

MKS PAMP SA  
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Geneva, 27 March 2023

## **Independent accountant's assurance report on MKS PAMP SA's LBMA Compliance Report 2022**

### **Scope**

We have been engaged by MKS PAMP SA to perform a "limited assurance engagement", as defined by International Standards on Assurance Engagements, here after referred as to the engagement, to report on MKS PAMP SA's LBMA & LPPM Compliance Report 2022 dated 28 February 2023 for the reporting period from 1 January to 31 December 2022 (the "Compliance Report").

### **Criteria applied by MKS PAMP SA**

In preparing the Compliance report, MKS PAMP SA applied the *LBMA Responsible Gold Guidance*, , the *LBMA Responsible Silver Guidance*, and the *LPPM Responsible Platinum & Palladium Guidance* (altogether the "Guidance").

### **MKS PAMP SA's responsibilities**

MKS PAMP SA's management is responsible for the preparation and presentation of the Compliance Report in accordance with the Guidance, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Compliance Report and that reported information is derived and includes conformance with Steps 1 to 5 of the Guidance. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Compliance Report.

### **EY's responsibilities**

Our responsibility is to express a conclusion on the presentation of the Compliance report based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000'), and the terms of reference for this engagement as agreed with MKS PAMP SA on 27 October 2022. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Compliance Report in order for it to be in accordance with the Guidance, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

### **Our Independence and Quality Control**

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on *Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

### **Description of the procedures performed**

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Compliance report and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Enquiries of management to gain an understanding of MKS PAMP's processes and risk management protocols in place;
- ▶ Discussions with MKS PAMP's management, compliance, safe and operations team on the content of the report and various supply chain due diligence processes in place;
- ▶ Review of policies, procedures and internal controls that MKS PAMP has in place to conform with the Guidance;
- ▶ 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;
- ▶ Obtaining and considering evidence to support the assertions and claims made in the Refiner's Compliance Report;
- ▶ Review the statements made by the management in the Refiner's Compliance Report as compared to the findings arising from the above procedures performed;
- ▶ Review of the Compliance Report.

We also performed such other procedures as we considered necessary in the circumstances.

**Opinion**

Based on our procedures and the evidence obtained, we are not aware of any material modifications that need to be made to MKS PAMP SA's Compliance Report for the period from 1 January to 31 December 2022, in order for it to be in accordance with the *LBMA and LPPM Guidance and Audit Guidance*.

Ernst & Young Ltd

Partner

Senior Manager

**Enclosure:** Copy of the Compliance Report dated 28 February 2023



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## MKS PAMP SA LBMA/LPPM Responsible Sourcing Guidances and OECD Due Diligence Guidance for Responsible Supply Chain of minerals from conflict-affected and high-risk areas Compliance Report for the year 2022

### Introduction

MKS PAMP SA, Geneva, Switzerland is active in the sourcing, trading, transformation and manufacturing of precious metals and operates an accredited London Bullion Market Association (LBMA) / London Platinum and Palladium Market (LPPM) Good Delivery refinery located in Castel San Pietro, in Ticino, Switzerland.

We source precious metals from both recycled and mined / primary supply chains in over 40 countries. For primary mine supply, we predominantly source from large well-established industrial mines located in Europe, North America, South America, Africa, Asia and Oceania. Over the past two years, we have been able to extend our sourcing to responsible small-scale and artisanal operations in South America and support continuous improvement in these local and traditional mining activities. We were also able to onboard a new small scale mine located in Africa in 2022.

Supply chain due diligence has always been a key focus for the MKS PAMP GROUP and we strive to continuously improve our own processes and practices as well as leading the industry to further enhance due diligence standards and practices.

The *LBMA Responsible Gold and Silver Guidances* (RGG and RGS) as well as the *LPPM Responsible Platinum and Palladium Guidance* (RPPG) have been established for Good Delivery Refiners to adopt high standards of due diligence 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 to combat terrorist financing practices. The RGG, RGS and RPPG are the Industry Programs for precious metals refiners to implement the OECD Due Diligence Guidance for Responsible Supply Chains of minerals from conflict-affected and high-risk areas (OECD Guidance) and is based on the five steps framework of this guidance. In addition, the LBMA has continuously enhanced its Responsible Gold Guidance over the years and has extended its scope to recognise the increasing importance of having a strong corporate governance as well as addressing environmental and social responsibilities in order to operate in a responsible way.

