

Metalor U.S.A. Refining Corporation
North Attleboro, MA (USA)

Independent Reasonable Assurance Report
LBMA Responsible Gold Guidance

for the year ended 31 December 2018

Independent Reasonable Assurance Report to the Board of Directors of Metalor U.S.A. Refining Corporation, North Attleboro, MA (USA)

We were engaged by Metalor U.S.A. Refining Corporation to provide reasonable assurance on its Refiner's Compliance Report for the year ended 31 December 2018.

The assurance scope consists of the Refiner's Compliance Report and the Country of Origin Annex.

Responsibilities

The Board of Directors of Metalor U.S.A. Refining Corporation is responsible for the preparation and presentation of the Refiner's Compliance Report and the Country of Origin Annex in accordance with the *LBMA Responsible Gold Guidance* (the *Guidance*). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the directors as relevant for demonstrating compliance with the *Guidance* are the activities described within the Refiner's Compliance Report. Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance *ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the guidance set out in the *LBMA Responsible Gold Programme – Third Party Audit Guidance for ISAE 3000 Auditors (the Audit Guidance)*.

This report and its annex have been prepared for Metalor U.S.A. Refining Corporation for the purpose of assisting the Board of Directors in determining whether Metalor U.S.A. Refining Corporation has complied with the *Guidance* and for no other purpose. Our assurance report is made solely to Metalor U.S.A. Refining Corporation in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Metalor U.S.A. Refining Corporation for our work, or for the conclusions we have reached in the assurance report.

Inherent limitations

Non-financial information, such as that included in the Refiner's Compliance Report and the Country of Origin Annex, is subject to more inherent limitations than financial information, given to 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. It is important to read the Metalor's precious metal supply chain policy available on Metalor's website www.metalor.com.

Independence and competency statement

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants.

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.

Emphasis of matter paragraph

We draw attention to the fact that the Country of Origin Annex is not publically available.

Conclusion

In our opinion, the Metalor U.S.A. Refining Corporation's Compliance Report and the Country of Origin Annex for the year ended 31 December 2018, in all material respects, describe 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*.

MAZARS LTD

Franck Paucod
Licensed audit expert
(*Auditor in Charge*)

Sébastien Gianelli
Licensed audit expert

Geneva, February 7, 2019

Enclosures:

- Metalor U.S.A. Refining Corporation's Compliance Report 2018 and Country of Origin Annex

Copy to London Bullion Market Association

LBMA Refiner Gold Compliance Report

Table 1: Refiner's details

Refiner's name	Metalor USA Refining Corporation
Refinery Location	255 John L. Dietsch Boulevard North Attleboro, MA 02761, USA
Reporting year-end	31.12.2018
Date of Report	07.02.2019
Senior Management responsible for this report:	Marco Pisino Group Quality Manager
<p>Metalor USA Refining Corporation was established in 1989 after Metalor SA acquired the assets of the gold and silver refinery from Leach & Garner. The refinery itself was completed in 1984 in the same facility it still occupies today in North Attleboro, Massachusetts. In 1989, Metalor USA Refining was the first to release kilo bottles of gold grain which are still used widely in the USA. The scope of its activities include the melting and evaluation services for customers in both the North and South American markets. In 1991 Metalor USA Refining became a member of the London Bullion Market Association (LBMA).</p> <p>Metalor USA Refining Corporation is a subsidiary of Metalor Technologies International SA and follows all processes set at Group level like due diligence & compliance.</p> <p>Since its creation in 1852, Metalor has always been recognized by its worldwide business partners as an ethical and responsible precious metals company. It is not only the world's largest multiple site gold refiner, but it is also very active in silver, platinum and palladium refining and products making. This would not have been possible without irreproachable business practices and a sustainable strong corporate ethic. Metalor's corporate culture is founded upon honesty and integrity at all levels of the company, and we are determined to continue to be relentless in our effort to implement these values internally and externally.</p> <p>Metalor core competencies are the refining, management and transformation of precious metals, the supply of innovative surface treatment processes, powders, chemical products and catalysts, and the manufacturing of silver alloys electrical contacts designed for electrical distribution, digital and analogue control, transports and electrical appliances. Metalor's primary objective is to create exceptional value for its customers, partners and shareholders, within a culture of performance, innovation, trust and respect. With subsidiaries all over the world, and more than 1,700 employees, the Metalor Group is present in Europe, Americas and Asia.</p> <p>Metalor is a very active member of the London Bullion Market Association (LBMA). It has been a "Good Delivery Company" since 2003 (www.lbma.org.uk/). Metalor is also one of the five worldwide referees for the LBMA and was promoted as Ordinary member in 2012, which represent the highest level of membership</p>	

Metalor evaluation

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

We have 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?

