



## ABC Refinery

# Multi-metal Combined Responsible Gold Guidance (RGG) and Responsible Silver Guidance (RSG) Compliance Report 2018

This multi-metal combined compliance report summarises how ABC Refinery (**ABC**) has complied with the requirements of the *LBMA Responsible Gold Guidance (v.7 September 2017)* and the *LBMA Responsible Silver Guidance (v1. September 2017)* for the year ended 30 June 2018.

The RGG and RSG are collectively referred to in this report as the Guides. Unless stated otherwise, capitalised expressions used in this report have the meaning given in the RGG or RSG (as applicable).

### Refiner's Details

<b>Refiner's Name</b>	ABC Refinery
<b>Location</b>	12 Meeks Road Marrickville NSW Australia 2204
<b>Reporting year-end</b>	30 June 2018
<b>Senior management responsible for this report</b>	Allan Luu, General Counsel

### ABC's Evaluation

This report lists the minimum requirements that must be satisfied by Refiners in accordance with the *RGG and RSG* to demonstrate compliance and provides commentary on ABC's compliance. ABC fully complies with the Guides, as demonstrated by the policies, processes and other measures adopted by ABC and outlined in this report.

### Multi-Metal Format of Report

ABC is accredited on the LBMA gold Good Delivery List and compliant with the RGG. In addition, ABC is currently in the process of seeking accreditation on the LBMA silver Good Delivery List and is already compliant with the RSG.

It's prior Compliance Reports addressed compliance with the RGG alone and this is ABC's first multi-metal Compliance Report, being that it addresses compliance with both the RGG and RSG.

ABC's decision to seek accreditation on the LBMA silver Good Delivery List reflects the natural evolution of the organisation's maturity and would be a logical expansion of its existing accreditations.

ABC's business comprises substantial volumes of both gold and silver refining and that has always been the case historically. It's primary gold refinery clients also constitute almost the entirety of its primary silver refinery clients. Operationally, ABC's gold refinery and silver refinery are conducted at the same ABC facilities. ABC adopted an internal policy of voluntarily applying the RSG standard to its silver refinery operations prior to the 2017 reporting period. Accordingly, changes to ABC's existing policies and procedures to now formally comply with the RSG were not substantial.

ABC has considered the requirements set out in each of the RGG and RGS and notes both the substantial commonality of requirements between the two Guides and also the divergences between the two Guides. To aid reader friendliness, this report addresses both Guides collectively and, where relevant, addresses the two Guides individually.

All of the reference documents provided with ABC's RGG 2017 Compliance Report have been reviewed and revised to accommodate and account for the requirements of the RSG to the extent that any did not already do so. That exercise confirmed that the reference documents largely accounted for the RSG's requirements prior to revision.

## Significant Developments During the 2018 Review Period

The material developments during the 2018 reporting period are summarised below.

### SGE Accreditation

In April 2018, ABC was officially accredited by the Shanghai Gold Exchange (**SGE**), making it one of only seven international companies who can sell gold into the world's top gold consuming nation and one of only two with such accreditation in Australia.

### Supplier Site Visits

A material due diligence initiative for the reporting period has been the completion of numerous site visits of ABC's gold mining suppliers.

### RSG Compliance

As discussed above under the "Multi-Metal Format of Report" section, ABC has revised its existing policies and processes to achieve compliance with the RSG requirements.

### Continuous Improvement

Throughout the 2018 reporting period, ABC has been conscious of the LBMA's focus on continuous improvement relating to the LBMA's annual certification process and ABC's own role within that process. ABC has undertaken numerous continuous improvement initiatives throughout the 2018 reporting period and they are highlighted in this Compliance Report.

## Step 1 - Establish strong company management systems

### Compliance Statement with Requirement:

We have fully complied with Step 1 - Establish strong company management systems.

#### **1. Adopt a company policy regarding due diligence for supply chains of gold and silver**

As referred to in our 2017 Compliance Report, we have a Due Diligence Policy which is consistent with the model set out in the Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk areas (OECD Due Diligence Guidance)*. That Due Diligence Policy remains current and effective for the 2018 reporting period.