The MKS PAMP GROUP, operates two refineries, and leads by example by committing:

- Making Responsible Sourcing a central tenet of its Group policies and operating Procedures.
- Stringently applying those Responsible Sourcing guidances to all its refineries and Group companies globally which are involved in the precious metal business.
- Applying the most stringent guidance, the LBMA Responsible Gold Guidance, to all precious metals sourced.

As a result, all precious metals feedstock sourced by MKS PAMP SA and refined either by its own refinery in Ticino, Switzerland or by its sister company MMTC PAMP India Private Limited, fully comply with the requirements of the LBMA Responsible Gold and Silver Guidances, the LPPM Responsible Platinum and Palladium Guidance and the OECD Guidance.

Compliance with LBMA, LPPM and OECD Guidances is part of our broader ESG approach to uphold and effectively advance industry standards to maximize our positive impact on stakeholders. Notably, in 2021, we worked with external evaluators (S&P Global and E&Y) to measure the GHG emissions at our office in Geneva, our production site in Ticino, and across our supply chain. Following the evaluation, MKS PAMP SA set 2030 GHG reduction targets for Scope 1,2, and 3 in line with the 2015 Paris Agreement. For Scope 1, we have committed to a 1.5-degree scenario. For Scope 2, a 100% renewable electricity sourcing target and for Scope 3, a well-below-2 degrees scenario. These targets have been approved by The Science Based Targets initiative (SBTi) in June 2022, and we are the only refinery worldwide to have SBTi approved carbon emissions reduction targets. MKS PAMP SA is the



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first-in-the-industry to have unveiled a portfolio of carbon neutral precious metals products which have been certified by the Carbon Trust, a global climate change consultancy. All of our ESG commitments and actions are presented in yearly sustainability reports to ensure transparency with our stakeholders.

In addition, MKS PAMP SA is a Swiss financial intermediary subject to the Swiss Anti-Money Laundering (AML) regulation and supervised by a self-regulatory organisation approved by the Swiss Financial Market Supervisory Authority. As such, we are audited on a yearly basis by accredited independent auditors to assess our compliance with the Swiss AML regulation, including processes and due diligence carried out as well as monitoring of relationships and transactions.

**Table 1: Company's details**

Company name	MKS PAMP SA
Location	Head office at Promenade St-Antoine 10, 1204 Geneva, Switzerland Refining and manufacturing factory at 6874 Castel San Pietro, Switzerland
Reporting period	January 1 <sup>st</sup> 2022 to 31 December 2022
Precious metals in the scope of the LBMA/LPPM Responsible Sourcing audit	Gold, Silver, PGMs
Date of Report	February 28, 2023
Senior Management responsible for this report	Marwan Shakarchi, Chief Executive Officer

This report summarizes how MKS PAMP SA has complied with the requirements of the RGG, RGS and RPPG and the OECD Guidance during the year 2022 for all types of precious metals sourced, as well as the extra steps MKS PAMP SA has completed.

### MKS PAMP SA's evaluation

The following table lists the minimum requirements that must be satisfied in order to be compliant with both the LBMA Responsible Gold and Silver Guidances, the LPPM Responsible Platinum and Palladium Guidance and the OECD Guidance. In addition, it discloses the extra steps MKS PAMP SA has completed beyond the 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.



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## 1.1 MKS PAMP SA has adopted a policy regarding due diligence for precious metals supply chains

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### Comments and Demonstration of Compliance:

MKS PAMP SA has offices in Geneva and operates a precious metal refining and manufacturing operation in Castel San Pietro in Switzerland.

Our Responsible Precious Metals Group Policy is fully compliant with the model set out in the Annex II of the OECD Guidance. This sets out our responsibility to establish strong company management systems to fight serious abuses of human rights, to avoid contributing to conflict over our supply chain as well as to perform appropriate and risk based (a) due diligence over our counterparties and precious metal supply chain and (b) scrutiny and monitoring of transactions.

In addition to the OECD Guidance, our Precious Metal Group Policy also includes requirements to:

- Comply with the highest standards of anti-money laundering (AML);
- Combat terrorist financing (CFT);
- Address social, environmental and sustainability responsibilities, including our own commitment regarding climate change concern;
- Never tolerate the employment of children in our supply chains, which is in conformity with ILO Convention 138;
- Make and receive payment for precious metals only through official banking channels;
- Strictly adhere to local and applicable international sanctions including but not limited to UN, EU, UK and US.

