



ADVISORS

**entrustworthy**

[www.ARCHEAdvisors.com](http://www.ARCHEAdvisors.com)

## Independent practitioner's reasonable assurance report

Assurance firm	ARCHE Advisors Inc.
Refiner	Valcambi SA 3 Via Passeggiata, Balerna, Ticino, 6828, Switzerland
Prepared for	Simone Knobloch/COO
Dates of assurance activities	February 19-22, 2024
Date of assurance statement	March 27, 2024

## Scope

We have been engaged by Valcambi SA to perform a 'reasonable assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Valcambi SA Compliance Report (the "Subject Matter") for the year ended December 31, 2023.

## Criteria Applied by Valcambi

In preparing the Subject Matter, Valcambi SA applied guidance contained within the LPPM Responsible Sourcing Guidance Version 4 (the Guidance).

## Responsibilities of Valcambi

Valcambi SA management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

## Responsibilities of ARCHE Advisors

Our 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 consider information from external sources of 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 in accordance with the LPPM Responsible Sourcing Guidance Version 4.

This report has been prepared for the Refiner for the purpose of assisting the Refiner 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.

## Our Independence and Quality Control

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 Assurance Guidance to carry out the assurance engagement.

## Description of Procedures Performed

Following procedures were conducted:

Conducting interviews with relevant personnel to obtain an understanding of the reporting processes and internal controls:

Reviewing and inspecting relevant documentation of the systems, policies and processes for compiling, assessing and reporting the Subject Matter in order to conform with the Criteria;

A site visit of the Valcambi SA to obtain an understanding of the processes, the security measures and controls in place to support the movement of platinum and palladium:

- Assessing the accuracy of data, through analytical procedures, where applicable;
- Testing, on a sample basis, underlying evidence such as approvals for the purposes of reconciling relevant information to that used in the preparation of the Subject Matter and
- Reviewing presentation and disclosure of the Subject Matter.


We also performed other procedures which we considered to be necessary under the circumstances.

## Inherent Limitations

Non-financial information, such as the Subject Matter, 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 Criteria can differ.

## Conclusion

In our opinion, the Refiner's Compliance Report and Country of Origin Annex for the year ended 31 December 2023, 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 Guidance.

Assurance Practitioners	Lead Practitioner - Kaido Katalsepp, Team Practitioner - Emily Brennan
Signature	
Date	March 27, 2024
Place	Tallinn, ESTONIA

# **LPPM**

## **Responsible Platinum and Palladium**

### **Guidance**

#### **Refiner's Compliance Report 2023**

---

Editor: DIR  
Date: 30.01.2024

## **Foreword**

The LPPM requires all Refiners producing platinum and/or palladium bars to comply with the LPPM Responsible Platinum and Palladium Guidance (*Guidance* in this report).

The *Guidance* requires all Refiners to adopt high standards of due diligence to combat systematic or widespread abuses of human rights, the worst forms of child labour to avoid contributing to conflict, to comply with high standards of anti-money laundering, combating terrorist financing activities and avoid non-compliances with environment and sustainability legal requirements.

This report outlines how Valcambi has complied with the requirements made by the LPPM Responsible Platinum and Palladium Guidance version 4 dated November 2022 and its level of compliance with the requirements included in the above *Guidance* for the calendar year 2023.

The LPPM requires a dedicated refiner's compliance report for platinum and palladium. This compliance report is also intended to explain compliance of responsible sourcing practices of Valcambi with requirements set by the EU Regulation 821/2017 (the EU-Conflict Minerals Regulation) and related Recommendation, and the Swiss Ordinance on Due diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO). Since Valcambi adopts the same policies and processes for the sourcing of all precious metals, including conflict minerals, the reader may 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 31<sup>st</sup>, 2023  
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 63 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 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 shall be satisfied by Refiners, to demonstrate compliance with the *Guidance*.

