



PROPRIETARY AND CONFIDENTIAL

INDEPENDENT LIMITED ASSURANCE REPORT

Valcambi SA

LBMA Responsible Gold/Silver Sourcing Assurance Engagement

15-17 February 2023



REPORT SUMMARY

Assurance firm	RCS Global Ltd. 9a Burroughs Gardens, London, NW4 4AU, UK contact@rcsglobal.com
Type of assessment	LBMA ISAE 3000 Limited Assurance Assessment
Refiner	Valcambi SA Via Passeggiata CH-6828, Balerna, Switzerland
Assurance engagement date	15-17 February 2023
Assurance period	01 January 2022 – 31 December 2022

1. INTRODUCTION

We were engaged by Valcambi SA (“The Refiner”) to provide limited assurance on its Refiner’s Compliance Report for the year ended 31 December 2022.

The assurance scope consists of the Refiner’s Compliance Report.

2. REFINER RESPONSIBILITIES

The Compliance Officer of the Refiner are responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the *LBMA Responsible Gold Guidance Version 9 and LBMA Responsible Silver Guidance Version 1 (the Guidance)*. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the Refiner as relevant for demonstrating compliance with *the Guidance* are the activities described within the Refiner’s Compliance Report and the Refiner’s Supply Chain Policy.

3. ASSURANCE PRACTITIONER RESPONSIBILITIES

Our responsibility is to carry out a limited 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 assurance practitioners, 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 – LBMA Third Party Audit Guidance* (the “*Audit Guidance*”).

This report has been prepared for the Refiner for the purpose of assisting the Compliance Officer in assessing the suitability of the assurance criteria, and hence the Refiner’s supply chain policy and management systems and for no other purpose. Our assurance report is made solely to the Refiner in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Refiner for our work, or for the conclusions we have reached in the assurance report.

4. 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 Guidance* may differ. It is important to read the Refiner’s gold and silver supply chain policy available on their website [<https://www.valcambi.com>]. Such information and methods do not fall within the scope of the *Audit Guidance*, and we have not undertaken any assessment in this regard.


5. 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 the *Audit Guidance* to carry out the assurance engagement.

6. CONCLUSION

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that the Refiner’s Compliance Report and Country of Origin Annex for the year ended 31 December 2022, does not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein, is not in accordance with the requirements of *the Guidance*.

Signature	
Assurance Firm	RCS Global
Date	27.02.2023
City, Country	Berlin, Germany



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LBMA Responsible Gold and Silver Guidances Refiner's Compliance Report 2022

Editor: DIR
Release: v00
Date: 15.02.2023

Foreword

The LBMA requires 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 9 dated November 2021
- LBMA Responsible Silver Guidance version 1 dated September 2017

and its level of compliance with the requirements included in the above *Guidances* for the calendar year 2022.

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, 2022
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 61 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, suppliers and to the industry that we serve.

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 related to due diligence for Valcambi's gold and silver supply chains.

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, child labour, terrorist financing activities, conflict, irremediable 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 semi-annual review. Versions 9 and 10 were valid during the reporting year. The Appendix to the Policy describes in detail the Valcambi Metals Origin Rules.

The most recent and valid version of the policy is always available in English on Valcambi's corporate website in the download section (<https://www.valcambi.com/downloads/>) and is communicated to all staff.

The Policy is imbedded and supported by a well maintained and comprehensive inhouse management system that is described in detail as follows.

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 by the Senior Management and shared with the Compliance Officers and the Sales Officers.

Compliance Officers, reporting directly to the CEO, have all the necessary skills and resources to perform their duties and are responsible for assuring the respect of rules applicable to Valcambi's precious metals supply chain due diligence, including the responsibility to ensure proper and timely communication of information to 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 ensuring the effective implementation of the Due Diligence procedures.

