



CID#: CID003500

# Procedure to Identify Conflict-Affected and High-Risk Area's

## 1. Purpose

The purpose of this procedure is to identify conflict-affected and high-risk areas (CAHRAs) that may exist in our supply chain.

This procedure will be applied to supply chains (i.e., material, transit routes, suppliers) of all mined or refined sources (primary material).

## 2. Definition of CAHRAs

*CAHRA's are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.*

## 3. Step 1: Identify CAHRAs

Using information obtained through the Know Your Counterparty (KYC) of all its suppliers, including origin and transit route for all primary material, Alexy Metals will identify and evaluate all countries in its supply chain for each of the following three supply chain elements:

- Primary material origin
- Primary material transit route
- Recycled gold origin
- Supplier or beneficiary location

The following resources will be used to evaluate each of these supply chain elements to identify CAHRAs:

- [US Dodd-Frank](#): Presence of armed conflict and widespread violence (Democratic Republic of the Congo) or transit risks (nine surrounding countries)
- [European Union CAHRAs List](#): The indicative, non-exhaustive and regularly updated list of CAHRAs



CID#: CID003500

# Procedure to Identify Conflict-Affected and High-Risk Area's

- [RMI's Global Risk Map Tool](#)<sup>1</sup>: Ranking of risk level for the following indicators:
  - [Heidelberg Conflict Barometer](#)<sup>2</sup>: Presence of armed conflict and widespread violence.
  - [Fragile State Index: Human Rights and Rule of Law indicator](#)<sup>3</sup>: Other risks of harm to people and rule of law.

---

<sup>1</sup> The RMI's Global Risk Map, is a risk assessment tool that allows users to identify and compare governance, human rights, and conflict risk indices across geographic regions globally. Utilizing the internationally recognized indices and resources identified in the European Commission's [non-binding guidelines for the identification of conflict affected and high risk areas and other supply chain risks](#), the tool classifies geographic areas as low-, medium-, high-, and extreme-risk in an interactive and up-to-date world map.

<sup>2</sup> [Background on Heidelberg Conflict Barometer \(HCB\)](#): Since 1991, quantitative conflict research at The Heidelberg Institute for International Conflict Research (HIIK) has analyzed political conflict by focusing on conflict processes rather than e.g. purely quantitative thresholds of casualties of war. Thus, the HIIK is particularly concerned with the concrete actions and communications between conflict parties. Such a process-oriented approach gives the analysis of political conflict, especially regarding intensities, a broader and more detailed empirical foundation.

Beginning in 2011, the institute has revised its definition of political conflicts and restructured its conflict intensity assessment. The latter now not only takes into account the intensity for a given conflict area in a given year, but determines the intensity of a conflict for first-level sub-national political units and months as well. As such, it allows for a much more detailed measurement of conflict dynamics.

<sup>3</sup> [Background on Fragile States Index and the Human Rights and Rule of Law indicator](#): The Fragile States Index is an annual ranking of 178 countries based on the different pressures they face that impact their levels of fragility. The Index is based on The Fund for Peace's proprietary Conflict Assessment System Tool analytical approach.

The Human Rights and Rule of Law Indicator considers the relationship between the state and its population insofar as fundamental human rights are protected and freedoms are observed and respected. The Indicator looks at whether there is widespread abuse of legal, political and social rights, including those of individuals, groups and institutions (e.g. harassment of the press, politicization of the judiciary, internal use of military for political ends, repression of political opponents). The Indicator also considers outbreaks of politically inspired (as opposed to criminal) violence perpetrated against civilians. It also looks at factors such as denial of due process, consistent with international norms and practices for political prisoners or dissidents, and whether there is current or emerging authoritarian, dictatorial or military rule in which constitutional and democratic institutions and processes are suspended or manipulated.



CID#: CID003500

## Procedure to Identify Conflict-Affected and High-Risk Area's

- [Worldwide Governance Indicators](#)<sup>4</sup>: Bribery, fraudulent misrepresentation of the origin of minerals, money laundering, non-payment of taxes, fees and royalties to governments.
- [Fragile State Index: Security Apparatus Index](#)<sup>5</sup>: Direct or indirect support to public or private security forces.

If a country is not covered by any of the above resources, a credible alternative that covers the associated risk of harm per RMI's [CAHRA website](#).

The criteria and threshold for each of the above listed resources is defined in Table 1.

---

<sup>4</sup> The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for over 200 countries and territories over the period 1996–2018, for six dimensions of governance. For the purposes of this procedure, WGI's sixth indicator, **Control of Corruption**—capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests—will be evaluated.

<sup>5</sup> The Security Apparatus indicator considers the security threats to a state and may include state-sponsored or state-supported private militias that terrorize political opponents, suspected "enemies," or civilians seen to be sympathetic to the opposition. Among other security related issues, it considers armed resistance to a governing authority, particularly the manifestation of violent uprisings and insurgencies, proliferation of independent militias, vigilantes, or mercenary groups that challenge the state's monopoly of the use of force.



