



INDEPENDENT REASONABLE ASSURANCE REPORT
LBMA RESPONSIBLE GOLD AND SILVER SOURCING AUDIT
VALCAMBI SA
ISAE 3000
16 October 2020

REPORT SUMMARY

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| Implementing firm | RCS Global Group Address: 9a Burroughs Gardens, London, NW4 4AU, United Kingdom Contact: Katie Redmond, Program Manager Email: contact@rcsglobal.com Phone: +49 176 6080 6483 |
| Title of Report | Independent Reasonable Assurance Report to Valcambi SA |
| Type of assessment | LBMA ISAE 3000 Assurance Assessment |
| Refiner Address | Valcambi SA Via Passeggiata 3, 6828 Balerna, Switzerland |
| Assessed Timeframe | 1 January 2019 – 31 December 2019 |

1. INTRODUCTION

Valcambi SA engaged RCS Global Ltd to provide reasonable assurance on its Refiner’s Compliance Report for the year ended 31 December 2019. The assurance scope consists of the Refiner’s Compliance Report.

2. RESPONSIBILITIES

Valcambi SA’s CEO is responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the LBMA Responsible Gold and Silver Guidances (the Guidances). This responsibility includes establishing appropriate risk management and internal controls from which the reported 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.

RCS Global’s responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the Refiner’s activities described within the Refiner’s Compliance Report.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Refiner’s Compliance Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

The procedures performed depend on our judgment as auditor, including the assessment of the risks of material misstatement in the Refiner’s Compliance Report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Refiner’s Compliance Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Refiner.

We conducted our assurance 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 and the guidance set out in the LBMA Responsible Sourcing Programme Third Party Audit Guidance for ISAE 3000 Auditors (the “Audit Guidance”).

This report has been prepared for Valcambi SA for the purpose of assisting management in determining whether Valcambi SA has conformed with the Guidances and for no other purpose.

Our assurance report is provided to Valcambi SA in accordance with the terms of our engagement.

We do not accept or assume responsibility to anyone other than Valcambi SA for our work, or for the conclusions we have reached in the assurance report.

3. INHERENT LIMITATIONS

Non-financial information, such as that included in the Refiner’s Compliance 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 Guidances may differ. It is important to read Valcambi SA’s Precious Metals Supply Chain Policy available on Valcambi SA’s [website](#).

Such information and methods do not fall within the scope of the Audit Guidance and we have not undertaken any assessment in this regard.


4. 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 the International Ethics Standards Board for Accountants.

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

5. CONCLUSION

In our opinion, Valcambi SA’s Refiner’s Compliance Report for the year ended 31 December 2019 in all material respects, 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*.

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|-----------------------|---|
| Signature |  |
| Assurance Firm | RCS Global Ltd. |
| Date | December 16, 2020 |
| City, Country | Cape Town, South Africa |



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LBMA Responsible Gold and Silver Guidances Refiner's Compliance Report 2019

Editor: DIR
Release: v00
Date: 31.03.2020

Foreword

The LBMA require all Refiners producing Good Delivery gold and/or silver bars to comply with the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance. In this Report, the term *Guidances* is referred to the two mentioned above. When a differentiation is needed, the reference will be done mentioning the specific Guidance.

The *Guidances* require 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, combating terrorist financing activities and avoid non-compliances with environmental and sustainability legal requirements.

This report outlines how Valcambi has complied with the requirements made by:

- LBMA Responsible Gold Guidance version 11.12.2018
- LBMA Responsible Silver Guidance version 01.09.2017

and its level of compliance with the requirements included in the above *Guidances* for the calendar year 2019.

The LBMA requires a dedicated refiner's compliance report for gold and silver. Since Valcambi adopts the same policies and processes for the sourcing of all precious metals, the reader will find the following points identically stated in any other compliance report released by Valcambi on the same date.

1. Refiner's details

Valcambi sa, 6828 Balerna, Switzerland
Reporting year-end: December 31st, 2019
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 59 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

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 *Guidances*.

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 of gold, silver, platinum and palladium.

