/2023	1 YEAR	NO



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### **SAFINA, a.s. operates 6 shops all around Czech Republic:**

- Prague – Masná (Masná 15, 110 00 Praha),
- Vestec (Vídeňská 104, 25250 Vestec),
- Jablonec (Podhorská 377/20, Jablonec nad Nisou),
- Brno (Veveří 18, 602 00 Brno),
- Ostrava (Kostelní 5, 702 00 Ostrava),
- Pilsen (Čechova 44, 301 00 Plzeň)

Corporate Policy and other internal policies and procedures are applicable for all SAFINA, a.s. premises including SAFINA 's shops.

### **Summary of activities undertaken to demonstrate compliance**

SAFINA, a.s. is particularly concerned about the possible link between extraction and trade of minerals with systematic and widespread abuses of human rights, terrorist financing, possible support of armed groups and illegal interaction of security forces and follows the recommendations of Annex II of the OECD guidance.

SAFINA, a.s. approach is based on risk analysis which enables risk and high-risk identification. While there are many sources that provide country scores for a wide range of risks, the definition of what actually does constitute a CAHRA remains a matter of debate. On the one side 'Conflict Minerals' are defined as tantalum, tin, tungsten, and gold (collectively, '3TG') and their derivatives. While the Dodd-Frank Act defines 'covered countries' as the Democratic Republic of Congo and adjoining countries, but on the other side the European Conflict Minerals Regulation (EU) 2017/821 is extending the definition to 'conflict-affected and high risk areas' (CAHRAS) – "Areas in a state of armed conflict or fragile post-conflict as well as areas witnessing weak or non-existing governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses." (as described on the website <https://www.cahraslist.net>).

With regards of non-exhaustive list of CAHRAs, SAFINA, a.s. developer, implemented and is using a stepped approach to check supply chain risks according to the OECD Guidance also for armed conflicts and serious human rights violations; any forms of forced labour; the worst forms of child labour; indirect support to non-state armed groups; public or private security forces; bribery and fraudulent misrepresentation of the origin of minerals; money laundering; payment of taxes, fees and royalties due to government.

SAFINA works only with approved suppliers to assure that all materials we receive are conformant with the Responsible Mineral Initiative's (RMI's) Responsible Minerals Assurance Process (RMAP) protocol to avoid contributing to conflicts or to systematic and widespread abuses of human rights, money laudernig and to comply with high standards of AML and combating terrorist financing practise.



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## **Establish strong company management systems**

### ***To adopt a company policy regarding due diligence for supply chain of Gold***

*SAFINA's comments and demonstration of compliance:* SAFINA developer and implemented the Corporate Policy on Responsible Supply Chain of Precious Metals ("Corporate Policy") and other internal policies and procedures for the responsible sourcing of gold. According to the OECD Due Diligence Guidance - Step 1, SAFINA, a.s. has a supply chain policy on responsible sourcing. Policy and procedures are based and consistent with LBMA responsible Gold Guidance and OECD Due Diligence Guidance for Responsible Supply Chain and was updated in 2022 and also in 2023 to reflect requirements of EU regulation no. 2017/817. SAFINA's policy has been part of the RMAP assessment and it was found to be conformant with OECD Due Diligence Guidance for Responsible Supply Chain. SAFINA, a.s. declares that we do not tolerate, support, contribute nor benefit especially from:

- War crimes nor genocide or any form of crimes against humanity;
- Violation of international human rights laws;
- Any form of torture, cruel and/or inhuman treatment and degrading treatment;
- Any form of child labor or any form of forced or compulsory labour;
- Any form of minority discrimination
- Sexual violence
- Direct or indirect support to non-state armed groups and/ or private security forces
- Corruption and royalties paid to governments for the purposes of extraction of Precious Metals
- Misrepresentation of origin of minerals
- Money laundering
- Financing of terrorism
- Misrepresentation of taxes

**Full version of policy is available in Czech and English on SAFINA's website [www.safina.cz](http://www.safina.cz).**

List of documents, that are available on the SAFINA's website:

- Supply chain policy
- SAFINA, a.s. company policy
- Code of Ethics
- CAHRAs definition and procedure
- Grievance procedure, including grievance form
- SAFINA, a.s. precious metals shipping recommendation

### ***To set up internal management structure to support supply chain due diligence***

*SAFINA's comments and demonstration of compliance:* SAFINA has established strong internal management system of due diligence, controls and transparency over gold supply chain with dedicated team composed of



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Corporate Compliance officer, Commercial director, Quality director and Manager responsible for conflict minerals reporting who is responsible for developing and implementing the Company's Conflict Minerals program, due diligence and conflict mineral reporting as well as periodically updating. Being a comparatively small organisation, many issues in this area are dealt with in informal day-to-day cross-functional discussions, but the responsible minerals supply policy has become a lived routine and the management team is being kept abreast with developments in the area of responsible minerals supplies. Management team meet a twice a year to review and ensure that processes are in accordance with applicable legislation (in particular the OECD Guidelines for Due Diligence in Responsible Mineral Supply Chains in Conflict Areas and Regulation 2017/821 of the European Parliament and of the Council of 21.5.2017)

***To establish strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors***

*SAFINA's comments and demonstration of compliance:* SAFINA has established a strong process of suppliers evaluation that is carried out before the start of any relationship and also periodically in case of long lasting cooperation. SAFINA has robust raw materials supply management system, Prior processing any material containing Gold (and also other precious metals), the first step of the process is a risk screening phase, which sets out a number of indicators for risk and responsible employees obtain data from IT system MS NAVISION (each transaction is accurately registered) and we always identify the supplier and verify its legal existence (controlling, collecting and recording name of supplier using reliable, independent sources and documents - for example ID card, extract from company register, etc), verify the validity of the customer VAT number, identify and verify the type and quantity of material, expected content of precious metals etc.