The risks assessed as part of our due diligence procedures are the following:

- Systematic or widespread human rights abuses associated with the extraction, transport or trade of precious metals, including worst forms of child labour, any forms of torture, inhuman and degrading treatments, widespread sexual violence or other gross human rights violation forced or compulsory labour, war crimes, crimes against humanity or genocide;
- Direct or indirect support to illegitimate non-state armed groups, public or private security forces which illegally control mines sites, traders, other intermediaries, transport routes through the supply chains or illegally tax or extort money or minerals through the supply chains (“illegitimate non-state armed groups, public or private security forces”);
- Bribery and fraudulent misrepresentation of the origin of precious metals;
- Non-compliance with taxes, fees and royalties due to Governments related to mineral extraction, trade and export from conflict affected and high-risk areas;
- Money laundering or terrorism financing;
- Contribution to conflict;
- Sourcing from illegal mining;
- Non-compliance with environmental, health & safety and labour regulation in country of operation
- Adverse ESG impact in primary supply chain.

All our counterparts go through our 4-step approval process that includes i) a pre-approval from the Executive Management Committee; ii) a formal approval from the Relationship Manager; iii) a formal approval from the Compliance Team; and iv) a final validation by two members of the Executive Management Committee.

Our Responsible Precious Metal Group Policy is approved by the MKS PAMP GROUP board of directors, reviewed yearly and updated when circumstances require. During the year under review, our group policy and procedures have been redrafted, in order to include our new commitments based on our own ESG strategy and the new

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requirements of the version 9 of the LBMA Responsible Gold Guidance. The group policy and guidance have been approved by the group board of directors in August 2022.

The Policy is communicated to all our employees and publicly available on our website. This Policy or the OECD Annex II policy is communicated to – and part of our commercial agreements with – all our precious metals counterparties.

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## 1.2 MKS PAMP SA has set up an internal management structure to support supply chain due diligence

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### Comments and Demonstration of Compliance:

#### Management Structure

The Board of directors retains the ultimate control and responsibility for combating serious human rights abuses, money laundering, terrorist financing, avoiding contributions to conflict as well as addressing environmental and sustainability responsibilities over the supply chain. The Board of directors have delegated the operational responsibilities over the responsible supply chain to the Chief Executive Officer (CEO). The CEO supervises the Compliance Team composed of three experienced persons, who have been assigned to manage the process. In case of opinion divergence with Management, the Compliance Team has a direct reporting line to the independent members of the Board of directors. The Compliance Team presents a regulatory update to the Board of directors on a quarterly basis and presents the Compliance risk matrix on an annual basis. The Compliance Team is supported by an onboarding Team of two persons.

#### Systems

MKS PAMP SA has an internal management system to support precious metals supply chain due diligence, which includes the definition of roles and responsibilities, due diligence checklists and toolkits and a robust traceability system database recording each lot received and processed.

Our internal checklists and toolkits are continuously reviewed and amended as circumstances require. For instance, in 2022, our due diligence toolkit has been significantly modified to take into account the new requirements of the LBMA RGG 9 and to include the collection of additional ESG information such as CO<sub>2</sub> measurements and reductions to enable us to further streamline our risk assessment.

Last year, we developed a Customer Relationship Management (CRM) system to better integrate interaction with the counterparts, approval workflow and archiving of data which is now fully operational. The CRM also enhances the digitalisation steps on due diligence documentation and streamlines the different steps of on-boarding and approval process.

During 2022, we implemented a fully automated KYC screening tool that is applied daily to all our counterparts, authorised signatories and ultimate beneficial owners.

No relationship can be established, and no transaction can be accepted until the due diligence is finalized and any required clarification obtained. The green light shall be given by the Compliance Team and by two members of the Executive Management Committee. Due diligence issues identified over the course of a relationship are escalated to the Compliance Team and Senior Management, as required. Electronic approval into our Trading and Risk Management system is required by Compliance for any new counterpart or any change of information about the counterpart. Therefore, no transaction can be recorded without the electronic approval by the Compliance Team.

#### Compliance

The Compliance Team is responsible for all matters regarding anti-money laundering, combating terrorism financing, avoiding contributions to conflict, fighting serious human rights abuses, and addressing social, environmental and sustainability responsibilities.

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In particular, the Compliance Team reviews the customer due diligence prepared by the Relationship Managers and their support teams and assesses if the due diligence is adequate. Additional documentations, information or clarification is required if necessary. The Compliance Team performs in addition periodic and event-driven reviews of counterparty's due diligence files. After the termination of a business relationship or after completion of a transaction, supply chain and transactions records are kept for 10 years.