Comments and Demonstration of Compliance:

The Company's Precious Metal Supply Chain Policy (Policy), which acts as Valcambi's policy statement, sets out our responsibility and full commitment to ensure that our sourcing and sale of the precious metals have not directly or indirectly contributed to abuses of human rights, terrorist financing activities, conflict, irreparable environmental degradation, corruption and money laundering.

The Policy 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 (CAHRAs) and its

Supplement on Gold. The Policy is subject to a minimum bi-yearly review. Version 4 was valid during the reporting year and in 2019 no changes were required. The active policy is available on Valcambi's corporate website in the download section (<https://www.valcambi.com/downloads/>).

The Policy is supported by a comprehensive management system that is implemented and maintained and is described in detail in the following sections.

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

Comments and Demonstration of Compliance:

Valcambi has a management system that effectively embeds supply chain due diligence into its organizational structure and processes.

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

The Compliance Officer, reporting directly to the CEO, has all the necessary skills and resources 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 Sales Officer is responsible to liaise with precious metals' clients and suppliers in order to ensure effective implementation of the Due Diligence procedures.

Valcambi has established a Responsible Sourcing Committee (RSC) composed of the CEO, Compliance Officer, Head of Sales and AMS Manager. The RSC is responsible for monitoring and approving the updated risk level determined for each counterparty.

In addition, 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.

To support supply chain due diligence, Valcambi uses various business intelligence tools to scrutinize companies and individuals, while the company's fully integrated SAP ERP system is the tool used to ensure high traceability standards in regard to information, documentation and identification for every lot of precious metals bearing material we process. Strict internal working procedures, as well as automatic checks and controls, exclude 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 *Guidances*. 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, carried out across all precious metal suppliers, independent of their origin. Information resulting from the due diligence processes is duly documented and maintained in accordance to the applicable legal and standards requirements.

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

Comments and Demonstration of Compliance:

Valcambi applies Know Your Client (KYC), Know Your Product (KYP) and Anti-Money Laundering (AML) procedures as part of its due diligence in vetting applicant-counterparties and their associated supply chains, identifying the actors involved in that supply chain.

Whenever a high-risk supply chain is detected, Valcambi conducts enhanced due diligence as described in Step 2. Controls systems to support the enhanced due diligence include, but are not limited to statements from the counterparties on the origin of precious metals.

In order to ensure the robustness of our due diligence system and effective implementation of our procedures, Valcambi's Sales Officers are required to undertake in depth and regular training to ensure their knowledge on the evolving standards of the industry is always up to date. They act as promoters of the ethical foundations that underlie Valcambi's involvement in responsible sourcing and they actively engage with counterparties to

support them in aligning their practices with Valcambi's policies and practices. This includes activities such as providing guidance during on-site visits and updating suppliers on emerging compliance and regulatory requirements, as well as industry best practices. As part of this active client engagement a reference to the applicable Guidance and an executive summary of the principles contained in the OECD Guidance are included in every new refining contract that Valcambi signs.

Over the course of 2019 Valcambi has focussed on liaising and collaborating with upstream and downstream partners, and has been involved in various multi stakeholder initiatives, aimed at promoting responsible sourcing practices in ASM. Valcambi is a founding member of the European Partnership for Responsible Minerals, has joined the UNEP's Global Mercury Partnership, and is a member of the Swiss Better Gold Association (SBGA).

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

Comments and Demonstration of Compliance:

Valcambi has developed a Grievances and Whistleblowing Procedure 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 functional mailbox, available at compliance@valcambi.com, any interested party (employees, stakeholders or counterparties) can express - on both individual or collective bases - concerns or raise issues related to 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 supply chain and risk related communications and in keeping Senior Management informed about every relevant newly identified risk. As part of the Quarterly Compliance report, or more often if required, he/she produces a list of the incoming complaints for review by Senior Management. Depending on the nature of the complaint, Senior Management determines 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 2019.

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

Compliant with Step 2 for: Valcambi has a process in place to identify risks in the supply chain and Valcambi reports risk assessment to designated Senior Management.

Partially compliant with Step 2 for: Valcambi assesses risks in light of the standards of its due diligence system.