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

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

#### **Valcambi has adopted and committed to a policy for platinum and palladium supply chains due diligence.**

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, the worst forms of 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 third edition OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (CAHRAs). The Policy is subject to an annual review and updated as and when circumstances require. Version 11 was valid during the reporting year. The Appendix to the Policy describes in detail the Valcambi Metals Origin Rules. The most

recent and valid policy in English is always available on Valcambi's corporate website in the download section (<https://www.valcambi.com/downloads/>) and is communicated to all relevant 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 established management structures 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.

Authority and accountability for supply chain due diligence are assigned to the Responsible Sourcing Committee (RSC), chaired by the CEO who reports directly to the Board and has the required skills and experience to support the supply chain due diligence. The Responsible Sourcing Committee is composed of the CEO, Compliance Officers, Head of Sales and Head of Accreditations and Management Systems (AMS). The RSC is responsible for the ongoing assessment, monitoring, and definition of risk mitigation's strategies applicable to counterparties and transactions.

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 relevant Sales Officers. The Board of Valcambi is not involved in the approval of the business relationships and related value chains.

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 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 ensuring the effective implementation of the Due Diligence procedures.

The CEO 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, at a national, European and global level.

To support supply chain due diligence, Valcambi uses various business intelligence tools to scrutinize companies and individuals, and an IT tool to assess and assign the related counterparty's risk levels. The company's fully integrated SAP ERP system to ensure high traceability standards regarding information, documentation, and identification for every lot of precious metals bearing material Valcambi processes. Strict internal working procedures, as well as 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 *guidance*. The same strict processes, checks and controls are true for all the controls required to comply with the applicable Anti-Money Laundering (AML)/Combating Financing Terrorism (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 10 years in accordance with the applicable legal and standards requirements.

To ensure the robustness of our due diligence system and effective implementation of our procedures, Valcambi's relevant employees are required to undertake in depth 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 Senior Management (including CEO, CFO, COO), Management (including Head of Sales, Head of Production, Head of Laboratory, Head of Security), Sales Officers, Backoffice team, Legal and Compliance team, Logistics and Balance room teams have attended AML/CFT and responsible sourcing practices' trainings. Topics covered by the training include AML/CFT and related identification requirements, the LBMA and LPPM guidance's' requirements, internal rules on risk assessment, due diligence and sourcing, determination of precious material origin, treatment of gold processed by non-Good Delivery refineries, whistleblowing policy. Compliance Officers have also attended a specific training focused on Environmental, Social, and Governance (ESG) topics.

No cash-based transactions are accepted. Payments are processed only through official banking channels.

**Valcambi has established a platinum and palladium traceability system.**

Comments and demonstration of compliance:

Valcambi applies a risk-based approach in performing Know Your Client (KYC), Know Your Product (KYP) and AML/CFT controls, and 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.

For recycled platinum and palladium, Valcambi identifies the last delivery point and the country from where the platinum/palladium comes from as well as the owners of the material. For mined by-product material, Valcambi identifies the point at which platinum/palladium is first separated from its parent mineral ore. The due diligence is mandatory for each mine involved in the supply chain.

Whenever a high-risk supply chain is detected, Valcambi conducts enhanced due diligence as described in Step 2. 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, embedded in and managed by a risk management tool. 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. For each transaction, Valcambi collects relevant supporting documents, such as packing list, pro forma invoice, weight list, delivery note, Custom's invoice, Custom's bills, Custom's notes, invoices, airwaybill, waybill, sea waybill. At minimum, the packing list indicates, depending on the material, the type, form, purity, net weight, brand, serial number, date of production, date of purchase, date of entry into vault. High-risk transactions are scrutinized to detect possible anomalies, inconsistencies, unexplained trends, and conspicuous tendencies. If a positive result occurs, further investigation and verification take place.

**Valcambi has strengthened company engagement with platinum and palladium supplying counterparties.**

Comments and demonstration of compliance:

Our Sales Officers are the prime contact and the most important relationship with platinum and palladium suppliers providing assistance in building due diligence capabilities. Sales Officers engage continuously with our suppliers to ensure their alignment with Valcambi's policies and responsible sourcing practices. In addition, Valcambi's team provides guidance during on-site visits and updates suppliers on emerging trends and upcoming regulatory requirements, as well as industry best practices. As part of this active 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. All precious metals suppliers are required to agree to the current applicable Valcambi's supply chain policy.

