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MKS (Switzerland) SA
Attn. Mr. Marwan Shakarchi
Promenade St. Antoine 10
1204 Geneva
Switzerland

Geneva, 29 March 2019

Independent Reasonable Assurance Report to MKS (Switzerland) SA

General information

We were engaged by MKS (Switzerland) SA ("MKS") to provide reasonable assurance on its Refiner's Compliance Report for the year ended 31 December 2018.

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

LBMA Responsible Gold Guidance (v.7) of 1 September 2017 and the LBMA Responsible Silver Guidance (v.1) of 1 September 2017 (together "LBMA Responsible Gold and Silver Guidance" or "the Guidance") are designed for precious metal refiners. The MKS PAMP Group, which operates two refineries among its entities, voluntarily implement the LBMA Responsible Gold and Silver 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 which is the flagship entity of the MKS PAMP Group, has then decided to be voluntarily audited on its compliance with the Guidance to all precious metals sourced.

Management's responsibilities

The management of MKS (Switzerland) SA is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the LBMA Responsible Gold and Silver 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 Refiner's Compliance Report.

Our responsibilities

Our responsibility is to carry out a reasonable 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 (v.3) of 1 September 2017 ("Audit Guidance").

This report has been prepared for MKS (Switzerland) SA for the purpose of assisting the management in determining whether MKS (Switzerland) SA (“MKS”) 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. A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the fairness of the Refiner's Compliance Report. The fact that management's overall conclusion has been drawn in accordance with the requirements of the LBMA Responsible Gold and Silver Guidance and the Audit Guidance. The nature, timing and extent of procedures selected depend on our judgment, including the risk of material misstatements, whether due to fraud or error, in the Refiner's Compliance Report. In making those risk assessments we considered internal control relevant to MKS (Switzerland) SA's preparation of the Compliance Report. A reasonable assurance engagement also includes:

- ▶ Walkthrough refiner's due diligence process to gain an understanding of implemented controls and procedures;
- ▶ Discussion with management, compliance and operations team on the content of the report and various supply chain due diligence processes in place;
- ▶ Testing, on a sample basis, of account opening procedures and due diligence conducted before engaging with a potential precious metal supplying counterparty;
- ▶ Testing, on a sample basis, of transactions to evaluate if due diligence processes are being followed;
- ▶ Review of whether systems used for registering, adapting, aggregating and reporting are satisfactory;
- ▶ Obtaining and considering evidence to support the assertions and claims made in the Compliance Report;
- ▶ Review the statements made by the management in the Compliance Report as compared to the findings arising from the above procedures performed.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

We refer to the fact that the Refiner's Compliance Report subject to our assurance engagement comprises the Annex “Countries of origin of precious metals”. In accordance with the LBMA Responsible Gold and Silver Guidance and the treatment of the Annex detailing the countries of origin of precious metals has to be submitted to the LBMA Executive only and does not need to be disclosed publicly.

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 methods used by Refiners to comply with the Guidance may differ. It is important to read the MKS's gold supply chain policy available on MKS's 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 out in the Audit Guidance to carry out the assurance engagement.

Conclusion

In our opinion, the MKS's Compliance Report for the year ended 31 December 2018, 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.

Ernst & Young Ltd

Partner

Partner

Enclosure: Compliance Report dated 14 February 2019



MKS (Switzerland) SA LBMA Responsible Gold Guidance Compliance Report

Introduction

The *LBMA Responsible Gold and Silver Guidances* have 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 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, the MKS PAMP Group, which operates two refineries among its entities, decided to lead by example and voluntarily implement the *LBMA Responsible Gold and Silver Guidance* to other group companies around the world which are involved in the precious metals business in addition to its refineries and to apply as well the requirements not only to gold and silver sourcing but to all other precious metals sourced.

As a result, MKS (Switzerland) SA ("MKS"), which is the flagship entity of the MKS PAMP Group, has implemented the *LBMA Responsible Gold Guidance* in 2012. All precious metals 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	January 1 st 2018 to 31 December 2018
Precious metals in the scope of the LBMA Responsible Gold Guidance audit	Gold, Silver, PGM
Date of Report	February 14, 2019
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 and Silver Guidances* during the year 2018 for all type of precious metals sourced. MKS (Switzerland) SA applied the version 7 of the *Gold Guidance*, issued in September 2017.

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 and Silver Guidances*.



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 has adopted a policy regarding due diligence for precious metals supply chains

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 precious metal supply chain 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 precious metals 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 precious metals 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 we process the precious metals.

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

Comments and Demonstration of Compliance:

We only believe in long term relationships based on trust and mutual recognition. Therefore, we never accept one off transactions.

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 precious metals supplying counterparties or prospects to improve their responsible supply chain practices. In particular, our Relationship Managers, who are properly trained, are responsible for promoting responsible sourcing practices throughout the supply chain. Therefore, they take advantage of all on site visits to explain the regulatory environment, our expectations and provide them with help or guidance so as to continuously improve their own practices.



In order to improve the practice as well of the industry, our Group has shared with the LBMA our on-site visit report template to help refiners perform robust compliance checks during their on-site visits, and not limit themselves only to commercial discussions. This toolkit is mandatory as per the version 7 of the Responsible Gold Guidance..

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 precious metals 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. All relevant enquiries are treated directly by the Compliance Department.

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 precious metals 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. We source precious metals from recycled and mined supply chains. Regarding the mined precious metals supply chain, we source primarily from well-established industrial mines located in North America, South America, Africa, Asia and Oceania. For the year under review, we have not sourced from artisanal and small-scale mining (ASM) supply chains. However, we are actively participating in a number of different initiatives aiming to source from ASM , provide them technical assistance towards mining best practice as well as direct access to the international markets.

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 precious metal supply chain.

The Compliance Officer prepares as well each year a reputational risk matrix and risk assessment, including Key Performance Indicators used to review the effectiveness and performance of the supply chain due diligence procedure, which is approved by the Board of Directors.

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, not only for its gold and silver supply chain due diligence process, but as well for all other precious metals supply chains.

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 2018 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 and Silver 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 and Silver Guidances</i> for all its precious metals supply chain, as explained above in Table 2, for the reporting year ended 31 December 2018.
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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
