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## **Independent Reasonable Assurance Report to Valcambi SA**

KPMG LLP ('KPMG' or we') were engaged by Valcambi SA to provide a reasonable assurance conclusion over Valcambi SA's Refiner's Compliance Report ('the Report') for the year ended 31 December 2015.

### **Our conclusion**

Based on the work we have performed and the evidence we have obtained, in our opinion, the Report for the year ended 31 December 2015, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance with the requirements of the LBMA Responsible Gold Guidance.

This conclusion is to be read in the context of the remainder of this report, in particular the inherent limitations explained below and this report's intended use.

### **The scope of our assurance**

The assurance scope consists of the Report.

### **Reporting Criteria**

The Reporting Criteria is the LBMA Responsible Gold Guidance ('the Guidance') available at [www.lbma.org.uk](http://www.lbma.org.uk).

### **Inherent limitations**

Non-financial information, such as that included in the 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.

### **Directors' responsibilities**

The directors of Valcambi SA are responsible for the preparation and presentation of the Report in accordance with the LBMA Responsible Gold Guidance. This responsibility includes establishing appropriate risk management procedures and internal controls from which the reported information is derived.

### **Our responsibilities**

Our responsibility is to express an independent conclusion to Valcambi SA, based on the procedures performed and evidence obtained, as to whether the Report, in all material respects,

describes fairly the activities undertaken during the year to demonstrate that compliance is in accordance with the requirements of the LBMA Responsible Gold Guidance.

We performed our work in accordance with International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information ('ISAE 3000') issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors ('the Audit Guidance'). ISAE 3000 requires that we obtain sufficient, appropriate evidence on which to base our conclusion.

We comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and we apply International Standard on Quality Control (UK and Ireland) 1, 'Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements'. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

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.

### **Scope of work**

A reasonable assurance engagement involves planning and performing procedures to obtain sufficient appropriate evidence to give reasonable assurance over the Refiner's Compliance Report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Report whether due to fraud or error.

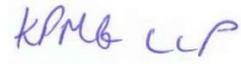
In making those risk assessments, we considered internal control relevant to the preparation and presentation of the Refiner's Compliance Report in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Valcambi SA's internal control over the preparation and presentation of the Refiner's Compliance Report. Our engagement also included: assessing the suitability of the Reporting Criteria in the circumstances of the engagement; evaluating the appropriateness of the methods, policies and procedures, and models used in the preparation of the Refiner's Compliance Report; the reasonableness of estimates made by the directors; and evaluating the overall presentation of the Refiner's Compliance Report.

### **This report's intended use**

This assurance report is made solely to Valcambi SA, in accordance with the terms of our engagement contract between us. Those terms permit disclosure to other parties, solely for the purpose of Valcambi SA showing that it has obtained an independent assurance report in connection with the Valcambi SA Compliance Report.

We have not considered the interest of any other party in the Valcambi SA Compliance Report.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Valcambi SA for our work, for this independent assurance report, or for the conclusions we have reached.



KPMG LLP  
Chartered Accountants  
31st March 2016  
London, United Kingdom

# LBMA Responsible Gold Guidance Compliance report year 2015

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## Foreword

The LBMA Responsible Gold Guidance has been established for Good Delivery 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 and combating terrorist financing practice.

This report outlines the way Valcambi has adopted the LBMA Responsible Gold Guidance and its level of compliance with the related requirements during the year 2015.

## 1 Refiner's detail

Refiner's name	VALCAMBI SA
Location	6828 Balerna, Switzerland
Reporting year-end	December 31 <sup>st</sup> , 2015
Date of Report	31.03.2015
Senior management responsible for this report	Michael Mesaric, CEO <a href="mailto:michael.mesaric@valcambi.com">michael.mesaric@valcambi.com</a>

