

# **LBMA Responsible Gold Guidance - Refiner Assessment Report**

*For third-party audits based on ISO19011:2011.*

**Prepared for:** London Bullion Market Association (LBMA)

**Date:** 16<sup>th</sup> February 2018

**Report** Heimerle + Meule GmbH

**Distribution**

**List:**

ASSESSMENT INFORMATION	
Refiner Name:	Heimerle + Meule GmbH
Refiner Location:	Location 1: Pforzheim, Germany, as follows: - Headquarters: Dennigstraße 16, 75179- Pforzheim, Germany; - Warehouse: Dennigstraße 8, 75179- Pforzheim, Germany; - Site: Am Mühlkanal 3, 75172- Pforzheim, Germany  Location 2: Vienna, Austria Pelzgasse 18, 1150 Vienna, Austria
Refiner Contact Person: Name, Title: Email: Phone:	Monika, Bakula - Business Organization and Quality Management Monika.bakula@heimerlemeule.com ; +49.7231.940.2184
Lead auditor and audit team members	Katharina Joecks, Lead Auditor Pascal Denoize, Team Auditor John-Michael Voss, Translator
Dates and places where the onsite assessment activities were conducted	Location 1: Pforzheim – 06-02.2018 to 08.02.2018 Location 2: Vienna – 13.02.2018

LBMA Refiner Assessment Report	
<b>Assessment objectives:</b>	
<p>The objectives of the assessment were to evaluate the conformity of the Refiner's management system procedures processes and practices with the LBMA Responsible Gold Guidance.</p>	
<b>Assessment scope:</b>	
<i>Refiner location(s) included in the assessment scope</i>	Location 1: Pforzheim, Germany, as follows:- Headquarters: Dennigstraße 16, 75179;- Warehouse: Dennigstraße 8, 75179;- Site: Am Mühlkanal 3, 75172- Location 2: Vienna, Austria: Pelzgasse 18, 1150 Vienna, Austria
<i>Assessment Period</i>	01.01.2017 to 31.12.2017
<b>Assessment methodology:</b>	
<p>The auditors used a triangulation of findings to evaluate the existence and implementation of appropriate systems at the Refiner, addressing all areas covered by the LBMA Responsible Gold Guidance. Each area of the LBMA Responsible Gold Guidance was verified by documentation review and management/employee interviews, as well as observation during the facility tour.</p> <p>The evidence of compliance that was reviewed included:</p> <ul style="list-style-type: none"> <li>The following areas of the facility were visited during the tour:</li> </ul> <p><b>Location 1-Pforzheim, Germany:</b>            Metal office (Vault), Individual deliveries counter, Casting &amp; Melting Department, Refinery, Shop floor (production of Semi-Finished Products), Laboratory, Industrial Scrap and Storage warehouse, Ash Burning and Chemicals processing site.</p>	

**Location 2- Vienna, Austria:**

Office and Individual deliveries counter, Vault, Melting department, Laboratory

- The following interviews were conducted with management:

**Location 1- Pforzheim, Germany:**

Managing Director  
Corporate Financial and Due Diligence Officer / Senior Manager  
Quality Manager  
Division Manager Production  
Business Organization and Quality Management  
Recycling Material Manager / Responsible Gold Officer  
Compliance, Money Laundering and Contract Manager  
Laboratory and Production Manager

**Location 2- Vienna, Austria:**

Manager Branch Vienna

- Interviews with employees responsible for the following areas were conducted:

**Location 1- Pforzheim, Germany:**

Physical reception of materials  
Refining  
Laboratory and assaying  
Supplier and Customer validation  
Supplier and Customer Due Diligence  
Finance

**Location 2- Vienna, Austria:**

Physical reception of materials  
Laboratory and assaying  
Supplier and Customer Due Diligence

- *The following documentation was reviewed:*

The documentary evidence reviewed for compliance includes: LIS (Line Item Summary) and related documents for the sampled transactions (including intra-company transfers), Business partners documentation (Supplier files), Refiner's policies, procedures and associated records covering the LBMA RGG aspects of compliance.  
In total, 50 transactions were reviewed which comprise of 40 transactions for Pforzheim and 10 transactions for the Vienna branch.  
For the supplier files, 14 were reviewed in Pforzheim and 6 were reviewed in Vienna.