Over the course of 2023 Valcambi has focused 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 confidential grievance mechanism.**

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. The Procedure is publicly available on the corporate website. A dedicated functional mailbox, available at [compliance@valcambi.com](mailto: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, the Compliance Officer provides 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.

No whistleblowing disclosures related to platinum or palladium supply chains were recorded for the calendar year 2023.



**Step 2: Identify and assess supply chain risks**

**Compliance Statement with Requirement:**

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

**Valcambi has conducted supply chain due diligence to identify potential risks.**

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-Conflict Minerals Regulation, and related Recommendation, which collate information on sanctions, embargoes, political exposure, conflict, human rights, child labour, environmental and white-collar crimes risk into a robust process for vetting all both counterparties and applicants. Information on supply chains is also collected through the LPPM Refiner toolkit KYC Questionnaire.

All information obtained are aggregated in and assessed by an IT risk management tool, Risk Management Application (RMA). The tool contains the necessary parameters for the calculation of the risk level and applied the rule that the higher risk determines the counterparty risk. The outcome is a detailed risk classification for each supply chain, based on a two-level scale, high-risk or non-high risk. The IT risk management tool makes possible to generate a list of documents to be used as a guideline when conducting the due diligence with the purpose of risk mitigation. The risk assessment is performed by the first line of control, the Sales Officer, and checked by the Compliance Officer. When necessary, the Compliance Officer might further increase it based on the specific risk identified in the supply chain under examination. In the presence of mining and/or refinery operation, environmental, health and safety issues, the Compliance Officer requires the support of internal resources with specific knowledge. Valcambi 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.

The Head of Sales and the Compliance Officers are responsible for approving all new non-high-risk precious metals supplying counterparties.

The risk level of counterparties is reviewed and updated on a regular basis and during the risk-based annual review. During the lifetime of the business relationship, the counterparty is continuously monitored through automatic screening with intelligence tools against adverse media, sanctions, and political exposure lists. Due diligence is regularly updated following a risk-based approach and expired documents regularly renewed.

By applying a comprehensive risk-based approach, Valcambi constantly monitors and reviews all transactions which take place across the entire business relationship and checks the consistency with the knowledge of the supply chain and the performed due diligence on the counterparty. Transaction monitoring is done at an earlier stage before accepting precious metals by the Sales Officer with the support of the Senior Management, the Compliance, and by the Logistic upon receipt of precious metals.

Communications among Departments is done by email to ensure the paper trail. 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.

**Valcambi classifies supply chains based on risk profiles.**

Comments and demonstration of compliance:

The company has developed strict internal criteria to assign the risk profile to every precious metal supplier. The strategy includes establishing the risk level of the counterparty taking into consideration the country of origin, the type of supplier, the product, the complexity of the supply chain, the delivery channel. The minimum standard used as criteria for defining CAHRAs is the list published by the European Union (EU CAHRA list). Valcambi refers to the UNICEF Child Labour Workplace Index as the minimum risk assessment standard for countries involved in the supply chain. Any other relevant facts, information, and circumstances are also taken into consideration such as sanctions, AML/CFT regulation weakness, existence of political conflict, bribery and

corruption, abuse of human rights, possible presence of worst forms of child labour, environmental sustainability.

The highest risk encountered determines the high-risk level of the counterparty. High-risk is automatically assigned when precious minerals are sourced from ASM, or from CAHRA red flag countries under the definition set by the OECD Guidance. High-risk in relation to child labour is assumed when countries involved in the supply chain are rated as “enhanced” or “heightened” by UNICEF in its Children’s Rights in Workplace Index. Counterparties connected to Politically Exposed Person (PEP) or State-Owned Enterprise (SOE) are also considered high-risk as well as whether there is a suspect of contribution to OECD Annex II risk factors or adverse/weak ESG factors. When factors that might represent high-risk in the supply chain are identified, the Compliance Officer performs further investigation (enhanced due diligence) to determine whether to continue with the due diligence process or refuse the supply chain (zero tolerance).

