



KPMG Asesores, S.L.  
Pº de la Castellana, 259 C  
28046 Madrid

## **Independent Assurance Report to the Management of Valcambi SA**

To the Management of Valcambi SA.

In accordance with our engagement letter, Valcambi SA management has requested that we provide reasonable assurance on the Refiner's Compliance Report of Valcambi SA (hereinafter Valcambi) for the year ended 31 December 2018 (hereinafter "the Report"), as set out on this report's annex.

### **Management's responsibility**

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Valcambi management is responsible for the preparation and presentation of the Report in accordance with the LBMA Responsible Gold Guidance and Responsible Silver Guidance (hereinafter "the Guidance"), as described in the Report. Management is also responsible for the information and assertions contained within the Report and for establishing and maintaining appropriate performance management and risk management and internal control systems from which the reported performance information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner's Compliance Report.

These responsibilities include establishing such controls as management determines are necessary to enable the preparation of reasonable assurance indicators that are free from material misstatement whether due to fraud or error.

### **Our responsibility**

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Our responsibility is to carry out a review to provide reasonable assurance on the preparation and presentation of the Report, and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB), with the guidance set out in the LBMA Responsible Gold Programme and Responsible Silver Programme Third Party Audit Guidance for ISAE 3000 auditors (the Audit guidance).

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



## **Independence and competency statement**

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We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers, as set out in the Audit Guidance to carry out the assurance engagement.

## **Reasonable assurance over reasonable assurance indicators**

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The procedures selected in our reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement of the indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Valcambi internal control over the preparation and presentation of the Report.

Our engagement also includes assessing the appropriateness of the Report with the criteria of the Guidance, obtaining an understanding of the compilation of the non-financial information to the sources from which it was obtained, evaluating the reasonableness of the information.

Our multidisciplinary team included specialists in gold and silver supply chain.

## **Inherent limitations**

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Non-financial information, such as that included in the Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by refiners to comply with the Guidance may differ. This report should by no means be considered as an audit report. It is important to read the Valcambi gold and silver supply chain policy available on Valcambi's website <http://www.valcambi.com/>.

## **Conclusions**

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Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

In our opinion Valcambi's Refiner's Compliance Report for the year ended 31 December 2018, reviewed with reasonable assurance, in all material aspects, describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is in accordance with the requirements of the LBMA Responsible Gold Guidance and Responsible Silver Guidance.



### **Purpose of our report**

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In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Valcambi for the purpose of assisting the management in determining whether Valcambi has complied with the Guidance in relation to its 2018 Refiner's Compliance Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

A handwritten signature in blue ink, appearing to be 'R. Pueyo Viñuales', written over a horizontal line.

Ramón Pueyo Viñuales

Madrid, Spain

3 April 2019

# LBMA Responsible Gold Programme and Responsible Silver Programme Refiner's Compliance Report 2018

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**Editor:** DIR

**Release:** v00

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## Foreword

The LBMA requires all Refiners producing Good Delivery gold and/or silver bars to comply with the LBMA Responsible Gold Guidance and/or Responsible Silver Guidance. The Guidance requires all Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing activities.

This report outlines how Valcambi has complied with the requirements of the LBMA Responsible Gold Guidance and Responsible Silver Guidance and its level of compliance with the related requirements for the calendar year 2018.

## 1. Refiner's details

Legal name: Valcambi sa, Address: 6828 Balerna, Switzerland

Reporting year-end: December 31<sup>st</sup>, 2018

Report responsibility: Michael Mesaric, CEO

Valcambi was established in 1961 by a group of private Swiss investors who had an interest in the precious metals business. Today Valcambi is fully owned by Global Gold Refineries Ltd (GGR) incorporated in Switzerland.

Throughout its 58 years of history, Valcambi has focused on the business of precious metals refining, processing gold, silver, platinum and palladium and offering a broad range of related products and services. Our company's success rests on the enduring commitment to our employees, to our clients and to the industry that we service.