Valcambi has established a Responsible Sourcing Committee (RSC) composed of the CEO, Compliance Officers, Head of Sales and Accreditations and Management Systems (AMS) Manager. The RSC is responsible for the ongoing assessment, monitoring, approval of the risk level determined for each counterparty and for the definition of risk mitigation's strategies applicable to counterparties and transactions.

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 of actively representing Valcambi in initiatives and activities related to responsible sourcing, both at national and international level.

To support supply chain due diligence, Valcambi uses various business intelligence tools to scrutinize companies and individuals. The company's fully integrated SAP ERP system ensures high traceability standards regarding 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 processes, checks and controls are true for all the controls required to comply with the applicable AML/CFT standards. These provide robust risk-based administrative checks for due diligence procedures, carried out across all precious metal suppliers, regardless of their origin. Information resulting from the due diligence processes is duly documented and maintained in accordance with the applicable legal and standards requirements.

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

Comments and demonstration of compliance:

Valcambi applies a risk-based approach in performing Know Your Client (KYC), Know Your Product (KYP) and Anti-Money Laundering (AML)/ Combating Financing Terrorism (CFT), and Environmental, Social and Governance (ESG) factors' assessment procedures as part of its due diligence in vetting applicant-counterparties and their associated supply chains, identifying the actors involved in each supply chain.

Whenever a high-risk supply chain is detected, Valcambi conducts enhanced due diligence as described in Step 2. Control systems to support the enhanced due diligence include but are not limited to counterparties' statements on the origin of precious metals. For each supply chain, risk factors are assessed by using external and internal knowledge of the market, professional scepticism and public indexes focused on specific risk areas.

The use of credible market intelligence tools allows on-going monitoring of the legal, sanction, political exposure profile of counterparties and related adverse media. Valcambi has developed internal guidelines and recommendations in terms of supporting evidence to inquire, collect and assess the KYC, KYP, AML/CFT and ESG factors profile of the counterparty. Continuous monitoring and periodical review of counterparties is part of the risk mitigation strategy. High-risk transactions are scrutinized to detect possible anomalies, inconsistencies, unexplained trends, and conspicuous tendencies. If a positive result occurs, further investigation and verification will take place.

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 industry standards and to be always up to date. During the reporting period all Valcambi's Sales Officers have attended AML/CFT and responsible sourcing practices' training.

Valcambi has strengthened company engagement with supply chain counterparties and assistance in building due diligence capabilities.

Comments and demonstration of compliance:

Our Sales Officers are the prime contact and most important relationship officers engaging continuously with our counterparties also regarding responsible sourcing to ensure their alignment with Valcambi's policies and practices. In addition, Valcambi's team provides guidance during on-site visits and updates suppliers on emerging trends and up-coming regulatory requirements, as well as industry best practices. As part of this active counterparty 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. During the reporting year Sales Officers have sent to all precious metals suppliers a communication with the aim of sharing current applicable Valcambi's supply chain policy.

Over the course of 2022, 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, joined the UNEP's Global Mercury Partnership in 2016, and has been a member of the Swiss Better Gold Association (SBGA) since 2015.

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 a Grievances and Whistleblowing Procedure as part of an on-going dialogue with our internal and external stakeholders. A dedicated functional mailbox, available at compliance@valcambi.com, is public domain where any interested party can express anonymously on individual or collective basis concerns they have or raise issues related to Valcambi's supply chain and risks. While the Human Resources department deals with internal complaints, Compliance is in charge of monitoring and assessing all incoming external supply chain and risk related communications and keeps Senior Management informed about every newly identified risk. As part of the Quarterly Compliance report, or more often if required, it produces a list of the incoming complaints for review by the Senior Management. Depending on the nature of the complaint, Senior Management determines an appropriate action plan for resolution and for the engagement process with the interested parties. During the reporting year, Valcambi has been blind-carbon-copied in an email addressed to one of its business applicants, where gold from a geographical area known for smuggled material from CAHRA was proposed. The immediate escalation of the event was made to Senior Management and to the RSC. A meeting with the business applicant has been organized to clear the matter and to gain reasonable assurance of application of good responsible sourcing practices in the gold supply chain. The business applicant provided Independent Assurance Reports of the last 5 years and the business relationship was approved only for the sale of investment products by Valcambi to the applicant. Until today, there were no other indicators which would have led to any suspicion of any wrongdoing.