Metalor group has adopted a company-wide policy binding for all its entities regarding due diligence for the supply chain of all precious metals, including but not limited to Gold.

Comments and Demonstration of Compliance:

Metalor has deployed throughout its organization clear and strong policies.

In order to continuously meet the world's strictest industry standards Metalor has successfully implemented legal and anti-corruption requirements and ensure irreproachable business practices as well as sustainable strong corporate ethics at all levels of the Company. Metalor complies with the LBMA Responsible Gold Guidance, consolidates and formalizes already existing high standards of refiners' due diligence obligations. Metalor own guidelines are built based on the OECD Due Diligence Guidance, Swiss and US KYC, Anti Money Laundering and regulations combating terrorist financing. The structure of Metalor guidelines combines and expands practices used by leading precious metal refiners in terms of AML, KYC, security and Due Diligence policies, management systems and audit processes to include risk-based due diligence in order to avoid contribution to conflict.

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

Metalor has set up an internal management structure to support its supply chain due diligence.

Comments and Demonstration of Compliance:

An internal management system has been set up to define the governance, clear roles and responsibilities, internal audit procedures, communication and management review as per the adopted policy. Compliance officers, located all around the world, are mandated to design, supervise and review the overall process, and have a direct line of reporting to the top management.

In order to comply with our obligations, principally putting in place organizational measures, all relevant employees receive a yearly training that covers all essential aspects of the compliance obligations of the Company to enable them to actively contribute to the enforcement, at their level, of anti-money laundering and the anti-financing of terrorism measures.

Such training must take place internally at least once a year, and a basic training must be provided to all new relevant employees. External training can also be used if available locally and considered as complying with our needs by the local Compliance Officer.

A specific emphasis is put on the employees working in the reception and evaluation departments, who are trained to detect any suspect material, as well as on the front office staff to detect and prevent dubious transactions.

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

Comments and Demonstration of Compliance:

We have a robust reception process for each and every lot. Specific documents such as customer order, custom and logistic paper, weight list... must be received and transactional details entered before we process any precious metal. Each lot received is accurately registered in our transactional system. For most lots, photographic evidences of the received materials are also kept. Specific controls such as weight check, deleterious element, radioactivity check) regarding received materials are carried out before processing incoming material as outlined in our internal guidelines.

Regular training of our employees ensures that our guidelines are followed; any form of non-conformance is unacceptable and reported to the compliance officer and top management. No such escalation was necessary during the reporting period.

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

Comments and Demonstration of Compliance:

During the reporting period Metalor has strengthened company engagement with Gold, and is continuously supporting its precious metal supplying counterparties to improve their own supply chain practices. Key account managers are, for example, using the opportunity of each customer site visit to not only share Metalor's compliance vision and expectations, but also helping our counterparties to continuously ameliorate their processes. Our existing high standards are based on the OECD Due Diligence Guidance as well as applicable local regulations. The structure of Metalor guidelines combines and expands practices used by leading precious metal refiners in terms of AML, KYC, security and Due Diligence policies, management systems and audit processes to include risk-based due diligence.

All new suppliers have to go through a complete due diligence process which consist on but is not limited to the scrutiny of information provided via our due diligence packs, the verification of the existence of the applicant, the accuracy of the business planned versus its official scope of business... For example, type of material, volumes and metal flows are cross-checked with our market intelligence. Data on key individuals are gathered and verified, and kept up to date during the course of the business relationship.

Then, further to a recommendation of the relevant compliance officers, the application must be formally and unanimously approved by our compliance committee members before we are entering into a new business relationship.

Our compliance department is reviewing the file of each co-contracting party every 1 or 5 years, respectively for high risk and normal risk customers. Normal risk companies (for example a listed company based in USA and providing exclusively industrial waste) are having their file reviewed every 5 years maximum. Of course, files are reviewed anytime a change in the corporation or the material origin occurs, regardless of the risk category.