## 2. Summary of activities undertaken to demonstrate compliance with LBMA Guidance

### Step 1: Establish strong company management systems

The following sections set out the minimum requirements that must be satisfied by Refiners, to demonstrate compliance with the LBMA Responsible Gold Guidance and Responsible Silver Guidance.

#### Compliance Statement with Requirement:

Fully compliant with Step 1: Establish strong integrated management systems.

#### **Valcambi has adopted a company policy regarding due diligence for supply chains for gold and silver.**

Comments and Demonstration of Compliance:

In 2017 Valcambi released the latest version of its Precious Metals Supply Chain Policy ([www.valcambi.com/downloads/](http://www.valcambi.com/downloads/)), which is consistent with the model included in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas. This Policy sets out our responsibility and full commitment for establishing and maintaining strong management systems to fight serious human rights abuses associated with the extraction, transport and trade of precious metals, to ensure Valcambi does not contribute to any kind of conflict, to conduct stringent and systematic risk-based due diligence over our entire Precious Metals Supply Chain, to fight money laundering and terrorist financing, to screen and monitor all transactions and governance structures in place to maintain adequate records of the Supply Chain documentation and to ensure on-going training for all staff involved in the Precious Metals Supply Chain.

#### **Valcambi has set up an internal structure to support supply chain due diligence.**

Comments and Demonstration of Compliance:

Valcambi has an effective management system to embed Supply Chain due diligence into its organizational structure and processes. Valcambi always applies its Due Diligence Manual and adopts enhanced procedures where Artisanal and Small Scale Mining ("ASM") Due Diligence is involved.

Duties, roles, and responsibilities for implementing the adopted policies and for managing the due diligence process are clearly defined and equally shared between the Compliance Officer and relevant Sales Officers.

## LBMA Responsible Guidance – Compliance Report 2018

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The Compliance Officer, reporting directly to the CEO, has all the necessary means to perform his/her duties and is responsible for all matters regarding Valcambi's Precious Metals Supply Chain due diligence, including the responsibility to ensure proper and timely communication of information to the Senior Management. Senior Management retains the ultimate control and responsibility over the Precious Metals Supply Chain.

The Communications and Corporate Affairs Officer is in charge of maintaining effective communications, setting consultation mechanisms with a range of stakeholders (governments, UN agencies, NGOs, accreditation and sector organizations) and to actively represent Valcambi in initiatives and activities related to responsible sourcing, at a national, European and global level.

Valcambi manages its business processes through the company's fully integrated SAP ERP system. Technical improvements implemented in the SAP ERP system starting from 2017 allow management to detect and map every actor involved in the supply chain, ensuring high traceability standards in regard to information, documentation and identification for every lot of precious metals bearing material we process. From 2016 this has been made possible also at a KYP and supply chain level for all new counterparties. Strict internal working procedures, as well as automatic checks and controls, prohibit the possibility of processing any lot prior to receiving, assessing, verifying, and storing relevant information and documentation. This control system was in place prior to the publication of the LBMA Responsible Gold Guidance and Responsible Silver Guidance. The same is true for all the controls required to comply with the applicable AML standards, which provide robust administrative checks for due diligence procedures, and are carried out across all precious metal suppliers, independent of their origin. Information resulting from the due diligence processes is centralised, collected in a single dossier for each counterparty and managed by a designated employee.

**Valcambi has established a strong internal system of due diligence, controls, and transparency over gold and silver supply chains, including traceability and identification of other supply chain actors.**

Comments and Demonstration of Compliance:

Since 2012, Valcambi has published annually a Responsible Gold Policy Statement declaring its commitment and activities to fulfil the requirements set out by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and of its Supplement on Gold, the LBMA Responsible Gold Guidance and Responsible Silver Guidance, Section 1502 of SEC Dodd Frank Act and the WGC Conflict Free Gold Standard. This Policy Statement has been developed over the years and is now formalized in the company's Precious Metal Supply Chain Policy, which is continuously reviewed and updated, and the latest version is publicly available on our corporate website. To ensure these standards are respected and upheld, Valcambi applies strict KYC (Know Your Client) and KYP (Know Your Product) due diligence processes in vetting all applicant-counterparties, counterparties and their associated supply chains.