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 implements a comprehensive process to identify and assess risks related to its precious metals supply chain. We have developed rigorous counterparty management processes made up of KYC, KYP, AML/CFT and ESG factors' filters. These are supported by business intelligence tools and, where applicable, open sources of information listed in the EU Regulation 2017/821 which collate information on sanction, political exposure, conflict, human rights, child labour, environmental, and white-collar crimes risk into a robust process of vetting, both, counterparties and applicants.

Valcambi's risk assessment process prevents the company from entering 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 developed strict internal criteria to assign the risk profile to every precious metal supplier and to classify supply chain countries under the definition of CAHRA and red flagged location set by the OECD Guidance. The risk profile includes a detailed risk classification for each supply chain, based on a three-level protection concept. No business is allowed when a high-risk supply chain is identified, without measures in place to mitigate those risks.

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

Valcambi always conducts enhanced due diligence (EDD) for precious minerals from ASM, or CAHRA, for metals with red flag origin or from counterparties connected to PEPs and if there is a suspect of contribution to OECD Annex II risk factors or weak ESG factors. The EDD also includes onsite spot checks (directly made by Valcambi or by independent auditors), after the applicant has gone through KYC, KYP, AML/CFT and ESG factors assessment's procedures. Due diligence becomes progressively demanding and invasive as the risks identified increases due to the seriousness of the information uncovered and the degradation of the counterparty's reputation. No business is allowed when a high-risk supply chain is identified without measures in place to mitigate the risk. Valcambi has established criteria for the recognition of high-risk transactions and for detecting high risk supply chains related to non-LBMA Good Delivery Refineries (Intermediate Refineries). To mitigate related responsible sourcing risks Valcambi requests from the Intermediate Refineries an Independent Assurance Report done on a comply or explain basis compliant with the OECD aligned schemes and identifies the ultimate beneficial owners.

During the reporting year, CAHRAs involved in the supply chain have been Colombia, Lebanon, and Philippines. Specific high-risk factors identified during the reporting period when assessing new applicants which could lead to a negative response to the opening of a supply chain, have been those related to the presence of sanctions/embargos on suppliers and countries of potential supply, conflicts in the neighbourhood of production sites, the presence of foreign private armed forces, ASMs in supply chains difficult to monitor, news and investigations into suspected bribery and corruption and misappropriation of public funding, poor performances in ESG factors and /or widespread protests in the sourcing country that could affect the safe transport of precious material.

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

Comments and demonstration of compliance:

Prior to entering a business relationship with a precious metals supplying counterparty, Valcambi applies always its supply chain due diligence procedures. Under our policies and procedures, enhanced due diligence is triggered during risk identification and assessment at KYC, KYP, AML/CFT, ESG factors' stages, when the Compliance Officer identifies any risk factor that requires further investigation to determine whether to continue with the due diligence process or not. By applying a comprehensive risk-based approach, we constantly monitor and review all transactions which take place across the entire business relationship, and we check their consistencies with our knowledge of the supply chain, the performed due diligence on the counterparty and the requirements outlined above.

Transaction monitoring is done at an earlier stage before accepting precious metals by the Sales Officer with the support of the Senior Management and Compliance, and by the Logistic upon receipt of precious metals.

High-risk transactions are checked applying a 4-eye principle in by Compliance, means in terms of metal classification, document completeness, for traceability and plausibility.