For most transaction, photographic evidences of the received materials are also kept. Also specific physical controls (such as weight check, deleterious element, radioactivity check) regarding received materials are carried out before processing incoming materials.

For new Gold suppliers SAFINA, a.s. applies a risk-based approach in performing Know Your Client (KYC) prior to beginning any business relationship. The use of credible market intelligence tools allows on-going monitoring of the legal, sanction, political exposure profile of counterparties and related adverse media.

Continuous monitoring and periodical review of counterparties is part of the risk mitigation strategy.

Any form of non-conformance is unacceptable and reported to the compliance officer and top management. No such escalation was necessary during the reporting period.

All Gold transactions (and also other precious metals), inventory and feed of the plant are monitored and recorded into the system MS NAVISION and each lot and transaction is always given unique number.

Moreover our system MS NAVISION is enabling traceability and reviewing of „material – flow“ and identification of all suppliers and material within the whole refining and manufacturing process. There is a duty to keep records of the file of the customer as well as transactions carried out, including any additional clarification that may be needed.



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### **Training as a part of our system**

Regular annual training of all relevant employees (involved in Gold handling and processing) ensures that our guidelines are followed. During the annual training SAFINA's employees are trained to participate in the risk identification.

During the audit period ***All employees of competent units potentially involved in the risk screening phase of the gold chain due diligence process has been trained and no delivery of the material was advised from a country which had not been approved in advance.***

### ***To strengthen company engagement with gold-supplying counterparties and, where possible, assisted gold-supplying counterparties in building due diligence capacities?***

***SAFINA's comments and demonstration of compliance:*** SAFINA has strengthened interaction with the counterparties of the gold supply chain and set up process where supplier are obligated to warrant that material does not contain any conflict minerals as defined in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, will be delivered in compliance with all applicable laws, including all relevant sanctions and export controls, and is not from a source which has financed conflict or terrorism, participated in abuse of human rights or money laundering. SAFINA, a.s. believes in building long term relationship based on trust and mutual recognition and our Sales Officers are the prime contact and most important relationship officers engaging continuously with our counterparties also regarding responsible sourcing to ensure their alignment with SAFINA's policies and practices. SAFINA, a.s. is also continuously supporting its precious metal supplying counterparts to visit our site to not only share SAFINA's compliance vision and expectations, but also helping our counterparts to better understand our processes and to persuade counterparts to improve their own supply chain practices. To minimize risks of money laundering, cash operation are limited to 25 000 CZK (equivalent to 1 000 EUR), and all other payments to have to be settled only in the non-cash form, via bank transfer. As part of this active counterparty engagement a reference to the applicable policies and the principles contained in the OECD Guidance are included in every new refining contract. During the reporting year Sales Officers have sent to precious metals suppliers a communication with the aim of sharing current applicable supply chain policy.

### ***To establish a company-wide communication mechanism to promote broad employee participation and risk identification to management***

***SAFINA's comments and demonstration of compliance:*** SAFINA has set up Code of Ethics which communicates company main values and principles. SAFINA, a.s. has created a functional e-mail address [responsiblegold@safina.cz](mailto:responsiblegold@safina.cz) and telephone number +420 241 024 465 for external counterparties to contact any reason related to supply chain due diligence. Since 2020, SAFINA, a.s. has formalized a public grievance mechanism. SAFINA, a.s. is committed to the highest standards of ethical business conduct and whistleblower



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system is available for both internal and external stakeholders. This Grievance mechanism can be used anonymously by any employee or external party. Employees, stakeholders and the public are invited to raise any concerns about SAFINA's supply chain and to lodge grievances concerning SAFINA's supplies of raw materials either directly per e-mail to [responsiblegold@safina.cz](mailto:responsiblegold@safina.cz) or directly to responsible persons: [daniel.chvatal@safina.cz](mailto:daniel.chvatal@safina.cz); [cco@safina.cz](mailto:cco@safina.cz). Moreover dedicated functional box, available at SAFINA, a.s. premises is publicly available place where any interested party can express anonymously concerns they have. All SAFINA's employee must report his suspicion and/or his knowledge in this respect. Until today, there were no other indicators which would have led to any suspicion of any wrongdoing.

Employees, stakeholders and the public can use our Grievance form:

<https://www.safina.eu/wp-content/uploads/2022/05/scan22052612060.pdf>.