As an integral part of its enhanced ASM due diligence process, during 2018 Valcambi imposed the Due Diligence Procedure on several ASMs, two of which became active counterparties in 2018, while others are expected to become active counterparties in 2019. All these ASMs are currently delivering only gold-based material to Valcambi, and no silver based material is sourced from ASMs.

Over the course of calendar 2018 Valcambi has focussed on liaising with upstream and downstream partners and has been involved in a series of multi-stakeholder initiatives, promoting responsible sourcing practices in ASM. Valcambi is a founding member of the European Partnership for Responsible Minerals Trade; the UNEP's Global Mercury Partnership, and the Swiss Better Gold Association (SBGA).

Valcambi's Sales Officers are required to undertake in-depth and regular training to ensure their knowledge is always up-to-date on the evolving standards of the industry. They act as promoters of the ethical foundations that underlie Valcambi's involvement in responsible sourcing and they constantly invite counterparties to align themselves with its policies and practices. This includes activities such as offering guidance during on-site visits and updating suppliers on emerging compliance and regulatory practices, as well as industry best practice. As part of this active client engagement a reference to the LBMA's RGG and an executive summary of the principles contained in the OECD Guidance, is always included in every new refining contract that Valcambi signs.

**Valcambi has established a company-wide communication mechanism to promote broad based employee participation and risk identification to management.**

Comments and Demonstration of Compliance:

A Grievances and Whistleblowing Procedure has been established as part of an on-going dialogue with our internal and external stakeholders. This procedure defines the appropriate measures to allow anonymous communications. Through a dedicated and secure mailbox, available at [compliance@valcambi.com](mailto:compliance@valcambi.com), any interested party (employees, stakeholders or counterparties) can express - on both individual or collective bases - concerns or raise issues over the supply chain and associated risks. While the Human Resources department deals with internal complaints, the Compliance Officer is in charge of monitoring and assessing all incoming external communication and in keeping Senior Management informed about every relevant newly identified risk. A detailed list of the incoming complaints is presented by the Compliance Officer for review to the Senior Management as a minimum with each Quarterly Compliance Report. According to the nature of the complaint, a department/responsible member of Senior Management will be assigned to determine an appropriate action plan for its resolution and for the engagement process with the interested parties. No whistleblowing disclosures were recorded for the calendar year 2018.

## **Step 2: Identify and assess risks in the supply chain**

### **Compliance Statement with Requirement:**

Fully compliant with Step 2: Identify and assess risks in the supply chain.

### **Valcambi has a process in place to identify risks in the supply chain.**

Comments and Demonstration of Compliance:

Valcambi has always placed the utmost importance on the identification and assessment of any kind of risk related to the Precious Metals Supply Chain. We have developed rigorous Client Management processes made up of KYC and KYP filters. These are supported by business intelligence tools which collate conflict, human rights and white-collar crimes risk and due diligence into a robust process for vetting all (applicant) Counterparties. Valcambi's risk assessment process prevents the company from entering into any business relationship with any counterparty that has not fully complied with all requirements stated in our Precious Metal Supply Chain Policy. Beside this, the company imposes strict internal assessment criteria that are applied to assign risk profiles to every precious metal supplying counterparty. The risk profile includes a risk classification detailed for each supply chain, based on a three level scale. No business is allowed when a high-risk supply chain is identified and when there are no measures in place to mitigate the risk.

For precious minerals of direct ASM provenance, a compulsory onsite Spot Check is performed for all the supply lines. This can be conducted either directly by Valcambi or an independent audit report can be accepted if the ASM is certified according to recognised standards. The audit is only undertaken after the applicant-Counterparty has gone through all KYC procedures, up to and including a KYP Filter. A business line cannot be opened for any supply chain with ASM provenance where the information gathered on the counterparty is in any way "non-compliant" with our policies and procedures.