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

Comments and Demonstration of Compliance:

Valcambi implements a comprehensive process to identify and assess risks related to its 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 information on conflict, human rights and white-collar crimes risk into a robust process for vetting all (applicant) Counterparties. We are progressively adapting to the newer LBMA requirement to analyse environmental and sustainability legal requirement as well. Definition of red flags, conflict-affected and high-risk areas is in accordance with the OECD requirements and relies on open source information including national and international Regulations and Recommendations.

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 has defined strict internal criteria that are assessed to assign the risk profile 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 ASM provenance, Valcambi always conducts enhanced due diligence that includes onsite Spot Checks (directly by Valcambi or by independent auditors), after the applicant-counterparty has gone through all KYC and KYP procedures.

In 2019 two of the several ASMs which underwent enhanced due diligence became active counterparties, while others are expected to become active counterparties in 2020. All these ASMs are currently delivering only gold-based material to Valcambi, and no silver-, platinum- or palladium-based material is sourced from ASMs.

Valcambi intends to go beyond the *Guidances'* definition of "origin" of precious metals, with the aim of preventing that, in the upstream supply chain, precious metals from illegitimate sources may be delivered to Valcambi. Secondary feeds therefore are scrutinized and, whenever Valcambi identifies a risk associated with the supply chain that requires enhanced due diligence, Valcambi requests appropriate legally enforceable statements on the location from which the supplier has received the precious metals.

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 procedures. 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 determine as to whether to continue with the due diligence process or move to non-compliance. Moreover, by applying a comprehensive 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.

Valcambi also conducts supplier visits as part of its enhanced due diligence process, undertaken on a risk-based approach, but during the reporting year 2019 has not yet consistently implemented the requirement for these to be "conducted by competent employees or a competent independent third-party consultant free of any conflict of interest" (LBMA RGG V.8), using the on-site visit templates included in the LBMA Toolkit. Valcambi intends to only use the LBMA Toolkit provided templates from January 1, 2021.

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. The Compliance Officer reports at least on quarterly basis any change occurring in the risk level associated with existing counterparties and/or suppliers of metals to the CEO. 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 defined 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 defined 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. This allows Valcambi to manage risk through rigorous risk assessment and investigation (enhanced due diligence) and to mitigate and remediate negative impacts in the precious metal supply chain. The strategy includes establishing the level of the Risk, taking into consideration the country of origin, the supplier, the product, the complexity of the supply chain and any other relevant facts, information and circumstances. The level of risk is reviewed and updated at least on quarterly basis.

During 2019 Valcambi identified a number of business cases that required activation of the enhanced due diligence procedure, some of them related to metal sourced directly from ASM mines, some related to the country of origin or transit zones. After conducting enhanced due diligence, we were able to engage in risk mitigation for each of these identified suppliers/customers. As an example, after obtaining Fairtrade/Fairmined certification, we were able to establish and/or continue the business relationship with selected ASM suppliers.

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:

High-risk counterparties identified by Valcambi to be in Valcambi's precious metals supply chain in 2019 have been further investigated and measurable steps have been identified, implemented and monitored. In 2019, we faced an example where a mine had to acquire certification in accordance with Fairtrade and/or Fairmined standards. For secondary feeds, where the supply chain includes red flagged areas, we adopt the measures described in Step 2 in support of the goal to prevent any incorporation of precious metals from CAHRAs or any other illegitimate source in Valcambi's value chain.

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 RCS Global. Their independent Reasonable Assurance Report is publicly available on Valcambi's website (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 as well as Valcambi's Compliance Report and related Independent Assurance for the calendar year 2019 are available on the company's website. The independent third-party audit Report is publicly available on Valcambi's website (www.valcambi.com).

For additional information on Valcambi's business relationships with upstream counterparties please refer to Valcambi's Sustainability Report, available on Valcambi's website (www.valcambi.com).

3. Management conclusion

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

Valcambi implemented management systems, procedures, processes and practices to comply with the requirements of the *Guidances* for the reporting year ended 31st December 2019 and will work diligently to bring all aspects of implementation into full compliance in 2020.

4. Other report comments

If readers of this report wish to provide any feedback or address any question to Valcambi with respect to its content, they can contact our Compliance Officer by sending an e-mail: compliance@valcambi.com.