

TCA Compliance Report 2020

Table 1: Refiner's details

Refiner's name	TCA Trattamenti Ceneri Auroargentifere S.p.A.
Entities and locations	Headquarters: Zona industriale Castelluccio, 11 52010 Capolona (AR), Italy Secondary Plant: Via Tagliamento 12, Altavilla Vicentina (VI) Secondary Plant: Via Gramsci 10/B, Sale (AL)
Reporting year-end	31.12.2020
Date of Report	23.03.2021
Senior Management responsible for this report	Mr. Tommaso Chiarini
Compliance Officer	Mr. Andrea Susi

History

TCA came into being in Tuscany, in the pulsating heart of the Italian gold-silver district. Founded in 1977 in Arezzo, where it is headquartered, TCA has two other branches in Vicenza and Valenza, for a total of 115 employees al 31st December 2020 and three plants. Its partners lend to TCA their extensive experience and in-depth knowledge of the sector acquired in the Tuscan company, which has become a global leader in the jewelry industry. From its initial specialization in the treatment of ashes containing gold and silver, TCA has grown to include platinum, palladium and rhodium recovery. Having always aimed at achieving the highest quality standards, TCA has successfully undertaken a strong internationalization strategy and has established new, major business relations with top world players in refining and trading precious metals. Since November 2016, TCA is a Commercial Member of the Responsible Jewelry Council (RJC) and on February 2017 TCA got the RJC Accreditation as for CoP (Code of Practice) and CoC (Chain of Custody) rules. On 3rd of October 2017, TCA got the Accreditation as LBMA Good Delivery Refiner for the Silver. The latest RJC, CoC and CoP Audit has been carried out on January 2020. Within the first half of 2021 will be also carried out the Audit required for RJC certification.

Methodological Note

TCA receives lots of high, medium and low grade materials containing Precious Metals and, after the refining process, acquires the pure Gold & Silver from its national and international Suppliers. TCA deals also with the primary worldwide banks, by un-allocated precious metal accounts. As a consequence, TCA purchases non-physical precious metals from its financial counterparts.

TCA EVALUATION

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

TCA has fully complied with Step 1: Establish strong management systems.

1. Has the refiner adopted a company policy regarding due diligence for supply chains of Gold & Silver?

TCA has adopted a company-wide policy and procedures regarding due diligence for the supply chain of Gold & Silver.

Comments and Demonstration of Compliance:

In 2012 TCA started formalizing the supply chain policy for responsible sourced metals (including gold and silver) which is based on the Code of Conduct and ethics and compliance policy.
 During 2019 the policy was updated in order to integrate all the precious metals processes by TCA such as Platinum & Palladium.
 During the reporting year, TCA keeps on the enforcement of the supply chain policy for Precious Metals, which is consistent with the model set out in the Annex II of the OECD due diligence guidance. This sets out the responsibility for conducting risk based due diligence, screening and monitoring of all transactions and governance structures in place. The latest policy on responsibly-sourced metals can be found on TCA's website.

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

TCA has set up an internal management structure to support supply chain due diligence: the analysis activities are compliant with the policy and procedures regarding due diligence for the supply chain of Gold & Silver. TCA implemented a Manual of Responsible Gold & Silver Management System.

Comments and Demonstration of Compliance:

An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy. The compliance officers have been assigned to design, supervise and review the overall process, and have a direct line of reporting to the executive committee.
 The management system has been update in compliance with the Version 8 of the Responsible Gold Guidance and with the Version 1 of the Responsible Silver Guidance. The due diligence process in place includes the documentation and information collection in order to ensure suppliers compliance with the local environmental regulation and all the legal provisions regarding protection of the environment and sustainable development.
 In 2020 TCA has enforced its supply chain due diligence policy and system, by integrating the assessment of the suppliers with a deeper evaluation of environmental and social issues.
 The revised process has not been implemented in 2020 due to the Health Emergency (COVID-19) and will enter in force in 2021. Covid -19 has had a significant impact on the normal operation of the business for TCA and for the entire value chain. Furthermore, the Refiner will also conduct Audits on a sample of suppliers in order to verify their compliance with environmental and sustainability commitments.

3. Has the refiner established a strong internal system of due diligence, controls and transparency over Gold & Silver supply chain, including traceability and identification of other supply chain actors?