The assessment team took into account all relevant objective evidence provided by the Refiner. Relevant evidence was either qualitative or quantitative in as far as it is appropriate and sufficient to support the assessment team's conclusions. Appropriate evidence is evidence that is relevant and reliable. Sufficient evidence refers to the amount of evidence provided to allow the assessment team to reach a conclusion.

All actual or potential gaps in the Refiner's systems in regards to the LBMA requirements are rated in accordance to the level of risk each presents to the credibility and integrity of the LBMA Responsible Gold Program for the responsible sourcing of gold-bearing materials.

	<b>Statement of the confidential nature of the contents:</b>
	<p>All the data contained in the assessment report, as well as all information obtained during the performance of the certification, is private and confidential between the auditing body and the Refiner.</p>
	<b>Any significant or inherent limitations or areas not covered that were within the assessment scope:</b>
	<p>There were no significant or inherent limitations or areas not covered within the assessment scope based on the LBMA audit guidelines. It is noted that 'high risk' transactions and files were selected as per what it is currently displayed in the Compliance Catalyst software system used by the refiner for final risk assessment. However, it does not cover One Time Customers. As per management statement, only business transactions with low risk are carried out with One Time Customers.</p>
	<b>Assessment summary:</b>
	<p>A full assessment audit of Heimerle + Meule GmbH was conducted on February 6 to 8 and 13, 2018. A total of 7 man-days were spent conducting the onsite systems reviews including Opening and Closing meetings, facility walkthroughs, management and employee interviews and documentation review. Corrective actions provided by the refiner on 14 and 15 February, 2018 were reviewed by the audit team off-site and are considered as part of the assessment.</p> <p>During the opening meeting, the audit team met with The Managing Director; Corporate Financial and Due Diligence Officer; Quality Manager; Division Manager Production; Business Organization and Quality Management; Recycling Material Manager; Compliance, Money Laundering and Contract Manager as well as the Laboratory and Production Manager. The assessment process was explained. Additional key personnel was interviewed during the walkthrough for verification of implementation of LBMA RGG and refiner's procedures.</p> <p>Areas and activities reviewed during the walkthrough included Metal office (Vault), Individual deliveries counter, Casting &amp; Melting Department, Refinery, Shop floor (production of Semi-Finished Products), Laboratory, Industrial Scrap and Storage warehouse, Ash Burning and Chemicals processing site. The Supplier risk assessment, onboarding procedures, documentation request and follow up process as well as transaction documentation procedures were assessed.</p> <p>The Refiner requested the Estimated distribution for each category of the Gold supplying counterparties in the Refiner's supply chain during the assessed period to remain confidential:</p> <p>Industrial Mining Operations: Confidential %        Recycled Materials/ Collectors: Confidential %        Industrial Scrap Providers: Confidential %        Aggregators: Confidential %</p> <p>As reported by the refiner and confirmed through sampling of supplier files, 100% second life cycle material is sourced and 100% inputs are Low Risk. The refiner classification process consider any client and supplier, including those who do not supply gold bearing materials. The classification system indicates 19 high risk counterparties. It was verified through the review of 10 files that 7 are not suppliers of gold bearing materials but customers purchasing final products which do not contain gold. The 3 others were black-listed and the refiners does no longer trade with them.</p> <p>The facility specializes in the refining of precious metals. For the purpose of refining, gold inputs include: Scrap, sweeps, Jewelry, dental gold, waste, customer returns.</p>