The Compliance Team also supervises the internal training program on due diligence, AML and responsible supply chain. The program includes face to face or video conference training sessions organized internally or externally. During 2022, AML training followed by employees has been organized by the Association Romande des Intermédiaires Financiers, which is a Self-Regulatory Organization, regulated by the Swiss Financial Market Supervisory Authority. Internal training sessions have also been organized to provide an internal regulatory update. During the year, the Compliance Team has organized four training sessions, focused mainly on the new requirements of the LBMA RGGv9. Our training program is as well reinforced with online training sessions. This training program which focuses on AML and responsible supply chain has been organized in collaboration with Thomson Reuters. All employees subject to responsible sourcing training program have followed at least one training organized by the Compliance Team during the year. In addition, during the year, the Compliance Team has presented to the board of directors the new regulatory requirements, including the LBMA responsible gold guidance version 9, with the key actions and timeline towards full implementation.

During the year 2022, The Compliance Team has attended external trainings covering new Swiss AML requirements and responsible sourcing matters organized by the Association Romande des Intermédiaires Financiers, FINIX EVENTS, the Swiss Association of Manufacturers and Traders in Precious Metals and the LBMA. The Compliance Team has as well participated to the OECD Forum on Responsible Mineral Supply Chains in May 2022.

The Compliance Team is responsible for preparing and updating the internal policies, for providing comprehensive information to Senior Management in order for them to perform their duties and support the business lines in all matters regarding AML-CTF and responsible sourcing. In addition, the Compliance Department decides in agreement with Senior Management of the reporting of suspicious transaction and the freezing of assets in compliance with local regulation. During 2022, we made one suspicious activity report to the Money Laundering Reporting Office in Switzerland.

The Compliance Team has adequate resources to perform its mission and is sufficiently staffed.

We have also fostered a Compliance culture within our company by establishing an extensive communication between the Relationship Managers, the Compliance Team and the Senior Management through trainings and regular pre-onboarding meetings where all actors share their respective expectations. MKS PAMP SA also relies on the broad expertise and knowledge of Relationship Managers to perform an initial assessment of prospects and eliminate those not meeting expectations at a very early stage of the onboarding process.

During 2022, no due diligence failures triggering an internal sanction were reported. Full due diligence in compliance with LBMA/LPPM responsible sourcing standards has been conducted on all our counterparties; no exception has been reported during 2022.

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### **1.3 MKS PAMP SA has established a strong precious metal traceability system**

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#### **Comments and Demonstration of Compliance:**

MKS PAMP SA 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 with a unique identification number allocated. For each lot, the system captures data such as counterparty, the country of origin, the type of material (i.e. mined / recycled), date of arrival and refining finalization, pictures taken at arrival, purity and weight. Each step of the process

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from arrival to the refinery until the end of the processing is fully documented. Shipping documents such as airwaybills, packing list, pro-forma invoice, import and export forms are recorded in this system for each lot. During the year, we have strengthened our supply chain traceability system, in order to document in more details the type of material received for each lot in line with the version 9 of the LBMA RGG. This new functionality is fully operational since the end of 2022. In addition, in the of majority cases, we manage the transport of the material from the source.

Specific and relevant transactional documentation as per our internal guidelines must be received and verified before the processing of any precious metals. Such documentation is attached to each lot in the system and properly archived.

All documentation is collected and verified by the Operation Team. The Compliance Team performs a second level control and all transactions, irrespective of their risk classification, are reviewed daily by the Compliance Team to ensure that the product received is in line with the expectation. In addition, shipments coming from conflict affected countries as per our internal guidelines are flagged in the system. Furthermore, our internal system generates alerts depending on specific scenario defined, such as discrepancies in weight, purity or country of origin. Alerts are reviewed and analysed by the respective teams in charge.

During the year, we have not faced any incidents relating to the identification of our counterparts, the origin of precious metals nor on traceability.

In order to strengthen our AML program, MKS PAMP SA has a policy restricting the execution or receipt of third-party payments. The Compliance Team and Treasury Team approve all standard settlement instructions in the system and therefore ensure a full compliance of that policy. In addition, MKS PAMP SA bans cash transactions and therefore all currency and metal payments are made through international banking channels.

#### Transparency extra step

In 2019, our Group launched our Provenance solution, a cutting-edge segregation and traceability solution that utilizes the blockchain technology to track & trace the global precious metal supply chain, from source to end-product, guaranteeing a full physical traceability throughout the refining process. In addition, our VERISCAN app enables the authentication of our products with a simple scan and permits users to consult the blockchain based Provenance information directly from their phone. We are proud to see an increased interest from downstream actors for our Provenance solution, showing the substantially increased demand for our fully transparent and traceable supply chains.