For silver refining, ABC undertakes due diligence on all material supplied to ABC, regardless of silver content or quantity. Where material containing less than the 15% De Minimis Threshold has been excluded from the scope of the RSG, ABC fully documents the decision process leading to ABC's conclusion that the material poses no risk of contributing to systematic or widespread abuses of human rights, does not contribute to conflict, and complies with high standards of anti-money laundering and combating terrorist financing practice. By default, any material containing more than the 15% De Minimis Threshold is deemed to fall within the scope of the RSG.

In this reporting year, as part of ABC's commitment to continuous improvement, ABC has adopted new measures to ensure that the company's management systems are robust and effective. For instance, a broader range of staff personnel within the business have attended and participated in the monthly compliance committee meetings on a rotational basis. This has allowed for increased knowledge sharing and practical input to be provided in these meetings. ABC's KYC policies and processes have also been enhanced to accommodate the changing needs of ABC's clientele. ABC's management systems have also adapted to ensure compliance with regulatory changes and updates.

Another material initiative for the reporting year has been the completion of numerous site visits of ABC's gold mining suppliers.

Each visit was intended to allow ABC visibility and improved due diligence on its primary suppliers. That exercise involved (amongst other things):

- i. a tour of the supplier's primary operational facilities
- ii. visual inspection of the supplier's environmental and social policies and procedures along with an explanation of those measures by the supplier and the opportunity for ABC's attendees to ask questions
- iii. visual inspection of the supplier's safety and emergency policies and procedures, including PPE, along with an explanation of those measures by the supplier and the opportunity for ABC's attendees to ask questions
- iv. visual inspection of the supplier's security and clearance procedures, including for site visitors, as demonstrated to ABC during the visit
- v. visual inspection of the supplier's awareness and consideration of the indigenous and local population of the supplier's site, and

- vi. queries and discussions on whether there had been any recent material environmental regulatory breaches.

Finally, the Due Diligence Policy has been reviewed in 2018 to ensure compliance with the RSG.

A copy of our revised Due Diligence Policy appears as [Annexure 1](#). The Policy attaches copies of the OECD Due Diligence Guidance and the Guides (see [Annexure 2](#) and [3](#)).

The Policy states that each gold and silver-supplying counterparty requesting services from ABC is required to complete the refining application contained in [Annexure 4](#) (recycled gold/silver) and [Annexure 5](#) (mining companies), both of which have been revised during the 2018 reporting period. The refining applications remain comprehensive documents that enable ABC to conduct a robust KYC due diligence process to identity theft, prevent terrorist financing, money laundering and financial fraud. Our KYC process continues to include a 100-point identification check.

The Policy continues to provide that once a refining application has been received and the Compliance Officer determines a due diligence file contains sufficient information for a decision to be made, the Compliance Officer must assess the application and assign a risk profile rating (low, medium, high or extreme) to the file using the risk matrix in [Annexure 6](#) as a guide. For all customers deemed to be “high risk” and “extreme risk”, enhanced due diligence shall be performed as outlined in the Annexure. Enhanced due diligence includes the completion of a physical site visit by an ABC representative and the completion of a report in the form contained in [Annexure 7](#). During the 2018 reporting period, no customer was deemed to be “high risk” or “extreme risk”.

As was the case for the 2017 reporting period, this process is followed by ABC:

- i. the Due Diligence Policy requires that once a risk profile rating has been allocated, the Supply Chain Assessment Form in [Annexure 8](#) is completed, and the file submitted to the appropriate person for consideration
- ii. the Compliance Officer must follow the Responsible Precious Metals Supply Chain Due Diligence Policy, in [Annexure 9](#), when making an assessment
- iii. each Due Diligence File is either “approved” or “rejected” on the basis of ABC’s risk-based approach to due diligence; no new customer may be approved for business until they have been subjected to ABC’s Due Diligence Process the Compliance Officer is responsible for overseeing the due diligence process with the support of the Compliance Committee, as appears in [Annexure 10](#), and
- iv. Senior Management, including the General Counsel, retains the ultimate control and responsibility for the supply chain. Senior Management will carefully select and supervise the Compliance Officer and give him/her the necessary means to perform his/her duty. Senior Management should approve each new supply chain assessed as “high” or “extreme risk” and each year should revisit the decision whether to continue with these business relationships or not.