Comments and Demonstration of Compliance:

TCA has a robust 'lot' receipts process, and specific documents must be received and transactional details entered before TCA processes any gold-bearing and silver-bearing and other conflict materials. Each lot received is accurately registered in the transactional system and ensures complete traceability within the production streams. Specific controls regarding received materials (evaluation of quality through laboratory analysis, transportation documents, weight) are carried out before processing incoming material as outlined in the internal guidelines. Regular training of the employees ensures that the guidelines are followed through; in case of nonconformance, it will be immediately reported directly to the compliance officer and senior management. During the reporting period no such escalation was necessary.

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

Comments and Demonstration of Compliance:

During the reporting period TCA has continued company engagement with gold and silver supplying counterparts, as well as other suppliers of potentially conflict minerals. In 2013 it was started the process to further modify the supplier agreements so that they make reference to the OECD guidelines. From 2014 to 2020 TCA continued with the approach started in 2013, making always strong reference to the OECD guidelines. According to the Business Policy assumed by the Board of Directors, TCA doesn't deal with small-scale artisanal miners, and the risk to come in contact with raw materials, containing Precious Metals, supplied by counterparts who use mercury in his extractive processes, is strongly reduced, considering also the fact that every ingoing raw or semi-product material is preliminarily subject to specific laboratory analysis (by the company and by third party laboratories) aimed to detect the presence of any kind of deleterious element such as mercury.

5. Has the refiner established a company-wide communication mechanism to promote broad based employee participation and risk identification to management?

Comments and Demonstration of Compliance:

TCA has developed a mechanism allowing employees to raise concerns over the gold and silver supply chain or other identified risks regarding conflict minerals or other compliance issues. A functional mailbox has been established which is reviewed by the compliance officer of TCA.

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

TCA has fully complied with Step 2: Identify and assess risks in the supply chain.

1. Does the refiner has a process to identify risks in the supply chain?

TCA has processes in place to identify the risks in the supply chain.

Comments and Demonstration of Compliance:

TCA identifies and assesses risks in the supply chain. For every supplier TCA has established a client database and allocated a risk profile according to the risk profile criteria. In 2021, the process and the documentation of risk analysis will be enforced, in order to enhance the analysis for each counterpart. Since this reporting year, this process is a formal requirement before entering any business relationship with any Precious Metals counterparty, including but not limited to Gold & Silver. The due diligence process is carried out on a risk-based approach. This process includes the request and review of the suppliers' compliance with the local environmental regulation and all the legal provisions regarding protection of the environment and sustainable development. Furthermore, as defined in Step 1.2, TCA defined in 2020



methods, processes and documents that will integrate its supplier assessment system with a detailed evaluation on environmental and social aspects.

As in 2020 the Health Emergency due to COVID-19 has strongly compromised and limited the possibility conduct audit on a sample of supplier in order to verify their compliance with environmental and sustainability responsibilities, the Company has reasonably decided to defer this activity in 2021, hoping on a better global health situation.

2. Does the refiner assess risks in light of the standards of their due diligence system?

TCA assesses the risk 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 and silver or other conflict minerals supplying counterpart. TCA performs due diligence for higher risk categories, which includes all gold-bearing and silver-bearing mining material and where gold and silver potentially originates from or transits via conflict affected areas and areas with human rights abuse, child labor or other high risk factors including the presence of small-scale artisanal miners that could use mercury in extractive process or the presence of World Heritage Sites. In addition, TCA conducts appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship following a risk based approach. If the due diligence assessment leaves doubts, TCA refuses to enter into a new business based on their risk criteria.

The Risk Assessment procedure together with the Due Diligence system has been integrated with the documentation put in place for the RJC.

As defined in Step 1.2, TCA will revised the process that will enter into force in 2021.

3. Does the refiner report risk assessment to the designated manager?

Comments and Demonstration of Compliance:

The Compliance Officer and his team assess the potential risks in-line with TCA internal guidelines as well as the OECD due diligence guidance as set out in the Annex II. If risks are identified with new or existing business partners he will deny acceptance of new business partner or cancel business with existing partners.

Only if the business disagrees with the assessment of the compliance officer, the issue will be escalated to the CEO or CFO for final decision; no such escalation was necessary during the reporting period. Senior management retains the ultimate control and responsibility.

4. Does the refiner assess the risk in the light of the Country Risk, Company Risk and Commodity Risk before enter into business with new counterparty and /or during the regular transactions.

TCA assess the risk in the light of the Country Risk, Company Risk and Commodity Risk before enter into business with new counterparty and/or during the regular transactions.