The refiner currently holds a number of certifications, including:  
RJC Code of Practice – November 21<sup>st</sup>, 2017 to November 21<sup>st</sup>, 2018

### **Step 1**

The refiner has put in place a gold supply chain policy in accordance with LBMA standards. The policy, which was last updated on 10<sup>th</sup> February 2016, is publicly available at:  
<http://www.heimerle-meule.com/company/responsibility/policy-concerning-conflict-minerals/>

The refiner has assigned responsibilities for implementation of the policy, with overall responsibility under designated Senior Manager and Responsible Gold Manager.  
Individual responsibilities are assigned at the different levels of the organization and department SOPs drafted such as to ensure that the procedures are embedded into day-to-day operations.

The policy is communicated to employees through intranet and displayed on company information boards. Specialized training with focus on the responsible gold guidance and anti-money laundering law requirements is also provided to applicable personnel (sales, representatives, goods receipt employees) every 2 years. The Responsible Gold Officer and Senior Manager may be reached confidentially to report any issues or concerns.

The policy is communicated externally on the refiner's website as well as in documentation used with suppliers (sales declaration, terms and conditions). As of 2017, suppliers are periodically required to accept the terms of the policy by signing and acknowledging the policy.

The refiner receives gold bearing materials from individuals. When identified to be unique, the transaction is recorded under a supplier number common to one time customers. For those individuals, the policy is communicated through the sales declaration in which the type of materials, weight, individual's identification documents number and their signature confirming acknowledgement of the policy are recorded.

2 cases were observed where those one time customers signed a version of the sales declaration that did not reference the policy. One declaration was an older version of the document, the other one was a declaration used for Business to Business transactions instead of Business to Customer. 1 sample transaction with material pick-up by own employees where no sales declaration was signed was found for Vienna branch.

It was recommended that the refiner reminds all responsible employees, in particular sales representatives and Vienna branch employees that the correct sales declaration forms (which include the refiner's gold supply chain policy) are required to be used for all transactions containing gold-bearing materials and duly completed. The refiner was receptive to the recommendation and provided evidences of corrective actions so that the non-compliance could be closed on site.

### **Step 2**

When it comes to materials, the refiner risk assessment starts with the plausibility check performed on reception of each gold bearing materials where the employees at the intake stage verify that the materials received are consistent with the supplier activities. Each intake is validated against the country of origin rating list and the list of black-listed customers and suppliers.

As for suppliers, the refiner has developed a comprehensive risk assessment that takes into consideration the country of origin and associated risks; verification of the identity of the gold supplying counterparty; identification of directors and beneficial owners; checks against government lists for wanted money launderers, known fraudsters or terrorists; business and financial details of the counterparty and type of business activities, together with additional non-LBMA related elements to assign a numerical risk to the GSC. The numerical risk is translated into low, medium or high risk GSC. The system is implemented so automatic review of the due diligence file is scheduled on an annual basis for medium and high risk suppliers.

It was observed that, for 10 out of 19 High Risk Counterparties, 7 were customer only and did not supply any gold bearing materials to the Refiner and 3 were not approved to perform business with the Refiner as they did not provide sufficient information for the Due Diligence or were known to be associated with illegal practices.

The refiner also receives gold bearing materials from individuals. When identified to be unique, the transaction is recorded under a supplier number common to one time customers. For those individuals, the sales declaration registers the type of materials, weight, individual's identification documents number and their signature confirming acknowledgement of the policy.

2 cases were observed where one time customers used a version of the sales declaration which is used particularly for private dental gold supply and which does not require provision of customer's ID details.

1 case was found where a wrong sales declaration receipt was used (B2B instead of B2C) which did not require completing ID information from the customer. 2 cases were found of customers where due diligence documentation was not complete (old business customers with no business registration and copy of ID card) was found for Vienna branch. Also no risk assessment result was available to the employees in Vienna branch for those customers (no documents in file).