Last year, we have joined our forces with De Pury Pictet Turrentini, a leading fund manager based in Geneva and Zurich, to launch a fund investing in physical impact Gold. This Swiss Positive Gold Fund, authorized by FINMA, gives investors access to traceable and sustainable physical gold. This is assured through our Provenance Program describe above.

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### **1.4 MKS PAMP SA has strengthened company engagement with precious metals supplying counterparties, and where possible, assists precious metals supplying counterparties in building due diligence capabilities**

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#### **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. For mined materials, our preferred approach is to onboard sources directly to have a direct access to the key stakeholders to strengthen the due diligence made. This approach permits as well to easily identify all counterparties down to the precious metal origin.

Our Refining Agreement specifically refers to and includes our Responsible Precious Metal Group Policy or the policy in Annex II of the OECD Guidance.

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Where possible, we assist our precious metals supplying counterparties or prospects and encourage them to improve their responsible supply chain practices. In particular, our Relationship Managers, who are regularly trained, are responsible for promoting responsible sourcing practices throughout the supply chain. Therefore, they take advantage of each on-site visit to explain the regulatory environment, our expectations, best practices seen in the market and provide them with help or guidance encouraging them to continuously improve their own practices and where applicable, obtain independent certification of their practices. For example, our Relationship Managers promote the application of the International Cyanide Management Code or the UN Voluntary Principle on Human Rights to mining supply chains that are not yet compliant and encourage them to measure and reduce their carbon footprint. During these visits and whenever relevant and possible, we meet with local mining and environmental agencies and local not-for profit associations. In addition, whenever possible, we introduce our counterparts or prospects to not-for profit associations aiming to improve social and environmental practices.

During the year, our counterparts have been informed through mailing and in some instances during meetings about new requirements imposed to them and derived from the version 9 of the LBMA RGG. Over the year, we have strongly encouraged our counterparts producing or sourcing non LBMA bullion to add in their procedures and practices the requirement to perform or obtain a third-party assurance report in conformance with an OECD aligned responsible sourcing program.

During the reporting period, we have not made payment to Governments or state-owned entities related to the purchase of mined precious metal sourced from them. However, we have sourced gold doré from a mine in Azerbaijan, where the mine has signed a production sharing agreement with the government. On this basis and as determined in the agreement, the Government is entitled to receive a defined percentage of the precious metal produced. The amount paid in 2022 to the government is USD 20 millions.

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### 1.5 MKS PAMP SA has established a confidential grievance mechanism

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#### Comments and Demonstration of Compliance:

MKS PAMP SA has put in place an accessible, independent, respectful and transparent grievance mechanisms through the following e-mail address: [responsiblepm@mkspamp.com](mailto:responsiblepm@mkspamp.com) allowing any employee, supply chain actor or stakeholder to confidentially and without any fear of reprisal voice any concerns over the supply chain or any newly identified risk. All relevant enquiries are treated directly by the Compliance Department and Compliance Team will also treat any anonymous grievance. This mailbox address is available on our Precious Metal Policy which is available on our website and systematically communicated during internal trainings. Grievance cases are reported in the quarterly compliance update shared to the Board of Directors.

During 2022, we have not received any direct grievance through our grievance mechanism nor through the LBMA. In 2021 we were contacted by the LBMA for a grievance received from a NGO on a large scale mine in Africa (refer to previous compliance report). During the year, this mine participated in a government led mediation process with the community which has been finalized and, following various calls with the mining company, the latter agreed to enter as well into an independent mediation process with the communities supported by civil society.

In June 2019, the LBMA invoked an Incident Review Process (IRP) to MKS PAMP Group refining plant MMTCPAMP in response to allegations reported by the media of personal injuries at the North Mara mine (refer to step 3 below). During the year, the LBMA has confirmed that the [IRP is closed](#).

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## **Step 2: Identify and assess risks in the supply chain**

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### **Compliance Statement with Requirement:**

We have fully complied with Step 2: Identify and assess risks in the supply chain.

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### **2.1 MKS PAMP SA has a process to identify risks in the supply chain**

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#### **Comments and Demonstration of Compliance:**

MKS PAMP 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.

During the year, we have reviewed our high-risk criteria defined in our Group responsible precious metal policy. Supply chains are assessed as high-risk due to their location in high-risk areas, due to the profile of the supply chain (such as use of mercury, artisanal mining or mine with highly adverse ESG factors) or counterparty type, such as Politically Exposed Persons (PEP), offshore company, non-LBMA refineries with high-risk supply chain or counterparties active in higher risk businesses.