CID#: CID003500

## Procedure to Identify Conflict-Affected and High-Risk Area's

Resource	CAHRA criteria	The country is classified a CAHRA if it:
<a href="#">US Dodd-Frank Act</a>	<p>OECD Annex II risks: Direct or indirect support to non-state armed groups, or public or private security forces.</p> <ul style="list-style-type: none"> <li>• Presence of armed conflict and widespread violence (Democratic Republic of the Congo)</li> <li>• Transit risks (nine surrounding countries)</li> </ul>	<ul style="list-style-type: none"> <li>• Listed as a Covered Country</li> </ul>
<a href="#">European Union CAHRAs List</a>	OECD Annex II risks: All risks	<ul style="list-style-type: none"> <li>• Listed as a CAHRA</li> </ul>
<a href="#">Heidelberg Conflict Barometer</a> <sup>6</sup>	<p>OECD Annex II risks: Direct or indirect support to non-state armed groups, or public or private security forces</p> <p>Risks evaluated this resource:</p> <ul style="list-style-type: none"> <li>• Presence of armed conflict</li> <li>• Widespread violence</li> </ul>	<ul style="list-style-type: none"> <li>• Ranked high or extremely high on RMI's Global Risk Map</li> </ul>
Fragile State Index: <a href="#">Human Rights and Rule of Law indicator</a>	OECD Annex II risks: Serious abuses (torture, cruel, inhumane and degrading treatment; forced labor; worst forms of child labor; sexual violence; war crimes)	<ul style="list-style-type: none"> <li>• Ranked high or extremely high on RMI's Global Risk Map</li> </ul>
<a href="#">Worldwide Governance Indicators, Control of Corruption indicator</a>	OECD Annex II risks: Bribery, fraudulent misrepresentation of the origin of minerals, money laundering, Non-	<ul style="list-style-type: none"> <li>• Ranked high or extremely high on RMI's Global Risk Map</li> </ul>

<sup>6</sup> If a country is not listed in the HBC, these risks will be evaluated using [Rule of Law in Armed Conflicts](#). A country will be considered a CAHRA if it is listed for any form of conflict.



CID#: CID003500

## Procedure to Identify Conflict-Affected and High-Risk Area's

Resource	CAHRA criteria	The country is classified a CAHRA if it:
	payment of taxes, fees and royalties to governments  Risks evaluated this resource: <ul style="list-style-type: none"> <li>Governance, with a focus on corruption or to the extent that public power is exercised for private gain</li> </ul>	
<a href="#">Fragile State Index:</a> <a href="#">Security Apparatus Index</a>	OECD Annex II risks: Direct or indirect support to public or private security forces	<ul style="list-style-type: none"> <li>Ranked high or extremely high on RMI's Global Risk Map</li> </ul>

If any of the above country-level thresholds are met and there is clear, objective evidence supporting the need for a sub-national review or if there is clear, compelling evidence of a sub-national risk in a country that did not otherwise meet the above thresholds, the Compliance Officer will review available information including the sources mentioned above, news articles, and NGO reports to:

- Understand if the extraction, refining, transport, storage location is in or near the high-risk area
- Develop the scope of the Risk Assessment as defined by the RMAP Standard.

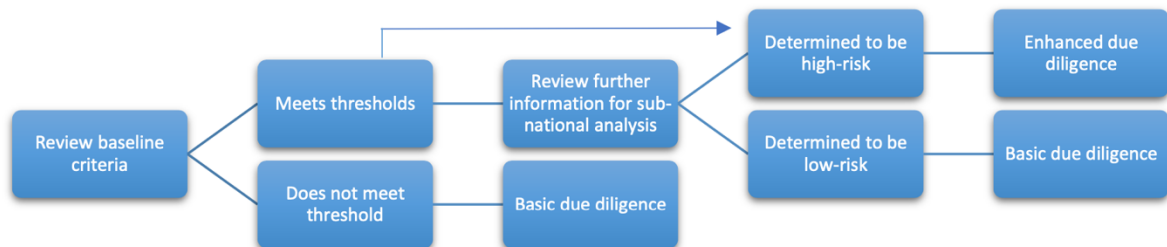
Even if thresholds are not met, companies should always understand findings and justification for action (or decision not to take an action).

- Step 3: Final Risk Classification** The final risk-determination is made by the Chief Compliance Officer based on the credible primary and supplementary resources using the following decision tree. Such determinations are fully documented.



CID#: CID003500

## Procedure to Identify Conflict-Affected and High-Risk Area's



### 5. Step 4: Map High-Risk Supply Chains

If any of the following conditions exist, further assessment will be conducted beginning with completing a supply chain map (See *Procedure to Identify Material-Related Red Flags and Supply Chain Risks*, *Procedure to Know Your Counterparty* and *Procedure to Identify Material-Related Red Flags Procedure*):

- Primary material originates from or have been transported via a CAHRA.
- Primary material is claimed to originate from a country where materials from CAHRAs areas are known to transit, legally or illegally.
- Recycled gold origin is claimed to originate from a country where gold from a CAHRA is refined.
- The company's suppliers or other known upstream companies have shareholder or other interests in companies that supply primary material from or operate in a CAHRA.
- The company's suppliers' and/or other upstream companies are known to have sourced primary material from or transported minerals through a CAHRA in the last 12 months.

Results of the CAHRA identification procedure will be recorded in the CAHRA Tracker.

NOTE: All CAHRAs in our supply chain will be evaluated for risks in accordance with the *Procedure to Identify Supply Chain Risks*.

### 6. Frequency

This procedure will be completed annually or when new sources of primary material, transit route or suppliers are identified in a subject gold supply chain.



CID#: CID003500

# Procedure to Identify Conflict-Affected and High-Risk Area's