ABC has revised its existing Communication and Training Policy (see [Annexure 11](#)), which continues to provide that employees must receive ongoing training with respect to the responsible supply chain and give proper information to the Senior Management in order for them to perform their duties. We continue to disseminate employee training materials to employees via ABC’s monthly internal compliance committee meeting.

## **2. Set up an internal management structure to support supply chain due diligence**

ABC’s Due Diligence Policy, as an internal management system, continues to define the governance, roles and responsibilities, internal audit, communication and Senior

Management review. The Compliance Officer manages the process and has a direct line of reporting to the General Counsel (formerly the Legal and Compliance Counsel) and other Senior Management. In addition, ABC has retained its existing Compliance Committee to fully support the due diligence process. This Compliance Committee ensures that compliance issues are adequately handled.

As part of ABC's continuous improvement commitment, the prior Legal and Compliance Counsel has been succeeded by a more experienced legal and compliance professional and that has been reflected in the adoption of the new title of General Counsel. ABC's newly appointed General Counsel has material experience in good corporate governance and regulatory compliance. Our recently appointed General Counsel has a background in compliance, having previously been employed by heavily regulated organisations for several years, has formal training and industry experience in good corporate governance, is a Fellow of the Australian Governance Institute and regularly delivered professional development and postgraduate applied law programs prior to joining ABC.

ABC has maintained its existing practice of conducting monthly internal compliance committee meetings. This remains an effective forum for supply chain due diligence procedures to be discussed and for company policy and new information to be shared with relevant employees and other counterparties, as necessary. The minutes of the monthly internal compliance committee meetings are shared with ABC's Board.

These measures have collectively proven to be effective during the 2018 reporting period for gold and would be effective for silver as well.

### **3. Establish a strong internal system of due diligence, controls and transparency over gold and silver supply chains, including traceability and identification of other supply chain actors**

#### Supply chain traceability system

During the 2018 reporting period, ABC continued to maintain its existing comprehensive supply chain traceability system. It records and maintains supply chain information for every lot refined, including assigning a unique reference number to each input and output. As part of ABC's continuous improvement commitment, ABC has internally conducted an informal review of the effectiveness of its supply chain traceability system and, as a result of that review, made minor improvements to that system.

One new initiative of the 2018 reporting period is ABC's no-exceptions policy of not accepting 99.99 purity (or higher) precious metals for refining. Accordingly, no exceptions were made to that policy during the 2018 reporting period.

ABC's supply chain traceability system has been internally reviewed in 2018 to ensure that it accommodates the RSG.

During the 2018 reporting period, ABC continued to improve the enterprise resource planning (**ERP**) system commissioned during the 2017 reporting period. The ERP has proven its ability to give ABC the ability to report and track metal batches from receipt to finished goods stage.

#### Maintaining records

As noted in 1 (*Adopt a company policy regarding due diligence for supply chains of gold/silver*) above, under ABC's Due Diligence Policy (see Annexure 1), ABC continues its existing procedures where all due diligence records are electronically stored and backed up on company servers. The Policy is unchanged in that it requires files to be maintained in a

safe and secure manner and for a minimum of five (5) years following the end of the fiscal year (30 June).

### Training

As noted in 1 (*Adopt a company policy regarding due diligence for supply chains of gold/silver*) above, ABC continues to apply its Communication and Training Policy (see Annexure 11), which requires employees to be trained with respect to the responsible supply chain, to prepare and update the gold and silver supply chain policy, and to give proper information to Senior Management in order for them to perform their duties. Ongoing employee training activity is recorded in a log that is maintained by the Compliance Officer. This training pertains to the Guides, OECD Due Diligence Guidance as well as Australia-specific transaction reporting protocols.

### Compliance Officer

ABC continues to retain a Compliance Officer as well as a General Counsel who report to Senior Management on all matters regarding the gold and silver supply chain. They are also responsible for the continuous training of employees with respect to the responsible supply chain. Reporting to Senior Management occurs at least once per month, but is often more frequent. The individuals appointed to the Compliance Officer as well as the Legal and Compliance Counsel roles have changed during the 2018 reporting period due to staff turnover.