It was recommended that refiner establishes a system that identification of owner of the material is ensured for all dental gold suppliers. It was recommended that the refiner reminds all responsible employees, in particular sales representatives that the correct sales declaration forms (which include identification of owner of the material, by recording ID card number for B2C transactions) are required to be used for all transactions containing gold-bearing materials. It was recommended that the refiner ensures that KYC documentation and risk assessment of older customers in the Vienna branch is completed in a timely manner. The refiner was receptive to the recommendation and provided corrective action which enabled the audit team to partially close the non-compliance on site.

In order to assign a risk rating to those one time customers, the refiner included in the input validation checklist an option to grade the individual supplier.

It was observed that a version of the Check list form to validate any input containing a field to define if One Time Customer's risk level was assessed is available in the manual but no evidence of its current use was obtained. Also no evidence was obtained that One Time Customers are assessed in the Compliance Catalyst software which attributes a risk grade to the customers assessed.

It was recommended that the refiner ensures a system is in place and evidence available that all One Time Customers were assessed as either low or high risk suppliers. The refiner was receptive to the recommendation and provided corrective action so that the non-compliance could be closed on site.

The information provided by the Gold Supplying Counterparty is cross checked through an independent data-base which provide company related information such as type of entity, registration and financial details, beneficial owners, directors. The database also lists the type of activities associated with the company.

No evidence in the Refiner's risk assessment that the following minimum criteria is considered high-risk and trigger enhanced due diligence: Gold supplying counterparties or other known upstream companies are active in a higher risk business activity such as arms, gaming and casino industry, antique and art, diamond merchants, sects and their leaders. As per interview of Senior Manager and Responsible Gold Officer, there is a practice in place to check the business type (available for assessed suppliers) and a doubt would be followed up in the plausibility check.

It was recommended that the refiner ensures that in the risk assessment the following minimum criteria is considered high-risk and trigger enhanced due diligence: Gold supplying counterparties or other known upstream companies are active in a higher risk business activity such as arms, gaming and casino industry, antique and art, diamond merchants, sects and their leaders. The refiner was receptive to the recommendation and provided corrective action so that the non-compliance could be closed on site.

The Refiner developed a list of 27 authorized customers / suppliers which can be used for acquisition of gold, gold bearing alloys, gold salt and specific processing of gold bearing materials. They are subject to the established due diligence and risk rating. 24 are graded low risk and 3 medium risk. Information

on their certifications against the LBMA or RJC standards is maintained when applicable. Suppliers are requested to commit to the Refiner's sourcing policy and to supply gold bearing materials originating from a defined list of countries.

It was observed through transaction files review that no shipping documents are maintained for fine gold bars ordered from other refiners (listed as authorized suppliers) and customer returns (refiner's own gold-bearing products).

It is auditors understanding that shipping documents shall be obtained for any gold input. It is recommended that the refiner ensures that shipping documents are maintained for gold-containing material transactions, as recorded on the Line Item Summary, in particular for fine gold bars and alloys ordered from other refiners (listed as authorized suppliers) and customer returns (refiner's own gold-bearing products). The refiner is invited to seek clarification from the LBMA before conducting the next audit.

The Refiner processes excluded materials, as per the LBMA Third Party audit Guidance, such as furnace or flue dust, spent crucibles and floor sweepings, or residue cell slimes from refining of other metals. For the current audit, those materials were included in the LIS. It is encouraged to seek clarification from the LBMA before conducting the next audit on the following questions as regards excluded material.

1. Shall excluded materials, such as furnace or flue dust, spent crucibles and floor sweepings, or residue cell slimes from refining of other metals, be included on the LIS or excluded? If included, shall those be marked as excluded material?

