

# Precious Metals Supply Chain Policy

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# Precious Metals Supply Chain Policy

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## 1 Foreword

As a leading LBMA accredited refiner, Valcambi conducts all its business to the highest ethical, moral and social responsibility standards. Integrity, honesty and transparency are the foundation of our business.

## 2 Scope

This Supply Chain Policy applies to all precious metals handled by Valcambi and to all of its business partners engaged in refining and trading precious metals.

It does not apply to general procurement (e.g. office furniture, food, energy, etc.) or other transactions outside the precious mineral supply chain.

Our business partners are miners and mining companies, scrap dealers, refiners, metal traders, jewellers and watchmakers. For over 40 years, a philosophy of risk assessment, evaluation, risk monitoring and control has been at the core of our business culture. All material and potential risks are monitored and mitigated in everything we do, from sourcing our precious metals feedstock, to refining, trading, manufacturing or delivery of finished products.

We are aware of the risks of inadvertent involvement in or contribution to illegal practices that may be associated with the extraction, processing, trading, handling and exporting of precious metals from any area but more specifically, from conflict-affected and high-risk areas.

Our definition of high risk is aligned with the LBMA Responsible Gold Guidance and Annex II of the 'OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas' (OECD DDG). The Valcambi Compliance Officer has the authority to deny any new Counterparties classified as 'high risk' in accordance with Chapter 5.4, Non-Compliance Procedure. Senior management retains ultimate control and responsibility for Valcambi's engagement in precious metals supply chains in accordance with the Valcambi Due Diligence Manual.

Valcambi's Policy is designed and implemented to ensure that our engagements and operations are in accordance with the OECD Due Diligence Guidelines (DDG), the OECD DDG 'Supplement on Gold', the Responsible Jewellery Council standard, Fairtrade standard and the 'LBMA Responsible Gold Guidance' in order to combat abuses of human rights, to avoid contributing to conflict and to avoid contributing to white-collar crimes. This includes compliance with standards on anti-money laundering (AML) and combatting the financing of terrorism (CFT).

## 3 Our Commitment

Valcambi's commitment includes, but is not limited to:

- Combatting serious human rights abuses associated with the extraction, transportation or commercialisation of minerals
- Avoiding contributing to any conflict
- Complying with anti-money laundering (AML) standards
- Complying with standards on combatting the financing of terrorism (CFT)
- Excluding any direct or indirect support to state and non-state armed groups and/or illegally acting public or private security forces
- Avoiding bribery and fraudulent misrepresentation of the origin of precious metals
- Ensuring the payment of taxes, fees, and royalties due to governments
- Defining clear rules for Responsible Sourcing (Appendix – Valcambi Metals Origin Rules)
- Conforming with all relevant United Nations sanctions resolutions and domestic laws
- Supporting the legitimisation, professionalization, and formalisation of ASM Entities and their trading partners in accordance with the OECD's Frequently Asked Questions on Implementing the OECD DDG: Sourcing Gold from Artisanal and Small-Scale Miners (OECD DDG ASM FAQs)<sup>1</sup>

## Precious Metals Supply Chain Policy

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All our commitments are achieved by the application, maintenance, and continuous improvement of Valcambi's management systems, processes, and procedures. We do this by engaging with the broader industry, such as through the European Partnership for Responsible Minerals (EPRM) and the Swiss Better Gold Association (SBGA), and by engaging with a broad range of local and international stakeholders.

Valcambi requires all staff and Counterparties involved in the precious metals supply chain to comply with this policy and to strictly implement it.

All employees, as well as stakeholders and Counterparties, are provided the opportunity and encouraged to express concerns over Valcambi's precious metals supply chain direct. For those who want to do this differently they should refer to Valcambi's Grievance and Whistleblowing Policy.

To keep all Counterparties and all relevant employees up to date on requirements and practices, an on-going training program is conducted on a regular basis.

### 4 The Precious Metals Sourcing Process

Regarding the precious metals sourcing process, Valcambi fully commits to:

- Neither tolerate, nor by any means profit from, contribute to, assist with or facilitate the commission by any party of serious abuses associated with the extraction, transport or trade of minerals as indicated in Annex II of the OECD Guidance:
  - Any forms of torture, cruel, inhuman, and degrading treatment;
  - Any forms of forced or compulsory labour;
  - The worst forms of child labour;
  - Other gross human rights violations and abuses such as widespread sexual violence; and/or
  - War crimes or other serious violations of international humanitarian law, crimes against humanity, or genocide.
  - To bribe or to be bribed
- Not to enter into any business relationship, or immediately suspend or discontinue engagement with Counterparties supplying precious metals where we identify a reasonable risk that they are sourcing from, or are linked to, any party committing serious abuses as defined above. Valcambi's intention is also to engage the Counterparty to ascertain the circumstances of identified risks and violations, how the Counterparty has handled these (through mitigation and remedy actions), and how the Counterparty has introduced reasonable control measures to prevent and better mitigate such risks in the future.
- Not to tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling, or export of precious metals. This includes, but is not limited to, procuring precious metals from, making payments to, or otherwise providing logistical assistance or equipment to non-state armed groups or their affiliates who:
- Illegally control mine sites or otherwise control transportation routes, points where precious metals are traded, and upstream participants in the supply chain; and/or
- Illegally tax or extort money or precious metals at points of access to mine sites, along transportation routes, or at points where precious metals are traded; and/or
- Illegally tax, or extort from, intermediaries, export companies, or international traders.
- Not to enter into any business relationship, or immediately suspend or discontinue engagement with upstream suppliers, where we identify a reasonable risk that they are sourcing from, or are linked to, any party providing direct or indirect support to non-state armed groups as defined above.
- Eliminate, in accordance with paragraph 10 of Annex II of the OECD Guidance, direct or indirect support to public or private security forces who illegally control mine sites, transportation routes and upstream actors in the supply chain; illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; or illegally tax or extort from intermediaries, export companies or international traders.

## Precious Metals Supply Chain Policy

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- Recognise that the role of public or private security forces at the mine sites and/or surrounding areas and/or along transportation routes should be solely to maintain the rule of law, including safeguarding human rights, providing security to mine workers, equipment and facilities, and protecting the mine site or transportation routes from interference with legitimate extraction and trade.
- Where we or any company in our supply chain contract public or private security forces, we commit to ensuring, or will require, that such security forces will be engaged in accordance with the Voluntary Principles on Security and Human Rights. In particular we will support or take steps to adopt screening policies to ensure that individuals or units of security forces that are known to have been responsible for gross human rights abuses will not be hired.
- Support efforts, or take steps, to engage with central or local authorities, international organisations and civil society organisations to contribute to workable solutions on how transparency, proportionality and accountability in payments made to public security forces for the provision of security could be improved.
- Support efforts, or take steps, to engage with local authorities, international organisations and civil society organisations to avoid or minimise the exposure of vulnerable groups, in particular artisanal miners.
- Immediately suspend or discontinue engagement with any upstream participant(s) should we identify a reasonable risk that the supply chain directly or indirectly supports illegally acting public or private security forces.
- Not offer, promise, give, or demand any bribes, and resist the solicitation of bribes to conceal or disguise the origin of precious metals, to misrepresent taxes, fees, and royalties paid to governments for the purposes of precious metals extraction, trade, handling, transport and export.
- Support efforts, and/or take steps, to contribute to the effective elimination of money laundering as well as terrorism financing where we identify a reasonable risk of such illegal practices resulting from, or connected to, the extraction, trade, handling, transport or export of precious metals derived from the illegal taxation or extortion of precious metals at points of access to mine sites, along transportation routes or at points where precious metals are traded by upstream participants in the supply chain. In this regard, we will immediately report to the Swiss Financial Intelligence Unit any suspicion of any illegal financial transaction we identify.
- Systematically perform enhanced due diligence practices, including the Know Your Customer (KYC) and KYP process, following a risk-based approach, before entering a business relationship with any precious metals supplying Counterparties. Conduct, utilising a risk-based approach, appropriate scrutiny and monitoring of: the transactions undertaken through the course of the relationship; and the governance structures in place to prevent any risk of illegal activities. Implement a management strategy to respond to identified risks.
- Commit, in accordance with our position in the supply chain, to require evidence from our counterparties that they have disclosed payments in accordance with the Extractive Industry Transparency Initiative (EITI). Investigate the role of refiners in incentivising suppliers to operate in accordance with the EITI.
- Monitor transactions through an annual update of the Counterparties' KYC and KYP information and, depending on the supply-chain risk level, carrying out appropriate on-site spot check.
- Drive the risk mitigation decision-making process through the Responsible Sourcing Committee (RSC), which is composed of the AMS (Accreditation and Management Systems) Manager, the Legal Compliance Officer, the Head of Sales, and is chaired by the CEO. The RSC is responsible for discussing the risk level determined for each Counterparty and their supply chains, validating the risk level, considering if there are grounds to adjust this level.
- Buy ASM gold, provided that ASM activities are legitimate (per the definition given in the OECD FAQs) and that risks are identified and managed accordingly. We will not consider ASM mining activities as legitimate when they contribute to conflict and serious abuses associated with the extraction, transport or trade of minerals as defined in Annex II of the Due Diligence Guidance. We will work with artisanal miners or ASM entities which show genuine commitment to cooperate and engage in a credible process of legalisation.<sup>1</sup>