Valcambi also conducts supplier visits as part of its enhanced due diligence process, undertaken on a risk-based approach and on the existence of responsible sourcing third parties' certificates with recognised reputation in the sector. Supplier visits are "conducted by competent employees or a competent independent third-party consultant free of any conflict of interest" (LBMA RGG V.9), using the on-site visit templates included in the LBMA Toolkit.

In 2022, the visits were conducted in Africa, Latin America, the Middle East, and Oceania and involved 4 counterparties, 17 ASMs, 3 aggregators of ASM material, 4 ASM's geographical areas.

In one of the on-site visits, Valcambi identified a non-conformance that potentially could cause possible negative environmental impact and severe health issues. Small usage of mercury by ASM has been ascertained, but no harm to life have been detected. Corrective measures have been defined and communicated. The implementation is under monitoring.

For another counterparty, the visit report registered the presence of military forces that Valcambi investigated further by obtaining an IESC Monitoring Report issued by a well-reputed international audit firm. As per the Report obtained, the external contractors' guards were not armed and had ILO Regulation compliant contracts to ensure the protection of the local community and the environment, including illegal hunting, while the presence of the army is a common practice in the country and was agreed with the Ministry of Mine to ensure community security. No incidents were registered, and the business relationship has not been blocked or suspended.

During the year Valcambi has also conducted 2 site visits to 3 Intermediate Refiners with a high-risk supply chain with the focus on the refinery's sourcing practices, its ability to segregate refining batches and to rule out the possibility that precious metals in Valcambi's supply chain could have potentially or were contaminated with gold from sanctioned Russian companies or individual counterparties.

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 a quarterly basis all changes occurring on risk levels associated to existing counterparties to the CEO. The CEO determines the appropriate course of action considering each situation. Senior Management retains the ultimate control and responsibility for Valcambi's precious metals supply chain. At least twice per year or whenever required the Responsible Sourcing Committee meets and the risk strategy is controlled, updated, or newly defined.

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 and continuing to trade, (ii) mitigation of the risk and 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, by the EU Regulation 821/2017 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 risk level, 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 on a regular basis and during the annual review of counterparties performed applying a risk-based approach. d

During 2022 Valcambi has identified several business cases that required the 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 involved in the supply chain, others related to Politically Exposed Person (PEP) classification or weakness in ESG factors. After conducting enhanced due diligence, we were able this time to mitigate risks for each of these identified suppliers/customers.

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 Senior Management.

Comments and demonstration of compliance:

The 41 high-risk counterparties identified by Valcambi in Valcambi's precious metals supply chain in 2022 have been thoroughly investigated and measurable steps have been identified, implemented and monitored. For secondary feeds, where the supply chain includes red flagged areas, we adopted the measures described in Step 2, to prevent Valcambi value chain from deliveries of precious metals from CAHRAs or any other illegitimate sources.

The adoption of international measures in relation to the situation in Ukraine has led to the suspension of all types of business with counterparts from countries directly involved in the conflict.

Valcambi has suspended its business relationship with an ASM mine that lost its Fairtrade certification for matters not inherent the performance of responsible sourcing practices. For two other Fairtrade-certified ASM mines, the business relationship was halted pending reconfirmation of the certification and was later reactivated. In the recent months the political situation in their country has entered in a process of instability that could affect the transportation of the precious material. Valcambi has requested an updated analysis from the certifying body on the impact on these supply chains and has obtained reassurances on the matter. The same approach has been applied on two other large-scale mines (LSM). In none of the case the block of the business relationship was deemed necessary for lack of security.

In the case of one refinery, reports of possible adverse health and safety impacts were found. Valcambi obtained the report with due diligence done by a law firm experienced in the matter that ruled out wrongdoing. The circumstance of the case will be kept under monitoring.

The identity of refiners and local exporters located in red flag locations are disclosed to the relevant Swiss governmental authorities at the time of import.

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 Limited 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 2022 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 which are fully compliant with the requirements of the *Guidances* for the reporting year ending 31st December 2022.

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 Department by sending an e-mail: compliance@valcambi.com.