In order to determine our high-risk areas, we used the following reliable external data sets as basis of this analysis:

- Financial Action Task Force (FATF) lists
- EU CAHRA list
- Heidelberg Conflict Barometer
- Section 1502 of Dodd Frank Act
- Identified conflict gold transit zone by UN
- Fragile state index
- Cato Institute Human Freedom Index
- UNICEF children rights in the workplace index

The list of high-risk areas is reviewed annually.

We conduct due diligence following a risk-based approach and allocate a risk profile according to our risk profile criteria. The due diligence toolkit has been developed to capture relevant information required to assess all risks listed in our supply chain policy (see step 1.1). This process is a formal requirement conducted before entering into any business relationship with a precious metal supplying counterparty. Risk classification is determined by the Relationship Manager based on MKS PAMP GROUP high-risk criteria and reviewed, assessed, and validated by the Compliance Department. The Compliance Department has the power to override any risk classification and determine a relationship as high-risk even if no high-risk criteria are met. Risk level and risk assessment is documented directly in our CRM and approved by Compliance before final approval by two members of the Executive Management Committee. Risk is reassessed at periodic and event-driven review of the due diligence file.

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### **2.2 MKS PAMP SA assesses risks in light of the standards of their due diligence system**

### **2.3 MKS PAMP SA undertakes enhanced due diligence measures for high risk supply chain**

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#### **Comments and Demonstration of Compliance:**

##### Due diligence

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. Due diligence procedure conducted are different based on the type of supply chain (large scale mine/ ASM/ recycled precious metal) and the type of



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counterparty (listed group, small private companies). All our counterparties and their ultimate beneficial owners are also screened at onboarding and on a daily basis against external databases. Based on the due diligence conducted, the following risks are assessed: human rights abuses, money laundering, terrorism financing, sanction violation, contribution to conflict, corruption, support to illegitimate non-state armed groups, public or private security forces, fraudulent misrepresentation of origin of materials, non-compliance with local tax regulation, non-compliance with environmental local legislation and highly adverse ESG factors.

Two members of the Executive Management Committee approve all new counterparties.

#### Enhanced due diligence

We also perform enhanced due diligence for higher risk categories. For the year 2022 40% of our supply chain was categorized as high risk, mainly resulting from the location of the mining operations in a high-risk country or because an authorised signatory or an ultimate beneficial owner has a political exposure (incl. role as board member of a State-owned entity). The remaining relationship classified as high risk (8% of the total supply chain) are due to the following factors:

- sourcing from artisanal or small scale mine or use of mercury
- ESG factors
- intermediate refineries without having finalized their equivalent OECD audit
- Override of the risk rating

During the year, we have not identified any instance of zero-tolerance non-compliance in our supply chain.

Relationships considered as high-risk are reviewed annually and submitted to Senior Management to revisit the decision as to whether continue with these business relationships. The Compliance Team prepares on a yearly basis a report on high-risk suppliers to Senior Management in order for him to perform his duty. Non-high-risk relationships are also reviewed on a periodic basis by the Compliance Department. In addition, every relationship is reviewed on an event trigger basis, such as a change of ownership, negative news identified, change in the supply chain.

In compliance with the LBMA responsible program, all our high-risk supply chains are visited. In addition, we aim to visit all our non-high-risk mining sources and visit them at least every 5 years. We believe on-site visits are central to corroborate the assessment done through desk top reviews. On-site visits are conducted by competent in-house personnel as required by the guidance. Such visits are fully integrated in our due diligence program and we used the LBMA RGG v9 on-site toolkit to document the visits across 2022. During the year, our Team has visited 26 counterparties as well as a number of prospects. Two on site visits have been delegated to third parties: one due to the need of specific expertise (refer to step 3) and one due to the inability to go on site due to quarantine requirement following COVID pandemic. None of these on-site visits (conducted by external parties or in-house employees) have triggered the identification of new risks.

Our policy is to source gold investment bullion produced only by LBMA/LPPM, RMI, RJC, CME or LME accredited refineries. All these programs request refineries with high-risk supply chain to undergo an OECD guidance equivalent audit. As mentioned above, we have however two supply chains where the intermediate refineries have not yet passed the OECD equivalent audit program. On these two, one located in United States has finalized its audit early 2023 and the second, located in Hong Kong has committed to undertake the audit by the end of July 2023.