It is confirmed that small amounts of dental gold sold from private customers (up to 20 grams delivery weight) for the purpose of refining and fine gold bars purchased from other refineries (some LBMA/RJC CoC listed) not for the purpose of refining but re-selling to customers as well as customer returns (refiner's own gold-bearing products) are not excluded from the audit scope. However the refiner is invited to seek further clarification from LBMA regarding excluding materials assessed as low risk, such as gold delivered by (dentists') patients (teeth gold and old jewelry) with a delivery weight up to 20 grams to be subject to a complete due diligence process and not listed on the LIS. (patient gold representing 1.3 kg of the 15 tons of materials received annually).

For a delivery of excluded material Copper waste (0.08% gold content), the due diligence documentation of the supplier from Morocco was not available. The invoiced party was a sister company of the refiner. The transaction was initiated through contact with the sister company. Delivery of materials was made directly from the Moroccan supplier. Although this material could be excluded as per definition in the Responsible Gold Guidance, the material was listed on the Line Item Summary. As no separate system for excluded material could be identified, it was suggested that the KYC check should also cover cases as the above.

It was recommended to ensure that also in a case where the actual supplier of material differs from the invoiced customer the actual supplier is identified and due diligence assessment is carried out. The refiner was receptive to the recommendation and provided corrective action for this observation.

### **Step 3**

The risk mitigation process starts at the reception of materials where a plausibility check is performed and any suspicion is communicated to the Responsible Gold Officer and Senior Manager who would investigate the issue, involving when necessary other refiners or local authorities. The plausibility check prevents the entry of materials originating from high risk countries or from unauthorized suppliers. The investigation process may result in a high risk rating of the supplier, the quarantining of material and the termination of business transaction.

During the current assessment, one case was observed, when the result of the gold supply chain due diligence concludes that it is possible that there is fraudulent misrepresentation of the origin of minerals, where the Refinery did not suspend refining gold from this provenance until it could obtain additional information/data confirming or refuting the preliminary assessment as required in the Internal procedure

(Procedure for complete documentation of goods receipt / separation of goods with incomplete documentation). The sampled case was an input reported to authorities where the precious metal input included melted bars which aspect and content did not match the business activity of the supplier (the goldsmith provided industrial scrap).

In order not to give hint to the supplier of the current investigation, the refiner had to purchase the materials, based on clarifications with the authorities received by phone (no documented evidence was available for review), and consequently processed the materials before the investigation process was completed.

It was recommended to ensure that in case of a suspicion about the material supplied the material is quarantined until further decision is made by Senior Manager together with the company management after coordination with the government investigative authority. The refiner was receptive to the recommendation and provided correction actions so that the non-compliance could be closed on site.

#### **Step 4**

The refiner has undergone annual audits as per LBMA guidance.

#### **Step 5**

Audit report is publicly available in the refiner website:

<http://www.heimerle-meule.com/company/responsibility/policy-concerning-conflict-minerals/>

<b>Assessment findings:</b>				
<i>Category/subcategory</i>	<i>Non-compliance/Observation: Include evidence found to substantiate the non-compliance as well as frequency of its occurrence.</i>	<i>Recommended corrective action</i>	<i>Timeframe for implementing corrective actions</i>	<i>Refiner comments</i>
<i>Step 1.4</i>	1.4.1 Overall, gold supplying counterparties were observed to commit to and acknowledge in writing compliance with the Refiner's own Gold supply chain policy. Nonetheless, in 2 cases, One Time Customers did not acknowledge the refiner's policy within the sales declaration document. One declaration was an older version of the document, the other one was a declaration used for Business to Business transactions instead of Business to Customer. 1 sample transaction with material pick-up by own employees where no sales declaration was signed was found for Vienna branch. (Risk level: Low)	1) It is recommended that refiner reminds all responsible employees, in particular sales representatives and Vienna branch employees that the correct sales declaration forms (which include the refiner's gold supply chain policy) are required to be used for all transactions containing gold-bearing materials and duly completed.	CLOSED ON SITE	1) The Refiner has sent an email to all employees in the Pforzheim headquarter, as well as sales representatives and the Vienna branch employees. This email, sent 12.2.2018, and updated email 15.2.2018, is a reminder to use the correct version of the sales declaration and ensure that customer signs the form thereby accepting the gold supply chain policy. The correct version of the sales declaration form was attached in the email, as well as the conflict minerals training and the gold supply chain policy.
<i>Step 2.2</i>	2.2.3 The Refiner require the verification of the identity of the gold supplier counterparty to be maintained on file. Nonetheless, the audit found: 2 cases where one time customers used a version of the sales declaration which is used particularly for private dental gold supply and which	1) It is recommended that refiner establishes a system that identification of owner of the material is ensured for all dental gold suppliers. 2) It is recommended that the refiner remind all responsible employees, in particular sales representatives that the correct sales declaration forms (which include identification	PARTIALLY CLOSED ON SITE	1) The Refiner plans to stop all activities as regards providing new copies of the "Patientengold" sales declaration to dentists. Old copies shall still remain at the dentists and customers using those sending in dental gold shall be accepted as the

