



## **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 2016.

### **Our conclusion**

Based on the procedures performed and the evidence we have obtained, in our opinion, the Report for the year ended 31 December 2016, 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 independently express a 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 compliance 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 Valcambi SA Refiner's Compliance Report.

We have not considered the interest of any other party in Valcambi SA Refiner's 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.

A handwritten signature in blue ink, appearing to read 'KPMG LLP' followed by a stylized signature.

KPMG LLP  
Chartered Accountants  
31<sup>st</sup> March 2017  
London, United Kingdom

# LBMA Responsible Gold Guidance Compliance report year 2016

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Editor: CEO  
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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 how Valcambi has complied with the requirements made by the LBMA Responsible Gold Guidance and its level of compliance with the related requirements for the year 2016.

## 1 Refiner's detail

Refiner's name	VALCAMBI SA
Location	6828 Balerna, Switzerland
Reporting year-end	December 31 <sup>st</sup> , 2016
Date of Report	30.03.2017
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 56 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.*

## Valcambi's evaluation

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

## 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 integrated management systems.*

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

Comments and Demonstration of Compliance:

*In 2015 Valcambi established an appropriate Precious Metals Supply Chain Policy ([http://www.valcambi.com/fileadmin/media/valcambi/PDF\\_files/Precious\\_Metals\\_Supply\\_Chain\\_Policy\\_v02.pdf](http://www.valcambi.com/fileadmin/media/valcambi/PDF_files/Precious_Metals_Supply_Chain_Policy_v02.pdf)), which 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. 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 does not contribute 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. In 2016 we set a clear Policy expressing our commitment to ensuring respect for human rights in line with the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multi-National Enterprises and the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High Risks Areas.*

**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 management structure and organisation. As part of Valcambi's continuous improvement, during 2016 we have conducted a review and update of our compliance systems and procedures, including those related to Artisanal and Small Scale Mining ("ASM"). The review has resulted in a set of enhanced due diligence procedures - aligned with the LBMA Best Practice Models - that have been collated in a manual, effective from 01.01.2017, together with a systematized set of tools and checklists for carrying out a thorough risk assessment, risk mitigation and remediation on both Large Scale Mining ("LSM") and ASM sources.*

*Duties, roles, and responsibilities for implementing the adopted policies and for managing the due diligence process are clearly defined and equally distributed between the Compliance Officer and Sales Officers. The Compliance Officer, reporting directly to the CEO, has all the necessary means 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 communication of information to the Senior Management. Senior Management retains the ultimate control and responsibility over the Precious Metals Supply Chain.*

*In 2016, Valcambi introduced the role of the Communications and Corporate Affairs Officer. 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.*

*Valcambi manages its business processes through the company's fully integrated SAP ERP system. Technical improvements implemented in the SAP ERP system during 2016 allow management to detect and map every actor involved, in the supply chain, ensuring high traceability standards in regards to information, documentation and identification for every lot of precious metals bearing material we process. From 2016 this has been made possible also at a KYP and supply chain level for all new counterparties. 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 LBMA Responsible Gold Guidance. The same can be said for all the controls required to comply with the applicable AML standards, providing 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 centralised, collected in a single dossier for each counterparty and managed by a dedicated individual.*

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

Comments and Demonstration of Compliance:

*Since 2012, Valcambi has published a Responsible Gold Policy Statement declaring 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 of its Supplement on Gold, the LBMA Responsible Gold Guidance, the Section 1502 of SEC Dodd Frank Act and the WGC Conflict Free Gold Standard. This initial statement has been developed during the years and formalized in the Precious Metal Supply Chain Policy, continuously reviewed and updated and whose last version is publicly available on our website. To ensure those standards are respected and upheld, Valcambi applies KYC (Know Your Client) and KYP (Know Your Product) due diligence processes in its vetting of all counterparties and their supply chains.*

*As an integral part of its ASM due diligence enhancement process, during 2016 Valcambi assisted a select number of upstream counterparties in piloting and testing the enhanced procedures. The aim of this activity, that will continue over the course of 2017, is to assess the procedures' feasibility in the field and to adjust them, if needed. Valcambi initiated in 2016 and will continue in 2017, a process of consultation with relevant stakeholders (such as NGOs, international organisations, clients, ASM experts, and industry associations) on the enhanced procedures, with the aim of receiving critical feed-back. Direct sourcing from ASM suppliers has been temporarily suspended throughout all 2016 while these processes are ongoing.*

