

Independent Limited Assurance Report – LBMA 2014

for the period from 1 July 2013 to 31 December 2014 of

MKS (Switzerland) SA, Geneva



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Geneva, 13 March 2015

MKS (Switzerland) SA – Independent Limited Assurance Report – LBMA 2014

LBMA Responsible Gold Programme is designed for precious metal refiners. MKS (Switzerland) SA is the parent company of Pamp SA (a refiner located in Switzerland) and the affiliated company of MMTC Pamp India Private Limited (a refiner located in India). Considered this circumstances, MKS (Switzerland) SA decided to implement LBMA Responsible Gold Programme on a voluntary basis.

We have been engaged by MKS (Switzerland) SA to provide limited assurance on its LBMA Compliance Report for the period from 1 July 2013 to 31 December 2014.

The assurance scope consists on the review of the Compliance Report dated 5 February 2015.

Responsibilities

The management of MKS (Switzerland) SA is responsible for the preparation and presentation of the Compliance Report in accordance with the *LBMA Responsible Gold Guidance* (the “*Guidance*”). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the *Guidance* are the activities described within the Compliance Report.

Our responsibility is to carry out a limited assurance engagement in order to express a conclusion based on the work performed. 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 Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors* (the “*Audit Guidance*”).

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

This report has been prepared for MKS (Switzerland) SA for the purpose of assisting the management in determining whether MKS (Switzerland) SA has complied with the *Guidance* and for no other purpose. Our assurance report is made solely to MKS (Switzerland) SA in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than MKS (Switzerland) SA for our work, or for the conclusions we have reached in the assurance report.

Limited assurance procedures performed

We have planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Enquiries of management to gain an understanding of MKS (Switzerland) SA's processes and risk management protocols in place
- Enquiries of staff responsible for the preparation of the Report
- Review of policies, procedures and internal controls that MKS (Switzerland) SA has in place to conform to the *Guidance*
- Review of a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction's documentation
- Review of the presentation of the Report to ensure consistency with our findings

Inherent limitations

Non-financial information, such as that included in the 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 absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques that can result in materially different measurements and can impact comparability. The methods used by refiners to comply with the *Guidance* may differ. It is important to read the MKS (Switzerland) SA's gold supply chain policy available on MKS (Switzerland) SA website (www.mks.ch).

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.

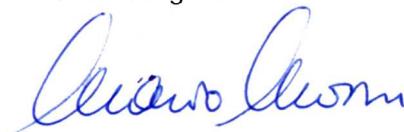
In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the *Audit Guidance* to carry out the assurance engagement.

Conclusion

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that MKS (Switzerland) SA's Compliance Report for the period from 1 July 2013 to 31 December 2014, did 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 *LBMA Responsible Gold Guidance*.

Yours sincerely,

Ernst & Young Ltd



Mario Mosca
Partner



Milena De Simone
Senior Manager

Enclosure : Copy of the Compliance Report dated 5 February 2015



MKS (Switzerland) SA LBMA Responsible Gold Guidance Compliance Report

Introduction

The *LBMA Responsible Gold Guidance* is 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 and to comply with high standards of anti-money laundering and combating terrorist financing practice.

As fighting serious abuses of human rights, avoiding contribution to conflict over its supply chain and complying with high standards of anti money laundering (AML) and combating terrorist financing (CFT) are central tenets of the MKS PAMP Group BV's operating procedures (Previously MKS Holding BV Group), the MKS PAMP Group, which operates two refineries among its entities, decided to lead by example and voluntarily implement the *LBMA Responsible Gold Guidance* to other group companies around the world which are involved in the precious metals business in addition to its refineries.

As a result MKS (Switzerland) SA ("MKS"), which is the flagship entity of the MKS PAMP Group, has implemented the LBMA Responsible Guidance in 2012. All gold feedstock sourced by MKS, which is sent for refining to the MKS PAMP Group refineries comply fully with the LBMA Responsible Gold Guidance requirement. MKS has then decided to be voluntarily audited on its compliance with the Guidance since July 2012.

Table 1: Company's details

Dealer's name	MKS (Switzerland) SA
Location	Promenade St-Antoine 10, 1204 Geneva, Switzerland
Reporting period	July 1 st 2013 to December 31, 2014
Date of Report	February 5, 2015
Senior Management responsible for this report	Marwan Shakarchi, Chairman

This report summarizes how MKS (Switzerland) SA complied with the requirements of the LBMA Responsible Gold Guidance for the reporting period

MKS (Switzerland) SA's evaluation

The following table lists the minimum requirements that must be satisfied in order to be compliant with the LBMA Responsible Gold Guidance.

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

We have fully complied with Step 1 Established strong management systems.