When the Gold suppliers are not mines but collectors or traders, Metalor requires them to implement as well a compliance and due diligence system so that Metalor standards in terms of compliance are maintained along the supply chain. Metalor performs regular audits – including extended site visit – of its suppliers in order to verify their diligence system and sharing best practices.

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:

Metalor has deployed throughout its organization a mechanism allowing all employees to voice concerns over the precious metals supply chain or other identified regulation violation regarding conflict minerals sourcing or other compliance issues (Whistleblowing Policy). Such line of communication is confidential and is exclusively handled by the Group General Counsel office of the company in an independent fashion. In addition, a functional mailbox has been established which is reviewed by the Group General Counsel, as well as the compliance officers worldwide.

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

We have fully complied with Step 2: Identify and assess risks in the supply chain.

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

Metalor has processes in place to identify and assess risks in the supply chain.

Comments and Demonstration of Compliance:

We identify and assess risks in the supply chain. For every supplier we have established a client database and allocated a risk profile according to our risk profile criteria. This process is a formal requirement before entering any business relationship with any Precious Metals counterparty, including but not limited to Gold. Our due diligence process is carried out on a risk-based approach and follows our requirements as outlined in our Due Diligence policy.

Metalor has also established a global blacklist in order to ensure that individuals / companies who offered dubious business cannot be onboarded on any company of the Metalor group

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

Metalor 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 or other precious metals supplying counterpart. Metalor compliance team performs enhanced due diligence for higher risk categories, which includes all Gold originating or transiting via conflict affected areas, or areas with possible human rights abuses, child

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labor and other high risk factors. In addition, Metalor conducts appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship. If the due diligence assessment leaves doubts, the Compliance Committee refuses to enter into a new business and rejects the application submitted.

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

Comments and Demonstration of Compliance:

The Compliance officers assess the potential risks in-line with Metalor internal guidelines as well as the OECD due diligence guidance. If risks are identified with new or existing business partners, Metalor – through a formal decision of its Compliance Committee – will deny acceptance of new business partner or cancel business with existing partners. The Compliance Committee – composed of the CEO, the Group General Counsel and the Group treasurer- has the final responsibility on the precious metal supply chain.

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

Compliance Statement with Requirement:

We have 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

Metalor has devised a strategy for risk management of an identified risk by taking any of the three following option, depending on the risk evaluation: (i) mitigation of the risk while continuing to trade; (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk and terminating the business relationship.

Comments and Demonstration of Compliance:

Metalor has set-up an 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, the Compliance officer, jointly with any Metalor staff who may provide necessary information, will carefully assess any ad-hoc identified risk brought up by any stakeholder. After collection and scrutiny of information, necessary actions/measures are 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. The Compliance Committee is immediately informed whenever a possible issue with a counterpart is perceived.

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

Compliance Statement with Requirement:

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

Comments and Demonstration of Compliance:

As part of the LBMA certification program, an international & independent audit firm audits and verifies whether Metalor actually meets all requirements of the Goldresponsible standard. Their independent assurance report is attached. It is important to underline that Metalor has decided to ask the audit firm to perform every year a Reasonable Assurance audit, rather than only every three years as stated by the LBMA.

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 5: Report on supply chain due diligence

Comments

Further information and details on how Metalor systems, procedures, processes and controls have been implemented to align to the specific requirements in the LBMA Responsible Gold Guidance have been set out in our supply chain policy, which is available on our company website's download sections: http://www.metalor.com/en/node_59/about-metalor/node_1305.

Table 3: Management conclusion

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

Metalor overall conclusion

YES	In conclusion, Metalor USA Refining Corporation implemented effective and robust management systems, procedures, processes and practices to conform to the requirements of the LBMA Gold Responsible Guidance as explained above in Table 2. For the reporting year ending on 31 December 2018. Metalor is committed to continuous improvement.
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Other details

Table 4: Other report comments

Users of this report are welcome to provide feedback or address relevant queries to Metalor by Emailing: marco.pisino@metalor.com

Marco Pisino
Group Quality Manager

Marin, February 7, 2019