

RESPONSIBLE SOURCING POLICY

Effective date: November 01, 2022

1. Introduction

Penfold World Trade AG (“Penfold”) is committed to undertaking due diligence processes to ensure that our suppliers and sourcing partners source minerals and metals in a transparent, ethical, responsible and environmentally sustainable manner. Towards this end, Penfold commits to adopt, widely disseminate and incorporate in contracts and/or agreements with suppliers this policy on responsible sourcing of minerals in line with the OECD Annex I and Annex II guidelines¹ as well as the London Metals Exchange Joint Due Diligence Standard² and the LBMA Responsible Silver Guidance³.

Under this Responsible Sourcing Policy, Penfold commits to structure management processes and implement specific measures under the five-step framework for risk-based due diligence for responsible supply chains of minerals:

STEP 1 - Establish strong company management systems

STEP 2 - Identify and assess risk in the supply chain

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

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

STEP 5 - Report on supply chain due diligence

2. Overarching Principles

Penfold commits to implement the five components of this Responsible Sourcing Policy in the endeavor to uphold the following principles:

We will immediately suspend or discontinue engagement with customers and suppliers where a reasonable risk has been identified that they source or are connected to

¹ ***OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition, ANNEX II - Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas***, OECD (2016) Publishing, Paris, <http://dx.doi.org/10.1787/9789264252479-en>

² ***LME Joint Due Diligence Standard for Copper, Lead, Nickel and Zinc***, February 9, 2022, https://coppermark.org/wp-content/uploads/2021/01/Joint-Due-Diligence-Standard_FINAL_09FEB21.pdf

³ ***LBMA Responsible Silver Guidance***, Version 1, September 2017, <https://cdn.lbma.org.uk/downloads/responsible-sourcing/20170824-Responsible-Silver-Sourcing-Master-SHD-V1.pdf>

parties providing direct or indirect support to any party committing illegal practices or human rights abuses.

We will perform appropriate due diligence on a risk-based approach over our counterparties before doing any business and ongoing monitoring of the relationship in order to assess the risk of contribution to conflict, money laundering, terrorist financing and serious human rights abuses and implement a strategy to respond to identified risk.

We will maintain adequate records of the supply chain documentation to demonstrate that appropriate and ongoing due diligence have been followed.

We do not offer, promise, give or require any form of bribe, and will resist the solicitation of bribes to conceal or disguise the origin of the minerals or to evade the taxes, fees and royalties paid to governments for the purpose of mineral extraction, trade handling transport and export.

We will support efforts and help prevent and detect money laundering and financing terrorism, where we identify a reasonable risk of money laundering and financing of terrorism resulting from or connected to the supply and distribution chain of precious metals or tin.

We will implement procedures to demonstrate that no sourcing involves conflicts, human rights violations, and/or financing of terrorism. We further will not tolerate, contribute to, assist with, or facilitate the commission by any party of:

- any form of torture, cruel, inhuman, and degrading treatment.
- any form of forced or compulsory labor, namely any work or service which is exacted.
- from any person under the menace of penalty and for which said person has not offered himself/herself voluntarily.
- any illegal and / or unacceptable form of child labor.
- other human rights violations and abuses such as widespread sexual violence.
- war crimes and other serious violations of international human rights, crimes against humanity or genocide.

We do not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling, or export of minerals who:

- illegally control extracting sites or routes, points where minerals are traded and actors up the supply chain and / or
- illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded and / or
- illegally tax or extort intermediaries, export companies or international traders.

STEP 1 - Establish strong company management systems

Penfold commits to clearly communicate to employees, suppliers, stakeholders and the public our policy regarding the supply chain of minerals. This is accomplished by:

- Posting our Responsible Sourcing Policy and other company policies on our company website;
- Providing our Responsible Sourcing Policy and to all company suppliers as part of Know Your Customer (KYC) processes and Supplier Questionnaires both prior to commencement of business dealings and via annual updates.
- Educating all Penfold employees through regular training sessions.

We further undertake to have internal management structures to support supply chain due diligence, with a single senior manager having responsibility for implementing these policies as a key part of the defined job function (“Compliance Officer”).