### **Valcambi assesses risks in light of the standards of its due diligence system.**

Comments and Demonstration of Compliance:

Prior to entering into a business relationship with any precious metals supplying counterparty Valcambi systematically performs its Supply Chain Due Diligence in line with all measures required by the LBMA Responsible Gold Guidance and Responsible Silver Guidance and also with OECD Guidance. Accordingly, under our policies and procedures, enhanced due diligence is triggered during risk identification and assessment at KYC and KYP stages, when the Compliance Officer identifies any risk level that requires further investigation in order to make a determination as to whether to continue with the due diligence process or move to non-compliance. Moreover, by applying a robust risk-based approach, we constantly monitor and review all transactions which take place across the entire business relationship and we are able to check their consistencies with our knowledge of the supply chain and the requirements outlined above.

During 2018 a number of business cases required activation of the enhanced due diligence procedure, some of them related to metal sourced directly from ASM mines. After application of the enhanced procedure, the risk for each of these suppliers/customers was able to be appropriately mitigated, as an example by requiring Certification according to the Fairtrade standard.

### **Valcambi reports risk assessment to designated Senior Management.**

Comments and Demonstration of Compliance:

Senior Management is responsible for approving all new precious metals supplying counterparties regardless of their risk category. Periodic reports are presented by the Compliance Officer to the CEO, concerning any change occurring in the risk level associated with existing counterparties and/or suppliers of metals. The CEO determines the appropriate course of action in light of each situation. Senior Management retains the ultimate control and responsibility for Valcambi's precious metals supply chain.

### **Step 3: Design and implement a management strategy to respond to identified risks**

#### **Compliance Statement with Requirement:**

Fully compliant with Step 3: Design and implement a management strategy to respond to identified risks.

**Valcambi has devised a strategy for risk management of any 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.**

#### Comments and Demonstration of Compliance:

Valcambi has devised and adopted an appropriate strategy for risk management of any identified new issue based on a 'prevent, detect and respond model', as required by the OECD Due Diligence Guidance and by the UN Guiding Principles on Business and Human Rights. The protocol created allows Valcambi to manage risk through rigorous risk assessment and investigation (enhanced due diligence) and to mitigate and remediate human rights impacts in the precious metal supply chain. The strategy includes establishing the level of the Risk, taking in to consideration the country of origin, supplier, product, complexity of the supply chain and any other relevant circumstances. The level of risk is regularly reviewed and updated.

**Where a management strategy of risk mitigation is undertaken, it should include all measurable 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:

The cases of high-risk counterparties - as defined by the LBMA RGG - identified in Valcambi's precious metals supply chain in 2018 have been further investigated. In all cases measurable steps have been identified, implemented and monitored, including the ASM certification in accordance with Fairtrade and Fairmined standards. In dealing with any high-risk counterparty, Valcambi undertook its due diligence practices in line with the standards required.

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

#### **Compliance Statement with Requirement:**

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

#### Comments and Demonstration of Compliance:

Valcambi engaged the services of the assurance provider KPMG. Their independent Reasonable Assurance Report is publicly available on Valcambi's website ([www.valcambi.com](http://www.valcambi.com)) and it is also attached to this report.

### **Step 5: Report on supply chain due diligence**

#### **Compliance Statement with Requirement:**

Fully compliant with Step 5: Report on supply chain due diligence.

#### Comments and Demonstration of Compliance:

The Precious Metals Supply Chain Policy adopted by Valcambi is available on the company's website as well as Valcambi's Compliance Report referring to calendar year 2018. The independent third-party audit Report is publicly available on Valcambi's website ([www.valcambi.com](http://www.valcambi.com)).

### 3. Management conclusion

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

Valcambi implemented effective management systems, procedures, processes and practices to comply with all the requirements of the LBMA Responsible Gold Guidance and Responsible Silver Guidance for the reporting year ended 31<sup>st</sup> December 2018 and is fully compliant.

### 4. Other report comments

If users of this report wish to provide any feedback or address any relevant question to Valcambi with respect to this report, they can contact our Compliance Officer by sending an e-mail to the functional mailbox: [compliance@valcambi.com](mailto:compliance@valcambi.com).