*In the course of 2016 Valcambi has played an increasingly important role in liaising with upstream and downstream partners, and has been involved in a series of multistakeholder initiatives, promoting responsible sourcing practices in ASM such as the: European Partnership for Responsible Minerals Trade (where Valcambi is a founding member and strategic partner); the UNEP's Global Mercury Partnership, the Swiss Better Gold Association (SBGI). In parallel Valcambi has actively interacted with a number of projects on the field such as the CBRMT Matete Project, Partnership Africa Canada's Just Gold (Or Juste) Project and the Sustainable Artisanal Mining Project enacted by the Swiss Development and Cooperation and the Government of Mongolia, where Valcambi's representatives conducted an explorative on site visit in October 2016, discussing the possibility of offering training and technical support to local operators.*

*Valcambi Sales Officers are endowed with adequate and regular training on the evolving standards of the industry. They act as promoters of the ethical foundations underlying Valcambi's involvement in responsible sourcing and constantly invite counterparties to align themselves with its policies and practices. This could include activities such as offering guidance during on-site visits and updating suppliers on emerging compliance and regulatory practices, including best practices. As part of this engagement activity a reference to the LBMA RGG and an executive summary of the principles contained in the OECD Guidance, is included in every new refining contract Valcambi signs.*

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

Comments and Demonstration of Compliance:

*A Grievances and Whistleblowing Procedure has been set as part of the on-going dialogue with our internal and external stakeholders. This procedure establishes 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 an individual or*



collective basis - concerns or raise issues over 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 communication keeping Senior Management informed about every relevant newly identified risk. A detailed list of the incoming complaints is presented by the Compliance Officer for a review to the Senior Management as a minimum within the Quarterly Compliance Report. According to the nature of the complaint, a department/responsible member of senior management will be assigned to determine an appropriate action plan for its resolution and for the engagement process with the interested parties. No whistleblowing disclosures have been recorded for the year 2016.

## **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 a rigorous Client Management processes made up of KYC and KYP filters supported by business intelligence tools which collate conflict, human rights and white collar crimes risk due diligence into a robust process for vetting all (applicant)Counterparties. Valcambi's risk assessment process prevents 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, it imposes strict internal assessment criteria which are applied to assign risk profiles to every precious metals supplying counterparty. For precious minerals of direct ASM provenance, a compulsory onsite Spot Check is performed for all the supply lines (directly by Valcambi or by approved and reliable independent evaluators), after the applicant-Counterparty has gone through all KYC procedures and up to including KYP Filter. A line cannot be opened for any supply chain from ASM provenance, unless the information which we gather on the counterparty following the spot check is considered 'compliant' with our policies and 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 and the OECD Guidance. 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 that these transactions are consistent with our knowledge of the supply chain and the requirements outlined above.*

*During 2016 a number of business cases required the activation of the enhanced due diligence procedure, none of them related to metal sourced directly from ASM mines. After the application of the enhanced procedure, the risk rating for each of these suppliers/customers was able to be appropriately mitigated.*

### **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. Periodic reports are presented by the Compliance Officer to the CEO, concerning any change occurring in the risk level associated with existing counterparties and/or sender of metals. 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.*

### **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 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. The protocol created allows Valcambi to manage risk through rigorous risk assessment and investigation (enhanced due diligence) and to mitigate and remediate human rights impacts in the precious metal supply chain. The strategy includes establishing the level of the Risk, considering the country of origin, supplier, product, complexity of the supply chain and any other relevant circumstances. The level of risk is regularly reviewed and updated.*

**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:

*The case of the high risk counterparty - as defined by the LBMA RGG - identified in the Valcambi's gold supply chain in 2015, has been further investigated during 2016. Additional examinations carried out under the supervision of the Compliance Officer and with the support of third party expert, confirm what had already been assessed through the internal investigation: in dealing with the high risk counterparty, Valcambi undertook its due diligence practices in line with the standards required.*

### **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)) and it is also attached to this report.*

## **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 2016. 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 for the reporting year ended 31<sup>st</sup> December 2016.*

### **Other report comments**

*If users of this report wish to provide any feedback or address any relevant question 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).*