*Valcambi was established in 1961 by a group of private Swiss investors who had an interest in the precious metals business. European Gold Refineries Holding SA (EGR) today owns one hundred percent of Valcambi. Till July 2015, EGR was owned by Newmont Mining (60.6%) and private investors (39.4%). Today EGR is owned by Global Gold Refineries Ltd (GGR,) incorporated in Switzerland, which belongs to REL Singapore PTE Ltd in Singapore (95%) and Rajesh Exports Limited (5%), a stock market listed company (NSE / BSE) in Bangalore, India ([www.rajeshindia.com](http://www.rajeshindia.com)).*

*Throughout its 55 year history, Valcambi has focused solely on the business of precious metals refining. The success and the reputation of the company are built on the philosophy of remaining committed to our employees, to our clients and to the industry that we service*

## Valcambi's evaluation

The following sections set out the minimum requirements that must be satisfied by Refiners in accordance with the LBMA Responsible Gold Guidance to demonstrate compliance.

## 2 Summary of activities undertaken to demonstrate compliance

### 2.1 Step 1: Establish strong company management systems

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

*We have fully complied with Step 1: Establish strong management systems.*

#### **Valcambi has adopted a company policy regarding due diligence for supply chains of gold.**

#### Comments and Demonstration of Compliance:

*We established an appropriate Precious Metals Supply Chain Policy, which is consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. This Policy sets out our responsibility and full commitment for establishing and maintaining strong management systems to fight serious human rights abuses associated with the extraction,*

*transport and trade of Precious Metals, to ensure Valcambi never contributes to any kind of conflict, to conduct stringent and systematic risk-based Due Diligence over our entire Precious Metals Supply Chain to fight money laundering and terrorist financing, to screen and monitor all transactions and governance structures in place, to maintain adequate records of the Supply Chain documentation and to ensure on-going training for all staff involved in the Precious Metals Supply Chain.*

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

Comments and Demonstration of Compliance:

*Valcambi has embedded a dedicated management system to support Supply Chain Due Diligence into its management structure and organisation. Duties, roles, authorities and responsibilities for implementing the adopted policy and to manage the Due Diligence process are clearly defined. The Compliance Officer, who reports directly to the CEO, has all the necessary means to perform his duty and is responsible for all matters regarding Valcambi's Precious Metals Supply Chain Due Diligence including the responsibility to ensure proper communication and information processes to Senior Management, who retain the ultimate control and responsibility for the Precious Metals Supply Chain.*

**Valcambi has established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors.**

Comments and Demonstration of Compliance:

*Valcambi manages its business processes through the company's fully integrated SAP ERP system. This includes the ability to ensure high traceability standards over the entire Supply Chain in regards to information, documents and actors related to every lot of precious metals bearing material which we process. Strict internal working procedures, as well as automatic checks and controls, exclude the possibility of starting to process any lots before having received, assessed, verified and stored all required relevant information and documentation.*

**Valcambi has strengthened company engagement with gold supplying counterparties, and where possible, assists gold supplying counterparties in building due diligence capabilities.**

Comments and Demonstration of Compliance:

*Since 2012, Valcambi has published a Responsible Gold Policy Statement to declare its commitment to fulfil the requirements set by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and its Supplement on Gold, the LBMA Responsible Gold Guidance, the Section 1502 of SEC Dodd Frank Act and the WGC Conflict Free Gold Standard.*

*In this regard, Valcambi has established a two-step Client identification on-line procedure. The framework of our refining agreements and general terms and conditions make appropriate reference to the above-mentioned standards and guidelines.*

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

Comments and Demonstration of Compliance:

*The dedicated functional mailbox compliance@valcambi.com allows anyone (employees, stakeholders or counterparties) to express any kind of concern over the Precious Metals Supply Chain and any unexpected related risks. Our Compliance Officer is in charge of monitoring and assessing all incoming communication and of keeping Senior Management informed about every relevant newly identified risk. The Compliance Officer presents communications from external and internal sources at the Quarterly Compliance Meetings, for a review by the Senior Management.*

## 2.2 Step 2: Identify and assess risks in the supply chain

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

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

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

Comments and Demonstration of Compliance:

*Valcambi has always placed the utmost importance on the identification and assessment of any kind of risk related to the Precious Metals Supply Chain. We have developed and implemented strict internal assessment criteria which are applied to assign risk profiles to every precious metals supplying counterparty. Valcambi's strengthened risk assessment process prohibits entering into any business relationship with any counterparty that has not fully complied with all requirements stated in its Precious Metal Supply Chain Policy. Valcambi is also in the process of making further enhancements to its risk assessment procedures.*

### **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 in line with all measures required by the LBMA Responsible Gold Guidance. Accordingly, under our policies and procedures, any counterparties categorised as 'higher-risk', as defined in the Precious Metal Supply Chain Policy, would be subject to our enhanced Due Diligence practices. Moreover, by applying a robust risk-based approach, we constantly monitor and review all transactions which take place across the entire business relationship to check their consistence with our knowledge of the supply chain and the requirement outlined above.*

### **Valcambi reports risk assessment to the designated manager.**

Comments and Demonstration of Compliance:

*The Senior Management is responsible for approving all new precious metals supplying counterparties regardless of their risk category. On an annual basis, the Head of Sales and the Compliance Officer submit to the Senior Management and the Audit, Risk & Credit Committee (ARC) a list of all risk-profiles of assessed counterparties, in order to review the existing business relationship. The Senior Management retains the ultimate control and responsibility for Valcambi's precious metals supply chain.*

## 2.3 Step 3: Design and implement a management strategy to respond to identified risks

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

*We have fully complied with Step 3: Design and implement a management strategy to respond to identified risks.*

### **Valcambi has devised 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 devised and adopted an appropriate strategy for risk management of any identified new issue. This strategy applied during the reporting year 2015.*

**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:

*Valcambi has identified a high-risk counterparty in its Gold Supply Chain as defined by the LBMA RGG scope during 2015. This high-risk counterparty has also been highlighted by an NGO, alleging violations on human rights, child labour and tax payments.*

*In accordance with its Precious Metal Supply Chain Policy, Valcambi immediately suspended any business with the counterparty and initiated an internal investigation.*

*Allegations from the NGO have been neither substantiated nor proven and the mines where the alleged violations occurred do not correspond to the mines identified during the Due Diligence, KYC and KYP phases. As part of Valcambi's detailed investigation, independent advisors were engaged to assess whether the allegation had any basis in fact and enhance the Due Diligence process.*

*Despite no evidence of illegal activities relating to the counterparty being provided, as a prudent measure, the business relationship has been temporarily suspended, the due diligence processes for this counterparty have been re assessed and we will only start to enter into transactions with this counterparty again after we have reconfirmed the quality of our initial due diligence and completed any additional procedures which we deem necessary.*

*Valcambi's strategy of risk mitigation is one of continuous improvement, aiming to identify any potential issues and how to address them, with on-going monitoring of performance, periodic risk reassessment and regular Compliance Officer's reporting to the Senior Management.*

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

**Compliance Statement with Requirement:**

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

Comments and Demonstration of Compliance:

*Valcambi engaged the services of the assurance provider KPMG. Their independent Reasonable Assurance Report is publicly available on Valcambi's website ([www.valcambi.com](http://www.valcambi.com)).*

#### **2.5 Step 5: Report on supply chain due diligence**

**Compliance Statement with Requirement:**

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

Comments and Demonstration of Compliance:

*The Precious Metals Supply Chain Policy adopted by Valcambi is available on the company's website as well as Valcambi's Compliance Report referring to the year 2015. The independent third-party audit Report is publicly 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 LBMA Responsible Gold Guidance for the reporting period?**

*Yes. In conclusion, Valcambi implemented effective management systems, procedures, processes and practices to comply with the requirements of the LBMA Responsible Gold Guidance, as explained above in Table 2, for the reporting year ended 31<sup>st</sup> December 2015.*

#### **4 Other report comments**

*If users of this report wish to provide any feedback to Valcambi with respect to this report, they can contact our Compliance Officer by sending an e-mail to the functional mailbox [compliance@valcambi.com](mailto:compliance@valcambi.com).*