	<p>does not require provision of customer's ID details. 1 case where a wrong sales declaration receipt was used (B2B instead of B2C) which did not require completing ID information from the customer. 2 cases of customers where due diligence documentation was not complete (old business customers with no business registration and copy of ID card) was found for Vienna branch. Also no risk assessment result was available to the employees in Vienna branch for those customers (no documents in file). (Risk level: Medium)</p> <p><u>Related Observation:</u> The Refiner processes excluded materials, as per the LBMA Third Party audit Guidance, such as furnace or flue dust, spent crucibles and floor sweepings, or residue cell slimes from refining of other metals. For the current audit, those materials were included in the LIS. It is encouraged to seek clarification from the LBMA before conducting the next audit on the following questions as regards excluded material.</p>	<p>of owner of the material, by recording ID card number for B2C transactions) are required to be used for all transactions containing gold-bearing materials.</p> <p>3) It is recommended that the refiner ensures that KYC documentation and risk assessment of older customers in the Vienna branch is completed in a timely manner.</p>		<p>Refiner considers them low risk. So it is expected that still for some years such deliveries can be made. It is proposed to send out the sales declaration with their own gold supply chain policy (which also requests ID card information) to those customers delivering amounts exceeding 20 grams (delivery weight) which practically means that more than one gold tooth – more than the 20 grams which can be expected the usual amount- is sent. There are 600-1000 dental gold deliveries per year which come from private customers.</p> <p>As a corrective action provided on 14.2.2018 the RGG Manual was updated: The risk analysis and risk management chapter includes now the material type of "excluded material" which is material considered low risk, in particular gold delivered by (dentists') patients (teeth gold and old jewelry) with a delivery weight up to 20 grams. Such materials shall no longer be included</p>
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	<p>1. Shall excluded materials, such as furnace or flue dust, spent crucibles and floor sweepings, or residue cell slimes from refining of other metals, be included on the LIS or excluded? If included, shall those be marked as excluded material?</p> <p>It is confirmed that small amounts of dental gold sold from private customers (up to 20 grams delivery weight) for the purpose of refining and fine gold bars purchased from other refineries (some LBMA/RJC CoC listed) not for the purpose of refining but re-selling to customers as well as customer returns (refiner's own gold-bearing products) are not excluded from the audit scope. However the refiner is invited to seek further clarification from LBMA regarding excluding materials assessed as low risk, such as gold delivered by (dentists') patients (teeth gold and old jewelry) with a delivery weight up to 20 grams to be subject to a complete due diligence process and not listed on the LIS. (patient gold representing 1.3 kg of the 15 tons of materials received annually).</p>			<p>on the Line Item Summary (Chapter 4, subchapter II).</p> <p>2) An email (see above corrective action for Step 1.4) was sent to all employees as a reminder to use the correct version of the sales declaration.</p> <p>3) As per Senior Manager, the risk assessment for all active suppliers is not yet completed. It is planned to complete this process until summer 2018. A new archiving software was purchased for this process. Employees in Vienna would also be informed of the assessment results. For the 2 particular cases in Vienna, those were personally and longtime known to the Branch Manager in Vienna.</p> <p>4) The refiner still has questions, disagrees with the auditors conclusions and the inclusion of materials evaluated as Low risk.</p>
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Step 2.2	<p>2.2.21 No evidence in the Refiner's risk assessment that the following minimum criteria is considered high-risk and trigger enhanced due diligence: Gold supplying counterparties or other known upstream companies are active in a higher risk business activity such as arms, gaming and casino industry, antique and art, diamond merchants, sects and their leaders. As per interview of Senior Manager and Responsible Gold Officer, there is a practice in place to check the business type (available for assessed suppliers) and a doubt would be followed up in the plausibility check. (Risk level: Low)</p>	<p>1) It is recommended that the refiner ensures that in the risk assessment the following minimum criteria is considered high-risk and trigger enhanced due diligence: Gold supplying counterparties or other known upstream companies are active in a higher risk business activity such as arms, gaming and casino industry, antique and art, diamond merchants, sects and their leaders.</p>	CLOSED ON SITE	<p>1) The minimum criteria was added in the Responsible Gold Guidance manual (Chapter 4, risk analysis and risk management, page 17). The responsible persons were informed of the changes via email. As per Senior Manager, the business type (available from Orbis system) is considered. It shall be checked if it could be entered as a risk component in the customer data set creation process.</p>
Step 2.2	<p>2.2.25 No clear system or evidence that a risk level is assigned to One Time Customers. A version of the Check list form containing a field to define if One Time Customer's risk level was assessed is available in the manual but no evidence of its current use was obtained. Also no evidence was obtained that One Time Customers are assessed in the Compliance Catalyst software which attributes a risk grade to the customers assessed. (Risk level: Low)</p>	<p>1) It is recommended that the refiner ensures a system is in place and evidence available that all One Time Customers were assessed as either low or high risk suppliers.</p>	CLOSED ON SITE	<p>1) A version of the checklist form which includes the question if the risk assessment of the One Time Customer (OTC) was completed by goods receipt department was wrongly not used as it was available in the RGG manual but not fed into the SAP system. The correct version shall be implemented in SAP. Corrective action was provided by the refiner on site and per email which includes the updated</p>



