

19.08.2020_Statement - Valcambi's journey on responsible sourcing

Valcambi's responsible sourcing journey from 2008 - before grandfathering of LBMA Good Delivery bars in 2012 - until today in full compliance with LBMA Responsible Gold Guidance (RGG) and the OECD Due Diligence Guidance (DDG) for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2010) and the requirements detailed in the OECD Gold Supplement (2012) is shared in this statement:

In 2008, Valcambi introduced Valcambi Green Gold - fully traceable from mine to client - to the market. We invited NGOs to participate in this project, but they showed no interest. We set a benchmark by being the first refiner to offer such a product at a time when the sector's interest in traceability was minimal.

In 2013 Valcambi set itself a clear objective to develop sourcing practices allowing us to work with all eligible gold suppliers regardless of their location, as long as we can audit the counterparty (Know Your Customer, Anti-Money Laundering) and know and document where the supplied gold is coming from (Know Your Product). We undertake an accurate Risk Assessment on all our counterparties.

LBMA-accredited Good Delivery Refiners have to know and declare the exact origin of the precious metal received, according to the "origin" definition of the LBMA Responsible Gold Guidance (RGG). The origin of recycled gold is the point in the gold supply chain where the gold is delivered to the Refiner. For mined products, this is where the mine is located.

At Valcambi, we felt we needed to surpass the various industry standards and mandatory regulatory requirements in relation to the origin of the precious metals delivered to Valcambi beyond the direct supplier for recycled materials. From late 2013, we have informed our clients operating in, or in relations with, conflict-affected and high-risk areas (CAHRAs) of the type of material and countries of origin Valcambi accepts, and those which cannot enter our value chain. All countries on sanction lists, such as Sudan, and additional origins from which we do not have the capacity to fully manage the risks have been included on ongoing communications to our clients. In addition, we have required these clients to declare the origin of the materials sent to Valcambi through a Statement of Conformance (SoC) produced for each delivery.

Also from 2013 onwards, we have systematically examined our customers' responsible sourcing principles and processes to check their alignment with ours in compliance with the LBMA RGG (which follows the OECD DDG and the requirements detailed in the OECD Gold Supplement). We also reserve the right, in case of doubt or simply as confirmation, to have access to clients' due diligence files related to the suppliers that have provided the materials entering our supply chain.

Starting in 2015, Valcambi have informed our clients that Valcambi does not source material of African origins or from Africa, via intermediaries. Should we consider the sourcing of materials originated from Africa, Valcambi directly conducts the risk assessment and management, and deals directly with the Africa based entity. This is clearly stated in the appendix of Valcambi's [Precious Metals Supply Chain Policy](#).

The same year, we have requested all suppliers of recycled materials to declare the origin of the materials sent to Valcambi through a Statement of Conformance (SoC) produced for each delivery.

Also in 2015, with the help of Levin Sources, a specialist consultancy dedicated to responsible mining and sourcing, we conducted a full review of our due diligence processes as part of our continuous improvement system. The work we have done has led to our existing responsible sourcing due diligence 'manual' that aligns with and goes beyond the OECD DDG and the LBMA RGG, and includes an enhanced systematic and rigorous system of 'red flags' to assess and manage risks from high-risk sources. We submitted the 'manual' for independent review and contribution by NGOs and academic institutions. All their comments have been incorporated.

In 2016, Valcambi's laboratory independently developed a tracing system that allows the recognition of the products produced by Valcambi. Through this method, a scrap returned to Valcambi and declared as originating from the processing of Valcambi products can be identified as originating from Valcambi, and not from any other source or sources.

The same year, we informed our counterparties in trading hubs that Valcambi does not accept gold from CAHRAs via intermediaries. Gold originating from CAHRAs countries is only accepted through a direct relationship between the African counterparty and Valcambi.

Currently, do not source from CAHRAs, except from certified sources (Fairmined, Fairtrade, Better Gold) whose names we have reported in our Sustainability Reports and press releases. We may source from non-certified CAHRAs mines in

the future, but only when we have the capacity to manage the risk. For the mines we do source from, the Risk Assessment is thoroughly applied to identify all 'red flags' as per the OECD definition of CAHRAs.

In 2019, Valcambi introduced an Anti-Counterfeiting System (ACS) for all its kilo bars. Based on the creation of the 'fingerprint' of a gold bar's natural imperfections present on its surface, ACS enables future recipients and owners of the bar to check this fingerprint to authenticate it.

Today we are going a step further by adopting a new Secured Data Storage (SDS) system that strengthens and automates our precious metals sourcing process, and allows increased transparency and sharing of information while protecting confidentiality of our counterparties. Based on block chain technology, the SDS system will require entities looking to become a precious metals supplier to Valcambi to upload all due diligence information, data and documents required by the most stringent due diligence standard (based on LBMA Refiners Toolkit due diligence templates) into the database. This will then be accessible to all appropriate auditing parties. For each shipment sent to Valcambi, the supplier will specify which sources of precious metals are included. This creates the link between Valcambi, its supplier (the 'origin') and the 'genesis' (i.e. where Valcambi's supplier sourced the precious metal processed and subsequently sent to Valcambi).

SDS is a concrete method, among currently available technologies, to improve the perceived lack of transparency associated to recycled gold. Currently for recycled gold – which accounts for about one third of total annual supply and attracts increasing interest from downstream actors for its reduced environmental impact during processing – we can go back up to the 4th or 5th intermediary at most. It is utopic to think that for recycled it is possible to know at 100% the origin of contained material. Over time using SDS, even if it is still not possible to reach the theoretical 100%, we expect to reduce the residual uncertainty to a very little percentage, and the secondary market will become more transparent and secure for all secondary market supply chain users.

The newly acquired SDS system enables not only the recording of business partners' data and the origin of delivered material, but also helps to streamline the complex auditor workflow and enables greater rigor and robustness around the auditing framework, allowing auditors increased functionality in verifying and cross checking whether the information received is true and compliant.

To further drive transparency, we publish on our website our sourcing criteria – including the countries we do not accept materials from, and those for which we conduct enhanced due diligence.

Over the last 12 years, we have delivered solutions to make the market more transparent, to continuously enhance our due diligence process to source responsibly and to respond to increasing demand for products' traceability, provenance and proof of authenticity. By combining our Anti-Counterfeit (ACS) technology with SDS, as well as our proprietary tracing system, we offer a complete solution to securing the gold supply chain and, providing a full 'Know your product's Historical Journey' record.

For us, it is not about countries or organization names; it is about the robustness of processes and systems we have in place to assess and select our counterparties and manage our risks. Building walls, disengaging from specific countries or specific counterparties, is not the way to make the precious metal sector more responsible and will not help the condition of the affected populations. Improvement will come only through constantly raising the bar with all our counterparties because, in doing so, we force the adoption of best practices. The idea that not sourcing directly from higher-risk countries will solve the problems of the illicit activities that may occur in the gold supply chain is utopic; in reality, what will happen is that the supply chain will remain in place, in the hands of 'no questions' intermediaries, and the gold will flow into the market as before, just with a longer route.

We will continue our work to drive a responsible gold sector through embracing new technologies and other fruitful collaborations.