



# INDEPENDENT REASONABLE ASSURANCE REPORT

LBMA Responsible Gold and Silver Sourcing Audit

Valcambi SA

15 – 18 March 2022

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## REPORT SUMMARY

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<b>Type of assessment</b>	LBMA ISAE 3000 Reasonable Assurance Assessment
<b>Refiner</b>	Valcambi SA
<b>Assessed Timeframe</b>	1 January 2021 – 31 December 2021

### 1. INTRODUCTION

We were engaged by Valcambi SA or the “Refiner” to provide reasonable assurance on its Refiner’s Compliance Report for the year ended 31 December 2021.

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

### 2. RESPONSIBILITIES

The Compliance Officer of the Refiner is responsible for the preparation of the Refiner’s Compliance Report in accordance with the *LBMA Responsible Gold and Silver 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 Refiner 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. 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 auditor, 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 determining whether the Refiner’s Compliance Report has complied with the *Audit Guidance* 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.

### 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 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.

#### 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.

Without modifying our conclusions, we draw attention to the description of the non-compliance contained within the Refiner’s compliance report. Due to the COVID-19 travel restrictions and health and safety measures on-site visits in 2021 have been focused on counterparties supplying precious metals with the most significant high risks. 29 on-site visits have been conducted in Europe, Latin America and Middle East because of the presence of ASM, Politically Exposed Persons (PEP) connected entities, CAHRAs and red flag locations in the supply chain.

#### 5. CONCLUSION

In our opinion, the Refiner’s Compliance Report for the year ended 31 December 2021, 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 *LBMA Responsible Gold and Silver Guidance*.

Signature	
Assurance Firm	RCS Global
Date	21 March 2022
City, Country	Berlin, Germany



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# **LBMA Responsible Gold and Silver Guidances Refiner's Compliance Report 2021**

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## 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 8 dated 11.12.2018
- LBMA Responsible Silver Guidance version 1 dated 01.09.2017

and its level of compliance with the requirements included in the above *Guidances* for the calendar year 2021.

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 31<sup>st</sup>, 2021  
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 60 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 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, 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 8 and 9 were valid during the reporting year. The Appendix to the Policy describes in details 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 and shared between the Compliance Officers and the relevant Sales Officers.

The Compliance Officer, reporting directly into 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 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 Officers, Head of Sales and Accreditations and Management Systems (AMS) Manager. The RSC is responsible for the ongoing assessment, monitoring and approval of the 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 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 the company's fully integrated SAP ERP system 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 *Guidances*. The same processes, checks and controls are true for all the controls required to comply with the applicable AML standards. These 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 comprehensive 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 a risk-based approach in performing Know Your Client (KYC), Know Your Product (KYP) and Anti-Money Laundering (AML) 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 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 and AML/CFT

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 clearance will take place.

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 industry standards and to be always up to date. During the reporting period all of 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 in regard to 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 2021, 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.

During the reporting year Valcambi has not purchased precious metals from any State-Owned Enterprise (SOE) operating in an EITI country.

**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. Through a dedicated functional mailbox, available at [compliance@valcambi.com](mailto:compliance@valcambi.com), any interested party (employees, stakeholders or counterparties) can express anonymously or not - on both individual or collective bases - concerns or raise issues related to Valcambi's 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 keeps Senior Management informed about every 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 resolution and for the engagement process with the interested parties. No whistleblowing disclosures were recorded for the calendar year 2021.

**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 and KYP 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, environmental, and white-collar crimes risk into a robust process for vetting all (applicant) counterparties.

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 developed strict internal criteria to assign the risk profile to every precious metal supplying counterparty 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 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 risks.

Valcambi intends to go beyond the *Guidances'* 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. Secondary feeds therefore 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.

For precious minerals of ASM or CAHRA or red flagged location provenance or where the counterparty is PEP connected or a suspected contribution to OECD Annex II risk factors emerges, Valcambi always conducts enhanced due diligence that includes onsite spot checks, after the applicant-counterparty has gone through KYC and KYP procedures. Due diligence becomes increasingly demanding and invasive as the risks identified increase 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 and whether no measures are in place to mitigate the risk.

During the reporting year, CAHRAs and red flagged locations involved in the supply chain have been Colombia, Lebanon and Philippines. Specific high-risk factors identified during the reporting period when assessing applying counterparties and which could lead to a negative response to the opening of a supply chain have been environmental risks, community relationships risks, tax payments issues, smuggling risks, bribery and corruption risks.

#### **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. 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 factor that requires further investigation in order to determine whether to continue with the due diligence process or move to non-compliance. Moreover, by applying a comprehensive 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, the performed due diligence on the counterparty and the requirements outlined above.

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.8), using the on-site visit templates included in the LBMA Toolkit.

Due to the COVID-19 travel restrictions and health and safety measures on-site visits in 2021 have been focused on counterparties supplying precious metals with the most significant high risks. 29 on-site visits have been conducted in Europe, Latin America and Middle East because of the presence of ASM, PEP connected entities, CAHRAs and red flag locations in the supply chain. Where it has not been possible to perform the on-site visits, no business occurred in the reporting year.

#### **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 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. 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 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 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 at least on a quarterly basis.

During 2021 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, others related to Politically Exposed Person (PEP) classification. After conducting enhanced due diligence, we were able to engage in risk mitigation 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 21 high-risk counterparties identified by Valcambi in Valcambi's precious metals supply chain in 2021 have been further investigated and measurable steps have been identified, implemented and monitored. 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. No counterparties have been suspended or blocked which have supplied precious materials to Valcambi in 2021. In 2020 one counterparty was preventively blocked and indeed in 2021 we would have been forced to block them because of sanctions.

The identity of refiners and local exporters located in red flag locations are available (disclosed) at the time of importation to the relevant governmental authorities.

**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 2021 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 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 31<sup>st</sup> December 2021.

**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).