### Payment through official banking channel

As was the case for the 2017 reporting period:

- i. ABC payments and receipts for gold and silver continue to be conducted through official banking channels
- ii. ABC does not make or receive third party payments. The payment method applied depends on the supplier's preference and can be any of the following, or a mix thereof, namely: settlement by bank transfer, exchanging of Loco London bullion or an allocation to client metal holdings (on account).
- iii. our most significant and material trades remain with Australian gold and silver miners, who value ABC's quick turnaround terms typically settling within three days from dorè delivery. The transaction is recognised initially based at 90% of the expected value and is finalised upon the fire assay becoming available (and other assay methods are available too)
- iv. ABC only maintains client metal accounts for established suppliers, with a proven track record of delivering within the expected quality and yield parameters. Client metal positions arising from locked-in agreements are typically settled by both parties within a fortnightly period, and
- v. Loco London bullion swaps are also offered to Australian miners if this is a preferred form of settlement. Typically, Loco London bullion swaps account for approximately 50-70% of the value of a single delivery, with the remainder being settled via EFT.

### Cooperation with government authorities

ABC's cooperation with government authorities continues to be both proactive and exemplary. During the 2018 reporting period, ABC has continued to comply with the

“reverse charge” regulatory tax regime that it supported during the 2017 reporting period (refer 2017 Compliance Report).

ABC still applies its policy of requiring customers to sign a Refining Input Declaration and the Recipient Created Tax Invoice Agreement (in order for ABC to issue a RCTI (see [Annexure 13](#))).

#### **4. Strengthen company engagement with Gold and Silver-Supplying Counterparties and, where possible, assist Gold and Silver-Supplying Counterparties in building due diligence capacities**

As stated in 1. Adopt a company policy regarding due diligence for supply chains of gold and silver above, ABC’s KYC and onboarding process continues to require all gold/silver-supplying counterparties to complete a refining application, as contained in [Annexure 4](#) (recycled gold/silver) and [Annexure 5](#) (mining companies).

During the 2018 reporting period, those application documents have been subject to internal review by ABC’s internal compliance review panel to ensure ongoing compliance with laws and regulatory best practice. The refining applications continue to be extensive due diligence documents that require suppliers to provide detailed information, including but not limited to, client business activity, origin/source of precious metals, responsible precious metals supply chain, AML/CTF Declaration and Bribery Policy.

ABC still does not, as a general policy, accept customers who are unable to wholly satisfy our due diligence process.

#### **5. Establish a confidential grievance mechanism**

ABC continues to enforce its formal written Grievance Handling, Disputes and Investigation Policy and Whistle-blower Policy that, amongst other things, provide a formal mechanism that allows any employee and director to anonymously voice concerns over the gold/silver supply chain or any newly identified risk without fear of reprisal. A copy of the policies appear at [Annexure 14](#). No concerns have been raised during the 2018 reporting period.

### **Step 2 - Identify and assess risk in the supply chain**

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

We have fully complied with Step 2 - Identify and assess risk in the supply chain.

#### **1. Identify risks in the gold and silver supply chain**

ABC continues to maintain a variety of mechanisms to identify risks in the gold and silver supply chain and to ensure strict adherence to the OECD Due Diligence Guidance from the point of origin to ABC, including ABC’s Responsible Precious Metals Supply Chain Due Diligence Policy (see [Annexure 9](#)).

As part of ABC’s continuous improvement commitment, ABC’s Responsible Precious Metals Supply Chain Due Diligence Policy has been internally reviewed during the year and the audit has confirmed that no revisions are required.

#### **2. Assess risks in light of the standards of their supply chain due diligence system**

## Supply chain due diligence

As part of ABC's supply chain due diligence, ABC's procedures continue to include conducting several enquiries and those have proven to be effective throughout the 2018 reporting period.