#### Monitoring

In addition to on-boarding due diligence, we conduct appropriate and continuous scrutiny and monitoring of transactions undertaken through the course of the relationship following a risk-based approach. Any unusual or high-risk transaction is communicated to the Compliance Team who will ensure that proper clarification is obtained. All transactions are reviewed daily by the Compliance Team in addition to the operational checks conducted.



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Supply chain (including ASM)

We source from recycled and mined precious metals supply chains. Regarding the mined precious metals supply chains, we source mainly from large well-established industrial mines located in Europe, North America, South America, Africa, Asia and Oceania.

In our drive to support responsible ASM, in previous years we have extended our supply chain to two precious metals aggregators located in Latin America who source from small-scale operations and support these local activities. As part of our due diligence process, we visited the aggregators and each of the small-scale mines. On these projects, we engage with the Swiss Better Gold Association, a not-for-profit organisation, that supports responsible ASM mines to improve their environmental and social practices. Where possible and when sanitary situation permitted, meetings were also organized with local authorities.

One of the aggregators described above source as well gold and PGM from a network of traditional artisanal miners, with a full traceability. This chain is also supported by the Swiss Better Gold Association and can therefore benefit from a premium to support miners' livelihood. It is a great success to provide traditional alluvial miners an access to the international market and promote formalisation of this sector.

Two of our supply chains in Latin America are still using mercury. Although mercury is used in a contained manner and in compliance with local environmental regulations, our aim is to help them to find alternative solutions. We therefore discuss, encourage, and support the plans taken by the mines to eliminate the use mercury. We visited the mines to have a full understanding of the process and assess fully the risks linked to the use of mercury. We also discussed with environmental agency about the use of mercury by small scale mines and alternative solutions. We introduced them to Swiss Better Gold Association to help them apply better ESG practices, including elimination of mercury. One of these supply chains, considerably reduced the amount of mercury used during the year and plan to eliminate it completely in 2023 as the process shifted to cyanidation. On-site visits continue to be conducted on a regular basis to follow improvements made. However, since end of 2022, these supply chains have been put under increased monitoring due to local investigation on mercury supply chain.

During the year, we are proud to have extended our ASM supply chain to a new chain located in Ghana, sourced through the Central Bank of Ghana. We have performed an extended due diligence on the small scale mine, using artisanal process with no use of chemicals. Our due diligence included the visit on site.

Our Group continues to actively participate in a number of different initiatives aiming to source or facilitate sourcing from artisanal mines, to provide them with technical assistance towards mining best practices as well as direct access to the international markets.

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**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 implemented a management system to respond to identified risks.

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### 3.1 MKS PAMP 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

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#### Comments and Demonstration of Compliance:

During the reporting period, we have not disengaged or suspended a relationship due to compliance risk. We have however declined on a number of new relationships based on preliminary or full due diligence work.

During this reporting period, we have sourced gold from the North Mara Gold Mine in Tanzania (NMGM). In June 2019 NMGM was the subject of certain allegations related to personal injury claims and environmental pollution. Since 2020, gold produced by NMGM is refined by us and by our sister company MMTC-PAMP.

After considering the allegations with NMGM, MKS PAMP GROUP has taken the following steps:

- In June 2019, a public announcement relating to the allegations was issued detailing the actions MKS PAMP GROUP has taken, please [refer to statement](#);
  - as an extra step, the independent environmental and social consultant Synergy Global Consulting (Synergy) was appointed to conduct a detailed expert independent assessment at the NMGM. Senior representatives from the Synergy undertook an on-site assessment at the NMGM in November 2019 with an executive summary of their findings being published on the MMTC-PAMP's website on July 2020, please [refer to statement](#);
  - complied with the recommendation of Synergy to continue trading with NMGM while engaging with Barrick Gold Corporation on the mitigation of certain risks identified by Synergy;
  - undertake quarterly monitoring of the implementation by NMGM of the recommendations issued by Synergy;
  - MKS PAMP GROUP further mandated Synergy in December 2020 to conduct an independent review of the progress made at NMGM over the course of the reporting year and the management by NMGM of the risks previously identified by Synergy. The outcome of that separate independent review concluded that significant improvements have been achieved towards the management of the risks previously identified by Synergy. As a result of those improvements and on the recommendations of Synergy, MKS PAMP GROUP decided to continue trading with NMGM.
  - In December 2021, we renewed our mandate with Synergy to perform a new independent desktop review of the progress made at NMGM. Synergy indicates that there is continued improvement at NMGM towards managing the identified risks and confirmed that they were not aware of any evidence that warranted us to suspend or discontinue our existing trade and engagement with the mine.
  - A new on-site visit has been conducted in 2022 by Synergy. The overall finding on risks and progress is the following ([refer to executive summary of the report](#)):
    - NMGM have made significant measurable progress in relation to security forces management, particularly in relation to the management of private security.
    - Tailings storage facility (TSF) and water management are no longer considered high risk as Barrick have taken rapid action and consented significant investments to address the root causes of the risks.
    - In relation to land issues and resettlements, NMGM have made measurable progress regarding resettlement by consolidation their understanding of historical compensation processes, working to resolve outstanding historical resettlement issues, and developing a more integrated site wide plan for future resettlement.
    - Barrick has made measurable progress to the grievance mechanism through the development of a new grievance procedure in 2020, resolving outstanding grievances and engagement with community members.
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- This third-party independent assessment has confirmed MKS PAMP Group's decision to continue to source from the mine. As recommended by Synergy, MKS PAMP Group continues to engage with Barrick on the mitigation of the remaining risks identified at the mine. The full independent assessment report has been submitted to the LBMA and LBMA has published a [related statement](#), available on their website.
  - NMGM provided MKS PAMP GROUP half-yearly report on the implementation by NMGM of the new recommendations issued by Synergy, confirming continuous progress.