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

**Valcambi has undertaken enhanced due diligence measures for high-risk supply chains.**

Comments and demonstration of compliance:

Prior to entering a business relationship with any precious metals supplying high-risk counterparty, Valcambi always applies supply chain enhanced due diligence procedures. Under our policies and procedures, enhanced due diligence is triggered during high-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. Due diligence becomes progressively demanding and invasive as the risks identified increase due to the seriousness of the information uncovered and the degradation of the counterparty’s reputation.

In addition to all guidelines set out for due diligence, Valcambi applies high-risk specific and appropriate continuous monitoring measures. No business is allowed when a high-risk supply chain is identified without measures in place to mitigate the risk. The acceptance of the CEO is required for the approval of high-risk counterparties. The high-risk counterparties are reviewed and updated on annual basis.

Valcambi has adopted a transaction monitoring system and has established criteria to sample high-risk transactions. High-risk transactions have been checked by applying the 4-eye principle by the Compliance Officer in terms of metal classification, and document completeness for traceability and plausibility of the country of origin. All transactions are monitored and approved by the CEO.

Measures to mitigate the high risks of child labour consist of monitoring the existence and adequacy of the supply chain country’s legislative framework to ensure that it is aimed at prohibiting the employment of children at compulsory school age and in any case not under 15 years of age and avoiding the worst forms of child labour for children under 18 years old. Following checks on the existence and adequacy of the supplier’s internal regulatory framework, measures to strengthen it might be required.

The EDD also includes onsite spot checks, directly made by Valcambi employees without conflicts of interest as not directly involved in the business with the supplier or by external independent auditors, in both cases with specific technical expertise, using the onsite visit templates included in the LPPM Refiner Toolkit. Onsite visits on suppliers are undertaken on a risk-based approach and considering the existence of responsible sourcing third parties’ certificates with recognised reputation in the sector. Onsite visits are also aimed at excluding the presence of forms of child labour and slavery on the site. Onsite visits are performed before any transaction occurs, or at the least within six months of the business relationship commencing. During the reporting year, none of the Pt and/or Pd value chains required an on-site visit.

**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, by the EU-Conflict Minerals Regulation 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.

Valcambi has defined business criteria to be adopted in case of nonconformities detected all along the business relationship. Valcambi classifies nonconformities depending on the nature and severity into three-level scale: minor, medium, or major. Each circumstance triggers specific management tasks, evaluation and communication process involving senior management. Specific rules have been established for the suspension of the supply chain, the disengagement with the counterparty and the treatment of physical precious metal received at Valcambi premises.

Where nonconformities that might affect the supply chain are detected, they are thoroughly investigated and measurable steps are identified, implemented, and monitored.

#### **Step 4: Obtain independent third-party assurance on the supply chain due diligence practices**

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

Fully compliant with Step 4: Obtain independent third-party assurance on supply chain due diligence practices.

Comments and demonstration of compliance:

Valcambi engaged the services of the assurance provider ARCHE Advisors. ARCHE Advisors has been selected by Valcambi because: i) is a service provider approved by the LPPM; ii) there are no conflict of interest between Valcambi and ARCHE Advisors; iii) maintain a unified approach to supply chain control for both LBMA and LPPM.

The Independent Limited Assurance Report is publicly available on LPPM's website ([www.lppm.com](http://www.lppm.com)) Valcambi's website ([www.valcambi.com](http://www.valcambi.com)) and it is also attached to this report.

The Management Report for reporting year did not include any nonconformity.

#### **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 2023 are available on the company's website. The independent third-party audit Report is publicly available on Valcambi's website ([www.valcambi.com](http://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](http://www.valcambi.com)).

### **3. Management conclusion**

#### **Is the Refiner in compliance with the requirements of the LPPM Responsible Platinum and Palladium Guidance for the reporting period?**

Valcambi implemented management systems, procedures, processes, and practices which are fully compliant with the requirements of the *Guidance* for the reporting year ending 31<sup>st</sup> December 2023.

### **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](mailto:compliance@valcambi.com).