## Recycled Gold and silver

Part B of ABC's mining application for recycled gold and silver (see [Annexure 4](#)) requires information related to beneficial ownership, responsible sourcing and an AML/CTF declaration. As an anti-money laundering and anti-tax avoidance measure, ABC also has a strict policy of carefully assessing all melted gold and silver bars above a two-kilogram threshold, regardless of purity, that are sent to ABC for refining.

As part of ABC's continuous improvement commitment, we have reviewed the effectiveness of these existing measures during the year and concluded that they are adequate.

## Mined Gold from Artisanal and Small-Scale Mining (ASM) and Medium and Large-Scale Mining (LSM)

Throughout the 2018 reporting period, ABC has maintained its existing procedure of requiring suppliers of mined gold to provide a variety of information to enable ABC to understand the factual circumstances of gold extraction, trade, handling and export.

## High Risk Supply Chains

ABC continues to apply its existing variety of criteria when evaluating gold-supplying counterparties and ABC's Compliance Officer assigns a risk rating to each potential client using the risk matrix in [Annexure 6](#). Whether a client is considered "high risk" depends on a range of considerations, including the application of ABC's due diligence policies, the RGG and/or RSG (as applicable) and the OECD Due Diligence Guidance. ABC also remains committed to the following (as set out in ABC's Responsible Precious Metals Supply Chain Due Diligence Policy (see [Annexure 9](#))):

- i. ABC will not deal with upstream suppliers where we consider a reasonable risk they are sourcing from, or linked to, any party committing any human rights abuse
- ii. ABC will not engage with, and will immediately discontinue engagement with any business opportunity or business partner where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups
- iii. ABC will not offer, promise, give or demand bribes or kickbacks in any form to individuals including government officials, customers, contractors and suppliers or any other organisation, and
- iv. ABC will not disguise the origin of precious metals, or misrepresent taxes, fees and royalties paid to governments for the purposes of extraction, trade, handling, transport and export of precious metals.

These measures have proven to be effective during the 2018 reporting period for gold and would be effective for silver as well.

## High-Risk Categories

ABC's Due Diligence Policy continues to require all "high risk" deemed gold-supplying counterparties to be subject to enhanced due diligence (which includes, amongst other



things, the completion of a physical site visit by an ABC representative and completion of a written Site Visit Report provided as [Annexure 7](#)). The Site Visit Report must include comprehensive information about the site, (including the location, production and operation description), AML/CTF procedures/protocols in place and a security description. The Site Visit Report is subsequently subject to internal review.

#### Recycled gold and silver from sources located in conflict or human right abuse high-risk areas

As was the case in 2017 reporting period, ABC continues to maintain its policy of not accepting recycled gold and silver from sources located in conflict or human right abuse high-risk areas.

ABC's measures continue to include:

- i. robust supply chain due diligence (refer ABC's recycled gold/silver refining application (see [Annexure 4](#)))
- ii. suppliers of recycled gold and silver are required to provide primary and secondary identity documents, as well as company and business documents (if applicable)
- iii. conducting Veda checks, ASIC searches, ABN and GST registration confirmation as well as web searches to verify information provided by our recycled gold and silver suppliers; regular monitoring government watch lists to ensure that gold and silver-supplying counterparties and their beneficial owners are not named on any government lists as wanted money launderers, known fraudsters or terrorists, and
- iv. Compliance Officer conducting Politically Exposed Persons (**PEP**) checks.

#### Gold and silver mined from ASM and LSM located in conflict affected or human right abuse high-risk areas

To date, ABC has not received gold or silver from ASM or LSM located in conflict affected or human rights abuse high-risk areas and as a policy does not accept such gold or silver.

Despite that policy, ABC's Due Diligence Policy (see [Annexure 1](#)) continues to require an enhanced due diligence for all customers deemed to be "high risk" and "extreme risk. As noted, the enhanced due diligence includes the completion of a physical site visit by an ABC representative and the completion of a report in the form contained in [Annexure 7](#). When conducting a site visit the ABC representative should provide a thorough report that among other things, identifies instances of conflict or tensions between ASM and the LSM actors (as applicable) and assess if gold or silver from other sources is being unknowingly introduced into the supply chain. The Compliance Officer will also need to follow the Responsible Precious Metals Supply Chain Due Diligence Policy, in [Annexure 9](#), when making an assessment.