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### **3.2 Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk**

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#### **Comments and Demonstration of Compliance:**

We have engaged and will continue to engage with Barrick on the mitigation of the identified risks at NMGM.

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### **3.3 Report findings to the Board Committee**

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#### **Comments and Demonstration of Compliance:**

Regular updates and progresses on improvement plans are made to the Executive Management Committee and Board of Directors, who will take action if and when necessary.

Furthermore, the Compliance Team produces Key Performance Indicators used to review the effectiveness and performance of the supply chain due diligence procedure. Such KPIs include the number of grievances received, negative news articles on MKS PAMP SA, irregularities and recommendations raised by auditors, number of reporting done to the Money Laundering Reporting Office, number of enquiries made by our regulators, if any. These KPIs are submitted to Senior Management and the Board of Directors on a quarterly basis. The Compliance Team also prepares a reputational risk matrix and risk assessment which is reviewed by the Board of Directors, annually. Such assessment includes a presentation of the typology and number of high-risk categories.

Whenever required, the Compliance Team escalates concerns to Senior Management.

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### **3.4 Continuously monitor adequacy of risk management strategies**

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#### **Comments and Demonstration of Compliance:**

MKS PAMP SA performs ongoing monitoring of its supply chain and revisit the due diligence performed on a regular basis in line with its internal policy.

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

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**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:**

The independent assurance report will be available on MKS PAMP SA's website when issued.

No non-conformance has been identified by our auditors for the reporting period ended December 31, 2022. No non-conformance has been identified since the implementation of the guidance.

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**Step 5: Report on supply chain due diligence**

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**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 the MKS PAMP SA website. Our 2022 Compliance report with the audit report will be available on the MKS PAMP SA website when issued. All previous years Compliance reports and audit reports are also available on our website.

In addition, we have:

- responded to queries from the LBMA, LPPM, RMI or other regulatory bodies as to information required by them or any allegations made, if any
  - to the extent allowed by confidentiality and competitive requirements, answered queries by the media, NGOs and Academia as to our sourcing activities, related business and compliance processes and counterparties.
  - provided substantial public information on our work with North Mara Gold Mine as detailed in 3.1 above.
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### MKS PAMP SA's overall conclusion

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#### Table 3: Management conclusion

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**Is MKS PAMP SA in compliance with the requirements of the *LBMA Responsible Gold and Silver Guidance* as well as the *LPPM Responsible Platinum and Palladium Guidance* for the reporting period?**

Yes	<p>In conclusion, MKS PAMP SA strives to continuously improve its own processes and practices as well as leading the industry to further enhance due diligence standards and practices.</p> <p>MKS PAMP SA has implemented effective management systems, procedures, processes and practices to conform to the requirements of the <i>LBMA Responsible Gold and Silver Guidances</i>, the <i>LPPM Responsible Platinum and Palladium Guidance</i> and the <i>OECD Guidance</i> for all its precious metals supply chain, as explained above in Table 2, for the reporting year ended 31 December 2022.</p>
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#### Table 4: Other report comments

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If users of this report wish to provide any feedback to MKS PAMP SA with respect to this report, they can send an e-mail to our dedicated email address: [responsiblepm@mkspamp.com](mailto:responsiblepm@mkspamp.com)

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