MKS (Switzerland) SA

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MKS (Switzerland) SA has adopted a policy regarding due diligence for supply chains of gold

Comments and Demonstration of Compliance:

Our Responsible Precious Metal Group Policy is consistent with the model set out in the Annex II of the OECD due diligence guidance. This sets out in particular our responsibility to establish strong company management systems to fight serious abuses of human rights, to avoid contributing to conflict over our supply chain and to comply with high standards of anti money laundering (AML) and combating terrorist financing (CFT), to perform appropriate due diligence on a risk basis over our counterparties and to ensure appropriate scrutiny and monitoring of transactions on a risk based approach.

MKS (Switzerland) SA has set up an internal management structure to support supply chain due diligence

Comments and Demonstration of Compliance:

MKS has an internal management system to support supply chain due diligence, which includes in particular the definition of role and responsibility, due diligence checklist and toolkit and a robust traceability system database recording for each lot refined. Senior Management retains the ultimate control and responsibility for combating human rights abuses, money laundering, terrorist financing and avoiding contribution to conflict over the supply chain. The Compliance Officer has been assigned to manage the process, and has a direct line of reporting to Senior Management.

MKS (Switzerland) SA has established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors

Comments and Demonstration of Compliance:

MKS has a robust traceability system database that records supply chain information and documents for each lot sent for refining to the MKS PAMP Group refineries. Specific and relevant transactional documentation as per our internal guidelines must be received and verified before the gold-bearing material can be processed.

MKS (Switzerland) SA has strengthened company engagement with gold supplying counterparties, and where possible, assists gold supplying counterparties in building due diligence capabilities

Comments and Demonstration of Compliance:

Our Refining Agreement makes reference to our Responsible Precious Metal Group Policy and the Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas.

Where possible, we assist our gold supplying counterparties or prospects to improve their responsible supply chain practices.

MKS (Switzerland) SA has established a company-wide communication mechanism to promote broad based employee participation and risk identification to management

Comments and Demonstration of Compliance:

Our Group has a mechanism allowing any employee, supply chain actor or stakeholder to voice any concerns over the gold supply chain or newly identified risk. The functional mailbox responsiblepm@mkspamp.com has been established and is reviewed by the Group Compliance Officer and by MKS (Switzerland) SA Compliance Officer.

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.

MKS (Switzerland) SA has a process to identify risks in the supply chain

Comments and Demonstration of Compliance:



MKS (Switzerland) SA identifies and assesses risks in the supply chain. We have established our criteria for high-risk categories and systematically apply them to all our precious metal supplying counterparties. We conduct due diligence following a risk-based approach and allocate a risk profile according to our risk profile criteria. This process is a formal requirement before entering into any business relationship with a precious metal supplying counterparty.

MKS (Switzerland) SA assesses risks in light of the standards of their due diligence system

Comments and Demonstration of Compliance:

Supply chain due diligence following a risk based approach is performed before entering into a business relationship and on an on-going basis with any gold supplying counterparty. We also perform enhanced due diligence for higher risk categories. In addition, we conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship following a risk based approach.

MKS (Switzerland) SA reports risk assessment to Senior Management

Comments and Demonstration of Compliance:

Senior Management approves all new suppliers. In addition Senior Management revisits each year the decision as to whether continue with business relationships categorized as high risk. The Compliance Officer prepares on a yearly basis a report on high risk suppliers to Senior Management in order for them to perform these duties. Senior Management retains the ultimate control and responsibility for the gold supply chain.

Step 3: Design and implement a management system to respond to identified risks

Compliance Statement with Requirement:

We have fully complied with Step 3 Design and implement a management system to respond to identified risks.

MKS (Switzerland) SA has devised a strategy for risk management of an 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:

During the reporting period, MKS has properly implemented required strategy to respond to the identified risk.

Where a management strategy of risk mitigation is undertaken, it should include measureable 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 procedure for risk mitigation is described in our own guidance and is strictly applied when and where necessary.

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Compliance Statement with Requirement:

MKS (Switzerland) SA has decided on a voluntary basis to arrange for an independent third-party audit of its gold supply chain due diligence process.

Comments and Demonstration of Compliance:

MKS has engaged on a voluntary basis the services of the assurance provider Ernst & Young Ltd, Geneva, and their independent reasonable assurance report will be available on MKS's website when issued.

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:

Our Responsible Precious Metals Group Policy is available on MKS's website. Our 2014 Compliance report with the audit report will be available on MKS's website when issued. Previous year Compliance report with audit report are as well available on our website.

MKS (Switzerland) SA's overall conclusion

Table 3: Management conclusion

Is the MKS (Switzerland) SA in compliance with the requirements of the *LBMA Responsible Gold Guidance* for the reporting period?

Yes	In conclusion, MKS (Switzerland) SA has in place effective management systems, procedures, processes and practices to conform to the requirements of the <i>LBMA Responsible Gold Guidance</i> , as explained above in Table 2, for the reporting period July 1 st 2013 to December, 31 2014
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Table 4: Other report comments

If users of this report wish to provide any feedback to MKS (Switzerland) SA with respect to this report, they can send an e-mail to the functional mail box: responsiblepm@mkspamp.com