				<p>version of the checklist with OTC check to be fed into SAP and used for all materials received and a change made to the chart about OTC material receipt (page 20 of the RGG Manual). It was added that after a BEO check and plausibility check are performed by the accounting department the decision is made to either pay the customer (if the results of the checks were ok) or to inform the Responsible Gold Officer, Anti-Money Laundering Officer and Sales that the customer is considered "high risk" and shall be listed on the "black list". The reasons shall be documented. There is possibility of a decision on case-by-case basis as per instruction on suspicion reporting (Chapter 4, page 17). The responsible persons were informed of the changes via email.</p>
Step 2.2	2.2.43 No shipping documents are maintained for fine gold bars and alloys ordered from other refiners (listed as authorized suppliers) and customer returns (refiner's own gold-bearing products). (Risk level: Medium)	1) It is recommended that the refiner ensures that shipping documents are maintained for gold-containing material transactions, as recorded on the Line Item Summary, in particular for fine gold bars and alloys ordered from other refiners (listed as authorized suppliers) and	OPEN - NO TIMEFRAME PROVIDED	<p>1) In the refiner's point of view this is not necessary and therefore not practiced.</p> <p>2) The refiner still has questions, disagrees with the auditors conclusions and the inclusion of</p>

	<p>(Related Observation: see non-compliance 2.2.3)          It is auditors understanding that shipping documents shall be obtained for any gold input. The refiner is invited to seek clarification from the LBMA before conducting the next audit.</p>	<p>customer returns (refiner's own gold-bearing products).</p>		<p>materials when not destined to refining.</p>
<p>Step 2.2</p>	<p>2.2.44 For a delivery of excluded material Copper waste (0.08% gold content), the due diligence documentation of the supplier from Morocco was not available. The invoiced party was a sister company of the refiner. The transaction was initiated through contact with the sister company. Delivery of materials was made directly from the Moroccan supplier. Although this material could be excluded as per definition in the Responsible Gold Guidance, the material was listed on the Line Item Summary. As no separate system for excluded material could be identified, it is suggested that the KYC check should also cover cases as the above. (Observation)</p> <p>(Related Observation: see non-compliance 2.2.3)</p>	<p>1) It is recommended to ensure that also in a case where the actual supplier of material differs from the invoiced customer the actual supplier is identified and due diligence assessment is carried out.</p>	<p>CLOSED ON SITE</p>	<p>1) An internal procedure was created (AA-RGG-001 Material receipt of gold-containing recycling material through export department) which requires to contact Senior Manager and Responsible gold Officer for deliveries from countries other than listed on the Green list. An internal corrective action plan was completed which includes an analysis of the causes (and departments) that lead to the incident, corrective and preventive measures. The CAP includes a date for implementation and was signed by the Senior Manager.          Training of employees in goods receipt, sales and export departments is scheduled until 1 March 2018. Email conversation of 8.2.2018 with the sister company was provided in</p>



