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# **INDEPENDENT LIMITED ASSURANCE REPORT**

**Valcambi SA**

LPPM Responsible Platinum/Palladium Sourcing Assurance  
Engagement

**15-17 February 2023**



## REPORT SUMMARY

<b>Assurance firm</b>	RCS Global Ltd. 9a Burroughs Gardens, London, NW4 4AU, UK contact@rcsglobal.com
<b>Type of assessment</b>	LPPM ISAE 3000 Limited Assurance Assessment
<b>Refiner</b>	Valcambi SA Via Passeggiata CH-6828, Balerna, Switzerland
<b>Assessment date</b>	15-17 February 2023
<b>Assessed timeframe</b>	01 January 2022 – 31 December 2022

## 1. INTRODUCTION

We were engaged by Valcambi SA (“The Refiner”) to provide limited assurance on its Refiner’s Compliance Report for the year ended 31 December 2022.

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

## 2. REFINER RESPONSIBILITIES

The Compliance Officer of the Refiner are responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the *LPPM Responsible Sourcing Guidance Version 4 (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.

## 3. ASSURANCE PRACTITIONER RESPONSIBILITIES

Our responsibility is to carry out a limited 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 assurance practitioners, 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 *LPPM Responsible Sourcing Guidance - Third Party Audit Guidance Version 4 (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.

#### 4. 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 palladium and/or platinum 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.


#### 5. 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.

#### 6. CONCLUSION

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that the Refiner's Compliance Report for the year ended 31 December 2022, does not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is not in accordance with the requirements of *the Guidance*.

Signature	
Assurance Firm	RCS Global
Date	02.27.2023
City, Country	Berlin, Germany





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# **LPPM Responsible Platinum and Palladium Guidance Refiner's Compliance Report 2022**

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**Release:** v00  
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### Foreword

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

The *Guidance* requires all Refiners to adopt high standards of due diligence 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 4 dated November 2022 and its level of compliance with the requirements included in the above *Guidance* for the calendar year 2022.

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>, 2022  
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 61 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, suppliers 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 shall 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 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, child labour, 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). The Policy is subject to a minimum semi-annual review. Versions 9 and 10 were valid during the reporting year. The Appendix to the Policy describes in detail the Valcambi Metals Origin Rules. The most recent and valid policy in English is always available 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 by the Senior Management and shared with the Compliance Officers and the relevant Sales Officers.

Compliance Officers, reporting directly into the CEO, have all the necessary skills and resources to perform their duties and are responsible for assuring the respect of rules applicable to 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 ensuring the 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 Accreditation and Management Systems (AMS) Manager. The RSC is responsible for the ongoing assessment, monitoring, approval of the risk level determined for each counterparty and the definition of risk mitigation's strategies for counterparties and transactions.

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 regarding 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 strict processes, checks and controls are true for all the controls required to comply with the applicable AML/CFT standards. These provide robust risk-based administrative checks for due diligence procedures, carried out across all precious metal suppliers, regardless of their origin. Information resulting from the due diligence processes is duly documented and maintained in accordance with the applicable legal and standards requirements.

**Valcambi has established a strong internal system of due diligence, controls, and transparency over 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)/ combating Financing Terrorism (CFT), and Environmental, Social and Governance (ESG) factors' assessment 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. 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, AML/CFT and ESG factors 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.



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 Valcambi's Sales Officers have attended AML/CFT and responsible sourcing practices' training.

Our Sales Officers are the prime contact and most important relationship officers engaging continuously with our counterparties also regarding 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 2022 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.

**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, counterparties, and any other stakeholder) 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 related to platinum or palladium supply chains were recorded for the calendar year 2022.

## **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, KYP, AML/CFT and ESG factors' filters. These are supported by business intelligence tools which collate information on sanctions, political exposure, conflict, human rights, child labour, environmental and white-collar crimes risk into a robust process for vetting all both counterparties and applicants.

Valcambi's risk assessment process prevents the company from entering 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.



For precious minerals of ASM, CAHRA or red flag origin, or if the counterparty is connected to PEPs, or if there is a suspected contribution to OECD Annex II risk factors or weak ESG factors, 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 KYC, KYP, AML/CFT and ESG factors assessment's 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 involved in the supply chain have been Colombia and Lebanon. Specific high-risk factors identified during the reporting period when assessing new applicants which could lead to a negative response to the opening of a supply chain, have been those related to the presence of sanctions/embargos on suppliers and countries of potential supply, conflicts in the neighbourhood of production sites, the presence of foreign private armed forces, ASMs in supply chains difficult to monitor, news and investigations into suspected bribery and corruption and misappropriation of public funding, poor performances in ESG factors and /or widespread protests in the sourcing country that could affect the safe transport of precious material.

#### **Valcambi assesses risks in light of the standards of its due diligence system.**

Comments and demonstration of compliance:

Prior to entering 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, KYP, AML/CFT, ESG factors' stages, when the Compliance Officer identifies any risk factor that requires further investigation 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 check their consistencies with our knowledge of the supply chain, the performed due diligence on the counterparty and the requirements outlined above. Transaction monitoring is done at an earlier stage before accepting precious metals by the Sales Officer with the support of the Senior Management and Compliance, and by the Logistic upon receipt of precious metals. Valcambi has established criteria for the recognition of high-risk transactions that are also 4-eye checked by Compliance in terms of metal classification, document completeness for traceability and plausibility.

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 certificates with recognized reputation in the sector. Supplier visits are conducted by competent employees or a competent independent third-party consultant free of any conflict of interest, using the on-site visit templates included in the LPPM Toolkit.

#### **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 a quarterly basis any change occurring in the risk level associated with existing counterparties to the CEO. The CEO determines the appropriate course of action considering 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 2022 Valcambi identified several business cases that required activation of the enhanced due diligence procedure due to the risk inherent in the country of origin or transit zones. After conducting enhanced due diligence, we were able to apply risk mitigation for each of those identified suppliers/customers and related transactions.

**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:

High-risk counterparties identified in Valcambi's precious metals supply chain in 2022 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 mitigate risks arising from the possible incorporation of metals from CAHRAs or any other illegitimate source in Valcambi's value chain.

#### **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 Limited 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 2022 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 LPPM Responsible Platinum and Palladium 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 2022.

#### **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).