## Precious Metals Supply Chain Policy

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- Only deal through official banking channels for financial and precious metals transactions.
- Require our Counterparties and, in particular, all Counterparties supplying precious metals, to mutually cooperate by committing to, and acknowledging in writing, compliance with a supply chain policy consistent with Annex II of the OECD DDG.
- To exclusively work with the world's leading high security transportation and logistics companies, who will adhere to the OECD DDG and its Supplement on Gold.
- Adequately store and maintain all records and documentation relating to the precious metals supply chain in order to demonstrate that appropriate and on-going due diligence has been performed. Storage of such information should be for a minimum of 10 years or as directed by applicable local laws, whichever is longest.
- If counterparties' policies or management systems, including environment management system, are lacking or inadequate, require our Counterparties to consider engaging with potential local/international partners or stakeholders to improve their management systems and policies. If it is commercially desirable and/or feasible to offer appropriate support, Valcambi will support the counterparty, for example through training on improving management systems and policy development and implementation, or support in stakeholder consultation.

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<sup>1</sup> OECD ASM FAQ [https://www.oecd.org/daf/inv/investment-policy/FAQ\\_Sourcing-Gold-from-ASM-Miners.pdf](https://www.oecd.org/daf/inv/investment-policy/FAQ_Sourcing-Gold-from-ASM-Miners.pdf)

## Appendix - Precious Metals Supply Chain Policy

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### Valcambi Metals Origin Rules

#### Introduction

As stated in Valcambi's Metals Supply Chain Policy v05, we have established internal sourcing procedures that aim at ensuring that the mining and sale of the precious metals materials we purchase have not directly or indirectly contributed to abuses of human rights, terrorism financing, conflict, irremediable environmental degradation, and that fully comply with anti-money laundering standards.

While we remain committed to supporting responsible sourcing from those regions in which specific mining operations and trade may present risks, we have defined a list of countries of origin from which Valcambi does not accept materials. This list is based on considerations in respects of the various jurisdictions applicable laws and sanctions (US\* and those relevant to our sector) and, on the requirements of the various voluntary and mandatory standards Valcambi complies with and further internal assessments.

The list is reviewed on the ongoing basis and this appendix is sent to all our precious metals suppliers on a quarterly basis as a minimum.

\* US Department of Commerce and US Dodd Frank Act Section 1502

#### List of countries of origin from which Valcambi does not accept materials

- ABC Islands (Aruba, Bonaire, Curaçao)
- Afghanistan
- Central African Republic
- Cuba
- Democratic Republic of Congo
- Guinea Bissau
- Guinea Conakry
- Iran
- Iraq
- Libya
- Mali
- Myanmar
- North Korea
- Somalia
- South Sudan
- Sudan
- Syria
- Venezuela
- Yemen

#### Materials from African origin

Valcambi considers African countries as high-risk.

Valcambi does not accept materials originated from Africa through non-African based gold hubs.

When sourcing/considering sourcing of materials of African origin, Valcambi directly conducts the risk assessment and management, and deals directly with the Africa based entity.

#### High-risk countries subject to Valcambi enhanced due diligence

For high-risk<sup>1</sup> supply chains materials Valcambi conducts enhanced due diligence. This includes a further investigation on all the counterparties' practices.

Valcambi also requires a statement on the origin of the precious metals delivered to Valcambi beyond the direct supplier for recycled materials. We request this information for each delivery through a Statement of Conformance (SoC).

#### Due diligence documents required

All counterparties must provide their Know Your Customer (KYC), Anti-Money Laundering (AML) and Know Your Product (KYP) procedures so that we can verify that they aligned with Valcambi's.

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<sup>1</sup> High-risk being according to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and LBMA definitions and Valcambi's risk assessment.

## Appendix - Precious Metals Supply Chain Policy

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### **Adoption of new Secured Data Storage (SDS) system**

Valcambi is going to adopt a new Secured Data Storage (SDS) system that strengthens and automates its precious metals sourcing process and allows increased transparency and sharing of information.

Based on block chain technology, the SDS system will require entities supplying precious metals 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.

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).

We will provide our counterparties with all the details of what is required of them once Valcambi uses the system.

You can find more details on our new SDS system in [Valcambi’s press release](#).