Comments and Demonstration of Compliance:

TCA has implemented his risk assessment procedure basing the Investigation and Due Diligence process on the information acquired by primary worldwide business information providers (such as D&B, CERVED, World-Check by Thomson Reuters, and recently by List of Reference issued by the Bank of Italy) which helps and support the activities concerning the supervision and monitoring of the Country Risk, Company Risk and Commodity Risk which potentially could affect the new counterpart and/or the regular transactions carried out.

TCA continuously conduct a monitoring of the above mentioned Risks also collecting any kind of news which could be useful in order to re-assess the global/potential risk in the supply chain.

Recently, the Company has led a training session for the introduction of a new business information system that will enter in force in 2021. The new provider, White list Warranty, provides qualified information related to mandatory checks for the purpose of the AML Compliance: as TCA intends to increase his standard on the quality and reliability information on Due Diligence process, this new source of data will be added to set of information already acquired.



Step 3: Design and implement a management system to respond to identified risks

Compliance Statement with Requirement:

TCA has fully complied with Step 3: Design and implement a management system to respond to identified risks.

1. Has the refiner devised a strategy for risk management of an identified risk 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?

TCA has devised a strategy for risk management of an identified risk by either mitigation of the risk while continuing to trade; mitigation of the risk while suspending trade or disengagement from the risk.

Comments and Demonstration of Compliance:

TCA has set-up an automated and ongoing screening of all business partners for identifying risks. In addition and based on the risk assessment a regular assessment of all business partners and transactions is established. In addition any ad-hoc identified risk brought up by any stakeholder will be carefully assessed by the Compliance officer and his team and necessary actions/measures decided.

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

Comments and Demonstration of Compliance:

Corresponding procedures are in place and are – when necessary – applied accordingly.

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

Compliance Statement with Requirement:

TCA has fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

Comments and Demonstration of Compliance:

TCA has 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 Gold Guidance, version 8 and Responsible Silver Guidance, version 1, for the period 1 January 2020 to 31 December 2020.

Auditors have verified that there aren't any problem related to the performance of their system, policies, procedures, processes and practices; they have suggested us to implement some actions to make their management system better.

Step 5: Report on supply chain due diligence and on implementation of Risk Assessment procedures: Management Review for the period 1 January 2020 to 31 December 2020.

Compliance Statement with Requirement:

TCA has fully complied with Step 5: Report on supply chain due diligence and on implementation of Risk Assessment procedures.

Comments

Further information and details of how TCA's systems, procedures, processes and controls have been implemented to align to the specific requirements in the *LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance* have been set out in their responsible gold and silver policy which is available on their company website.

TCA has issued a Management Review, as for the LBMA Responsible Guidance Management System, which provide full explanations and clarifications on the following matters: 1) Details on the Responsibly-sourced Metals Policy; 2) New Business relationship arisen in 2020; 3) Consistency analysis on policy on responsibly-sourced metals after the business



evolution; 4) Examination and investigation on the ChekList, finalized in 2020 and that will enter in force in 2021, which integrate the suppliers assessment system; 5) New Company Governance and Assignment of AML Delegation, consequent update and adjustment of the Organization, Management and Control Model as for 231/2001 Regulation; 6) Introduction to White List Warranty, a new qualified information provider of information related to mandatory checks for the purpose of the AML Compliance; 7) Explanation about the training activity implemented during 2020.

TCA overall conclusion

Table 3: Management conclusion

Is the refiner in compliance with the requirements of the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance for the reporting period?

YES	In conclusion, TCA implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance version 8 and Responsible Silver Guidance, version 1, as explained above in Table 2, for the reporting year end 31 December 2020. TCA is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis. During 2020, no situation or happening has suggested to Management to improve or amend the Gold & Silver Supply Chain Policy. The Risk Assessment procedure has always produced successful results either in terms of qualification and monitoring of risk related to business counterparts. In continuity with what started in 2020, in 2021 TCA will enforce his supply chain due diligence policy and system, by integrating the supplier assessment with a deeper evaluating on environmental and social aspects. Furthermore, TCA in 2021, is committed to enforce the process and the documentation of risk analysis, in order to enhance the analysis for each counterpart, in view of continuous improvement.
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Other details

Table 4: Other report comments

If users of this report wish to provide any feedback to TCA with respect to this report, they can contact the compliance officer: a.susi@tcaspa.com.

Arezzo, March 23 2021

Signature

Mr. Tommaso Chiarini – Board Director


T.C.A. S.p.A.
 CONSIGLIERE DI AMMINISTRAZIONE
 Tommaso Chiarini