

## **Report**

### **Independent Limited Assurance on PAMP SA's Refiner's Compliance Report 2017**

From 1 January to 31 December 2017

**PAMP SA, Castel San Pietro**



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6874 Castel San Pietro  
Switzerland

Geneva, 15 March 2018

## **Independent Limited Assurance Report on PAMP SA's Refiner's Compliance Report 2017**

### **General information**

We were engaged by PAMP SA to perform a limited assurance engagement on PAMP SA's Compliance Report dated 23 January 2018 for the Reporting Period from 1 January to 31 December 2017 (the "Refiner's Compliance Report"). PAMP SA has also decided to voluntarily apply the requirement of the LBMA Responsible Gold Guidance to all precious metals sourced.

### **Management's responsibilities**

The management of PAMP SA is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the *LBMA Responsible Gold Guidance, Version 6 dated 14 August 2015* (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 Refiner's Compliance Report.

### **Our responsibility**

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"). This standard requires that we plan and perform this engagement to obtain a limited level of assurance.

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

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 Guidance (Version 6 dated 14 August 2015) 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.

### **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 PAMP's processes and risk management protocols in place
- ▶ Enquiries of staff responsible for the preparation of the Refiner's Compliance Report
- ▶ Review of policies, procedures and internal controls that PAMP has in place to conform to the LBMA Responsible Gold Guidance
- ▶ Review of a selection of the supporting documentation, including supplier counterparty due diligence file and transaction's documentation
- ▶ Review of the Refiner's Compliance Report

### **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 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 PAMP SA's precious metals supply chain policy available on PAMP SA website ([www.PAMP.com](http://www.PAMP.com)).

### **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.

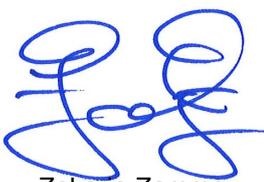
### **Opinion**

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that PAMP's Compliance Report for the period from 1 January 2017 to 31 December 2017, 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, Version 6 dated 18 August 2015 and with LBMA Third Party Audit Guidance Version 3 dated 11 March 2016.

Ernst & Young Ltd



Milena De Simone  
Partner



Zakaria Zammou  
Senior Manager

**Enclosure:** Copy of the Refiner's Compliance Report dated 23 January 2018

## PAMP SA LBMA Responsible Gold Guidance Compliance Report

The *LBMA Responsible Gold Guidance* has been established for good delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict 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 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 sourcing but to all other precious metals sourced.

As a result, all precious metals feedstock sourced and refined by PAMP comply fully with the LBMA Responsible Gold Guidance requirements. PAMP has decided voluntarily to include in the scope of the audit, all precious metals supply chain.

**Table 1: Refiner's details**

Refiner's name	PAMP SA
Location	6874 Castel San Pietro, Switzerland
Reporting year-end	December 31, 2017
Precious metals in the scope of the LBMA Responsible Gold Guidance audit	Gold, Silver, PGM
Date of Report	January 23, 2018
Senior Management responsible for this report	Marwan Shakarchi, Chairman

This report summarizes how PAMP SA complied with the requirements of the LBMA Responsible Gold Guidance during the year 2017 for all type of precious metals sourced. PAMP SA applies the version 6 of Guidance, issued in August 2015.

### PAMP's evaluation

The following table lists the minimum requirements that must be satisfied by Refiners in accordance with the LBMA Responsible Gold Guidance to demonstrate compliance.

**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.

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

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**Comments and Demonstration of Compliance:**

Our Responsible Precious Metal 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 terrorism 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.

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**PAMP SA has set up an internal management structure to support supply chain due diligence**

**Comments and Demonstration of Compliance:**

PAMP SA 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 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.

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**PAMP 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:**

PAMP SA has a robust traceability system database that records supply chain information and documents for each lot refined. Specific and relevant transactional documentation as per our internal guidelines must be received and verified before we process the precious metals.

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**PAMP SA has strengthened company engagement with precious metals supplying counterparties, and where possible, assist 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 General Terms and Conditions for the Refining of Materials make reference to our Responsible Precious Metal 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 our supplies with help or guidance so as to continuously improve their own practices.

In order to further improve the industry standards, during 2017 we shared with the LBMA our on-site visit report template to allow for a uniform interpretation and implementation of the LBMA RGG and help refiners perform robust compliance checks during their on-site visits, and not limit themselves only to commercial discussions. This toolkit is now mandatory.

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**PAMP 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](mailto:responsiblepm@mkspamp.com) has

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been established and is reviewed by the Group Compliance Officer and by PAMP's Compliance Officer. All relevant enquiries are treated directly by the Compliance Department.

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

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

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. 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.

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

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#### **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 from recycled and mined gold supply chains. Regarding the mined gold 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 mining supply chains. However, we are leading different initiatives aiming to support artisanal and small scale mining through technical assistance towards mining best practice as well as direct access to the international markets.

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### **PAMP SA reports risk assessment to Senior Management**

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

Senior Management approves all new suppliers. In addition, Senior Management revisits each year the decision as to whether to continue or not 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.

In addition, the Compliance Officer prepares each year a reputational risk matrix and risk assessment, which are approved by the Board of Directors.

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

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

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

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### **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, PAMP SA has properly implemented required strategy to respond to the identified risk.

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**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, and regular reporting to designated senior management**

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**Comments and Demonstration of Compliance:**

The procedure for risk mitigation is described in our own guidance and is strictly applied when and where necessary.

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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 and have arranged for an independent third-party audit not only on our gold supply chain due diligence, but as well on all other precious metals supply chains.

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**Comments and Demonstration of Compliance:**

PAMP SA has engaged the services of the assurance provider Ernst & Young Ltd, Geneva to review our 2017 Compliance Report, and their independent report will be available on PAMP's website when issued. Previous reports are available on PAMP's website as well.

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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

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**Comments and Demonstration of Compliance:**

Our Responsible Precious Metals Policy is available on PAMP's website. Our 2017 Compliance report with the independent audit report will be available on PAMP's website when issued. Previous years Compliance reports with audit reports are as well available on our website.

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**PAMP SA's overall conclusion**

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**Table 3: Management conclusion**

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**Is the Refiner in compliance with the requirements of the *LBMA Responsible Gold Guidance* for the reporting period?**

Yes	In conclusion, PAMP SA has in place effective management systems, procedures, processes and practices to conform to the requirements of the <i>LBMA Responsible Gold Guidance</i> for all its precious metals supply chain, as explained above in Table 2, for the reporting year ended 31 December 2017.
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**Table 4: Other report comments**

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

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