As noted at the paragraph headed *Supply chain due diligence* above, ABC's gold and silver-supplying counterparties of mined gold and silver are required to provide significant information to assist the Compliance Officer in being able to conduct a proportionate KYC.

#### Mined Silver from Large/Medium Scale and Base Metal Mining

For silver, ABC applies the same due diligence measures and policies and procedures as set out in this 2018 Compliance Report and the 2017 Compliance Report. That specifically includes ABC's Due Diligence Policy's requirements of (amongst other things):

- i. collecting and assessing mining practice
- ii. obtaining data on mining capacity, if available, and
- iii. applying reasonable and good faith efforts to identify the origin of mined silver from large/medium scale and base metal mining and collecting and assessing data on mining practice.

To date, ABC has not received silver from mining operations or silver-supplying counterparts located in conflict affected or human right abuse high-risk areas and has a policy of not accepting such silver.

#### Monitoring of transactions

Unchanged from the 2017 reporting period, ABC conducts ongoing monitoring of transactions with each gold and silver-supplying counterparty to ensure that transactions are consistent with our knowledge of the counterparty's supply chain and risk profile.

Unchanged from the 2017 reporting period, ABC receives a number of documents following the receipt of mined and recycled gold and silver from counterparties. These documents include (amongst others):

- i. estimated weights and assay results
- ii. shipping/transportation documents
- iii. export and import form for all transactions, and
- iv. reference to the client's customer file, including the supply chain due diligence file.

ABC's risk-based transaction monitoring approach towards our gold and silver-supplying counterparties has proven robust and continued to be utilised in the 2018 reporting period. Under that approach:

- i. issues identified as part of our transaction monitoring are raised by the Compliance Officer in the Compliance Committee (see Annexure 10) in the context of an Internal Compliance Committee meeting and elevated to the attention of Senior Management
- ii. if inconsistencies are identified in the background information of a transaction or ABC has any other suspicions, ABC would lodge a Suspicious Matter Report with the Australian Transaction Reports and Analysis Centre (**AUSTRAC**), and
- iii. a record of all AUSTRAC lodgements, including the basis for the lodgement, is kept in a log held by the Compliance Officer and the General Counsel.

### **3. Report risk assessment to designated Senior Management**

Senior Management retains the ultimate control and responsibility for the gold and silver supply chain, unchanged from the 2017 reporting period. Senior Management selects and supervises the Compliance Officer and is responsible for providing the Compliance Officer with the necessary means to perform its duty. Only Senior Management may approve a supply chain deemed as "high" or "extreme risk" and annually reassesses the decision to continue with that business relationship. The Compliance Officer reports directly to the General Counsel and other Senior Management monthly. This reporting provides Senior Management an opportunity to review the effectiveness and performance of the supply chain due diligence procedures.

The above processes have proved fit for purpose during the 2018 reporting period and continued to be applied during that period.

### Step 3 - Design and implement a management strategy to respond to identified risks

#### Compliance Statement with Requirement:

ABC remains at least as compliant in the 2018 reporting period as it was in the 2017 reporting period.

We retain a management strategy to respond to identified risks as detailed in our 2017 Compliance Report and summarised below.

#### **1. Report findings to designated Senior Management**

The supply chain risk of ABC remains low because its supply is largely sourced from Australia and New Zealand and thus physically far removed from high-risk areas and locations of conflict, as was the case in the 2017 reporting period.

Notwithstanding this, ABC supply chain and client due diligence policies continue to require potential risks in the supply chain risk assessment to be communicated to Senior Management. The ABC Due Diligence Policy ([Annexure 1](#)) states that Senior Management retains the ultimate control and responsibility for the supply chain. Senior Management is responsible for each new supply chain assessed as “high” or “extreme risk” and must revisit each year the decision whether to continue with these business relationships or not.

These measures have proven to be effective during the 2018 reporting period for gold and would be effective for silver as well.

#### **2. Devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk**

ABC continues to be subject to substantial regulation in its Australian jurisdiction and applies its own compliance measures, each as detailed in the 2017 Compliance Report and summarised again below. Collectively, those factors have proved effective for ABC complying with this requirement.