				which KYC documentation for the Moroccan company was shared (business registration, pro-forma invoice, tax ID, results of Compliance Catalyst and BEO checks).
Step 3.1	<p>3.1.6 1 case was observed, when the result of the gold supply chain due diligence concludes that it is possible that there is fraudulent misrepresentation of the origin of minerals, where the Refinery did not suspend refining gold from this provenance until it could obtain additional information/data confirming or refuting the preliminary assessment as required in the Internal procedure (Procedure for complete documentation of goods receipt / separation of goods with incomplete documentation). The sampled case was an input reported to authorities where the precious metal input included melted bars which aspect and content did not match the business activity of the supplier (the goldsmith provided industrial scrap). In order not to give hint to the supplier of the current investigation, the refiner had to purchase the materials, based on clarifications with the authorities received by phone</p>	<p>1) It is recommended to ensure that in case of a suspicion about the material supplied the material is quarantined until further decision is made by Senior Manager together with the company management after coordination with the government investigative authority.</p>	CLOSED ON SITE	<p>1) The Responsible Gold Guidance Manual has been updated to include instructions for a formal suspicion report (Chapter 4, page 17): In the case of own suspicion report or suspicion report by an authority, the suspicious material is brought to a quarantine store. Then the Senior Manager together with the company management, and after coordination with the government investigative authority, if applicable, will make a single case decision and document it. This change was communicated to responsible employees via email. The single case decision is based on the following: In the here mentioned case the authority was informed about the procedure and there were no objections from the authority not to proceed with the refining process. Main criteria is</p>



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	(no documented evidence was available for review), and consequently processed the materials before the investigation process was completed. (Risk level: Low)			the guideline of the authority. Beside that the refiner states to follow their standard procedures that have to be continuously reevaluated with additional gained information.
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Assessment conclusions	Compliant	Low	Medium	High	Zero Tolerance
<b>Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:</b>			X		

The Auditors confirm that:

- ✓ The information provided by the Refiner is true and accurate to the best knowledge of the Auditor(s) preparing this report.
- ✓ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous.
- ✓ The Auditor(s) have acted in a manner deemed ethical, truthful, accurate professional, independent and objective.
- ✓ The Auditor(s) are properly qualified to carry out the assessment at this Refiner's facility.

Lead Auditor: Katharina Joecks

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Signature: (on file)

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Date: 16<sup>th</sup> February 2018

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