## **Identify and assess risks in the supply chain**

### ***To identify a risk in the GOLD supply chain***

*SAFINA's comments and demonstration of compliance:* The first phase of the evaluation of business partners aims to identify risk. Risk is identified in a number of different indicators. These indicators are related to country, compliance, sanctioned entities and persons, politically exposed persons etc. The methodology used for assessing a CAHRA for the gold supply chain during the audit period is based upon CAHRA's formal procedure and the list of CAHRAs provided by the European Union to be valid for the EU Conflict Minerals Legislation. This assures comparability and that definitions are up to date. For each new supplier and each new source, affiliation to CAHRAs is verified, and all existing supply chains is being re-checked based on the supply chain mapping whenever new information is available (updated reports on emerging conflicts etc). SAFINA, a.s. is also aware of the fact there could be other factual circumstances that indicate that the area in question needs to be considered as CAHRA in relation to SAFINA's supply chain. This fact assures a swift reaction on emerging trends such as Russia's declaration of war on the Ukraine.

SAFINA, a.s. performed risk identification and red flag check on the information collected during initial check. Any identified evidence of red flag criteria means that SAFINA relationship with supplier will be immediately stopped. The risks in the metal's supply chain is limited by the fact that SAFINA, a.s. is handling recycled GOLD bearing materials and metal by-product originated mainly in Europe are our key business. Nevertheless SAFINA assigns level of risk to each source based on the risk identification criteria. This process is mandatory requirement for initiation of cooperation with all counterparties or periodical in case of long lasting cooperation.

### ***To assess risks in light of the standards of their supply chain due diligence system***

*SAFINA's comments and demonstration of compliance:* SAFINA assesses risks of GOLD supply chain members in accordance with the standards of its due diligence system. The due diligence process includes all GOLD bearing materials. Procedures aimed at identifying risks in the supply chain against foreign suppliers have been carried out. The requirements contain provisions regarding assessment of risks associated with suppliers as well as measures to identify suspicious transactions and reporting of those to the authorities for



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further decision. The monitoring of operations (transactions) of counterparties is performed by the SAFINA constantly. SAFINA does not work with suppliers with the high risk level.

***To report the results of risk assessment to Senior Management?***

*SAFINA's comments and demonstration of compliance:* Executive officer who was appointed assesses the potential risks and Company Compliance officer verify the assessment for every GOLD supplier prior engaging in a business relationship.

**Design and implement a management strategy to respond to identified risks**

***To 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?***

*SAFINA's comments and demonstration of compliance:* SAFINA's set up system of risks assessment of GOLD bearing material, including risk identification process as well as procedures of cancellation of cooperation with suppliers in case of risk is disclosed. In addition identified risks identified by any employee (or third party) are carefully assessed in order to decide on necessary action.

***To include measurable steps to be taken and achieved, monitoring of performance, annual reassessment of risk and regular reporting to Senior Management***

*SAFINA's comments and demonstration of compliance:* SAFINA states that risks are being monitored and „reassessed“ annually. SAFINA conducted its activities in accordance with the Guidance.

During the audit period ***We have been contacted by the several potential suppliers who have been subject for due diligence. During risk evaluation, country of origin was identified as a high risk country, and cooperation was NOT approved.***

**Report supply chain due diligence**

*SAFINA's comments and demonstration of compliance:* We have fully complied with step REPORT ON SUPPLY CHAIN DUE DILLIGENCE by publication of this report. SAFINA's OECD Step-5 Due Diligence report follows wherever appropriate the Public Due Diligence Report Writing Guidance of the Responsible Minerals Assurance Process of the Responsible Minerals Initiative (RMI). The current report follows closely the reports for the preceding years. In accordance with our policy at all stages of its supply and production chain. A sustained success of the company can only be built upon a sound foundation, which includes that governmental, industry and environmental standards.





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## **Assessment Summary**

The most recent 3rd party assessment against the Responsible Minerals Assurance Process (RMAP) – was undertaken: 02/21/2023 - 02/23/2023

Company address: SAFINA, a.s.  
Václavská 104, 252 50 Vestec, Praha-západ,  
Czech Republic

Assessment Type: Re-audit  
Assessed Material: Gold  
Assessment company: UL Responsible Sourcing  
Assessment period: 01/01/2023 - 01/31/2023

The assessment is valid for one year and summary report is available on request.

## **Management conclusion**

Our company's success rests on the enduring commitment to our employees, to our clients, suppliers and to the industry that we serve. SAFINA has implemented an effective management system, procedures and practices which conform with requirements of the OECD Guidance. SAFINA is committed to continuous improvement of our management system.

**Moreover SAFINA is publicly disclosing our conflict minerals policy to all suppliers and is expecting each of them to source materials from socially responsible supply chains.**

## **Comments**

If any reader of this report wish to provide any feedback to SAFINA with respect to this report, they can contact us using following e-mail address: [responsiblegold@safina.cz](mailto:responsiblegold@safina.cz) or directly to responsible persons: [daniel.chvatal@safina.cz](mailto:daniel.chvatal@safina.cz); [cco@safina.cz](mailto:cco@safina.cz).