Penfold further undertakes a system of controls and transparency over the mineral supply chain by maintaining and updating a filing system that tracks all supplier documentation, site visits, interactions, and any red flag issues over time.

Penfold commits to constant engagement with suppliers by incorporating this policy into contracts and/or agreements with suppliers. Where possible, we will assist suppliers in building capacities with a view to improving due diligence performance.

Penfold has established a grievance mechanism as an early-warning risk-awareness system, whereby any supply chain actor or stakeholder can voice concern over supply chain operations or any newly identified risk by contacting Penfold at the following e-mail address compliance@penfold-trade.com.

STEP 2 - Identify and assess risk in the supply chain

In order to systematically and regularly identify risks in our supply chain, we commit to undertake specific measures to assess risks, to the best of our ability, covering the 32 issue areas covering environmental, social and governance aspects of mining and refining operations as defined in Risk Readiness Assessment (RRA) as published by the Responsible Minerals Initiative (RMI).⁴

The specific risk identification measures include the following:

- Requiring all suppliers to complete rigorous and detailed Know Your Customer (KYC) paperwork and complete our detailed Supplier Questionnaire. The Compliance Officer

⁴ *The Criteria Guide for the Risk Readiness Assessment*, February 2020, The Copper Mark Company and the Responsible Minerals Initiative (RMI), www.responsiblemineralsinitiative.org/media/docs/RRA/RRA%20Criteria%20Guide_FINAL_24FEB20.pdf

shall review this paperwork to see if information is completed properly and to assess if any “Red Flag” issues exist. ‘Red flags’ are risk warnings when a determination is made that any RRA Criteria are not met or are only partially met by the supplier.

- Assessment of RRA Criteria is further conducted during all employee interactions with the supplier, including during invoicing, payments, site visits, and all other interactions with supplier personnel and facilities. Penfold employees are trained in assessment of the Criteria and required to file reports and raise any possible Red Flags to the Compliance Officer.
- Reference to third-party credit ratings, internet search, Bill of Lading tracking data and other available database data to assess supplier’s background and activities.

STEP 3 - Design and implement a management strategy to respond to Red Flags

- Following identification of each Red Flag, the Compliance Officer must immediately undertake further risk assessment investigation of the specific Criteria and make an initial determination as the severity of the risk factor as either a Provisional Red, Provisional Orange, or Green classification.
 - In the case of Provisional Red classification, the Compliance Officer shall notify other senior management that immediate suspension of business operations with the supplier is warranted and all future business dealings must be dropped pending a final determination following risk assessment completion.
 - In the case of a Provisional Orange classification, the Compliance Officer may either (1) notify other senior management that an immediate temporary suspension of business operations is warranted, or (2) advise senior management a Red Flag issue has been raised but business operations may continue throughout the course of the risk assessment investigation.
 - In the case of an Orange classification, the Compliance Officer has determined that the Red Flag criteria is not substantial and does not require further investigation, and that normal business operations may continue without further risk assessment investigation.
- Following completion of the risk assessment investigation, the Compliance Officer may request that the supplier undertake specific measures to reduce or correct the risk identified with a specific timeline for re-assessment to be undertaken. Following conclusion of the assessment or re-assessment, if so warranted, the Compliance Officer shall make a final determination to classify the identified Red Flag as Final Red or Final Orange classification. A Final Red Classification shall result in the supplier being blacklisted with a further prohibition on any business dealings, whilst a Final Orange Classification shall result in continuing close monitoring of the supplier for heightened assessment of risk criteria and risk mitigation measures.

STEP 4 - Arrange for An Independent Supply Chain Due Diligence Audit(s)

Penfold endeavours to appoint independent supply chain risk assessment specialist companies to conduct periodic audits of our suppliers. Prior to, and as supplement to such audits, Penfold will assist the smelters and refiners who purchase our raw materials to conduct site visits to our suppliers to conduct their own risk assessments on a regular basis.

STEP 5 - Report On Supply Chain Due Diligence

Penfold shall prepare and publish annually a report on December 31 of each year that reviews the implementation of our supply chain due diligence policies and practices and detail the number and type of Red Flag risk assessment criteria identified and how these Red Flags were resolved.

This Responsible Sourcing Policy shall be regularly re-assessed and modified to improve and expand our risk assessment activities and transparency initiatives.