



## INDEPENDENT REASONABLE ASSURANCE REPORT LPPM RESPONSIBLE PLATINUM AND PALLADIUM SOURCING ASSESSMENT

VALCAMBI SA  
ISAE3000

21 August 2020

## REPORT SUMMARY

<b>Implementing firm</b>	RCS Global Group Address: 9a Burroughs Gardens, London, NW4 4AU, U.K <a href="mailto:contact@rcsglobal.com">contact@rcsglobal.com</a>
<b>Title of Report</b>	Independent Reasonable Assurance Report to Valcambi SA
<b>Type of assessment</b>	LPPM ISAE 3000 Assurance Assessment
<b>Refiner</b>	Valcambi SA Via Passeggiata CH-6828, Balerna, Switzerland.
<b>Assessed Timeframe</b>	1 January 2019 – 31 December 2019

### 1. INTRODUCTION

We were engaged by Valcambi SA 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 LPPM Responsible Platinum/Palladium Guidance (the Guidance). 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. 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 not perform an audit on external sources of information or expert opinions, referred to in the Refiner's Compliance Report.

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 *LPPM Responsible Sourcing Programme - Third Party Audit Guidance (the Audit Guidance)*.

This report has been prepared for Valcambi SA for the purpose of assisting the Management, in determining whether Valcambi SA has complied with the Guidance and for no other purpose. Our assurance report is made solely 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 Guidance may differ. It is important to read the Valcambi SA’s Precious Metal Supply Chain Policy available on Valcambi SA Corporation’s website: <https://www.valcambi.com/downloads/>. 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 *LPPM Responsible Platinum/Palladium Guidance*.

Signature	
Assurance Firm	RCS Global Ltd
Date	21 August 2020



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# **LPPM Responsible Platinum and Palladium Guidance Refiner's Compliance Report 2019**

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## Foreword

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

The *Guidance* 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 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 01.04.2018 and its level of compliance with the requirements included in the above *Guidance* for the calendar year 2019.

The LPPM requires a dedicated refiner's compliance report for platinum and palladium. 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 31<sup>st</sup>, 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 *Guidance*.

#### 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, 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 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/>).

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The Policy is supported by a strong implemented and maintained management system, 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 an effective management system to embed 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 the 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 *Guidance*. 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 strong 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 all applicant-counterparties and their associated supply chains, identifying all 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 statements from the counterparties on the origin of precious metals, ensuring that deliveries to Valcambi are only from approved areas.

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 constantly 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 always 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](mailto: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: 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 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. Non-compliance with environment and sustainability legal requirements are analysed 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.

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 on the location from which the supplier has received the precious metals. Doing so, Valcambi goes beyond the *Guidance's* 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.

**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 make a determination as to whether to continue with the due diligence process or move to non-compliance. Moreover, by applying a robust 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 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 appropriately mitigate the risk 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:

All cases of 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 to prevent any incorporation of precious metals from CAHRAs or any other illegitimate source in Valcambi's value chain.

In dealing with any high-risk counterparty, Valcambi undertook its due diligence practices in line with the standards required.

#### **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](http://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](http://www.valcambi.com)).

Business relationships with upstream counterparties located in red flag areas and supplying Valcambi with precious metals originated from CAHRAs are disclosed in 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 effective management systems, procedures, processes and practices to comply with the requirements of the *Guidance* for the reporting year ended 31<sup>st</sup> December 2019.

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