- i. ABC is regulated by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) and is a reporting entity under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Act)* and *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (AML/CTF Rules)*
- ii. among other legal requirements, ABC is required to lodge Suspicious Matter Reports (**SMRs**) with AUSTRAC within 72 hours if ABC forms a suspicion on reasonable grounds that a person or group may be committing an offence related to money laundering or terrorism financing, or any other offence, and
- iii. ABC’s Monitoring and Risk Management Policy ([Annexure 15](#)) sets out a Red Flag Transaction - Risk Management Strategy.

#### **3. 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**

As was the case for the 2017 reporting period, ABC's risk-based approach necessitates regular monitoring of all medium and high risk Customer Incident Cases. ABC's Monitoring and Risk Management Policy (Annexure 15) sets out several mechanisms to monitor the steps taken by ABC. When adopting the *mitigation of the risk while continuing trade* approach the policy states that this strategy must include qualitative and or quantitative indicators to measure improvement together with a reasonable deadline for achievement that has been communicated to the Customer. The advancement of the plan should be reviewed regularly, and the results communicated to Senior Management. If ABC adopts the *mitigation of the risk while suspending trade* approach ABC shall suspend refining gold and silver from the customer until it can obtain additional information confirming or refuting the preliminary assessment. Finally, when ABC adopts the *disengagement from the risk* approach ABC will immediately stop refining gold and silver from the customer.

If ABC adopts measures (i) or (ii) and is unable to demonstrate progress within six months from the adoption of the risk management plan ABC will disengage from the risk and cease dealing with the customer.

These measures have proven to be effective during the 2018 reporting period for gold and would be effective for silver as well.

#### **4. Undertake additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances**

Following the implementation of a risk mitigation strategy, the Compliance Committee will consider whether ABC should repeat due diligence steps, or consider other measures as appropriate, to ensure effective management of risk. This is a decision that must be made after deliberations with Senior Management.

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

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

We have fully complied with Step 4 - Arrange for an independent third-party audit of the supply chain due diligence.

#### **Audit Standards – IASE 3000**

In accordance with the Guides, we engage the services of the assurance provider William Buck Chartered Accountants (**William Buck**) to conduct an annual audit of our compliance with each of the Guides. William Buck is on the LBMA Approved Service Providers List. William Buck use ASAE 3000 which is the Australian aligned standard to *ISAE 3000 Assurance Engagement* to assess ABC's compliance with the RGG and RSG.

By way of background, the William Buck Network is an Australian owned and managed mid-tier professional services firm, with offices in all major Australian cities and in Auckland New Zealand, with approximately 650 directors and professional staff.

As required by the Guides, the audit report includes confirmation of the auditor's professional qualification, confirmation of the auditor's independence, the audit standards applied, the auditor's assessment on the Refiner's Compliance Report and an Annex listing the countries of origin of gold and silver (both Mined and Recycled), and amount received from each country, for the assessment period.

#### **Submission of Audit Report to LBMA**

As has always been the case, ABC's audit reports are sent to the LBMA Chief Executive via email within three months of our 30 June financial year end annually.

## 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.

We publicly report on our gold supply chain due diligence policies and practices, with appropriate regard for security, proprietary information and the legal rights of the other supply chain actors, as evidenced by the compliance material available on our company website [www.abcrefinery.com](http://www.abcrefinery.com)

### ISAE 3000 - Refiner Compliance Report

Each year we prepare a Refiner Compliance Report which includes the following information:

- i. name of refinery
- ii. time period of compliance
- iii. country of origin for mined and recycled silver
- iv. summary of activities undertaken during the period to demonstrate compliance
- v. refiner's level of compliance with each step of each Guide
- vi. management conclusion statement on compliance with each Guide, and
- vii. an annex listing the countries of origin of gold and amount received from each origin for the reporting period.

### Corrective Action Plan

When there is a Medium / High-Risk / Zero Tolerance non-compliance or ABC fails to satisfy at least one of the relevant Guide's requirements ABC is committed to preparing a Corrective Action Plan to remedy each area of concern. We will submit the Corrective Action Plan to the LBMA. The Corrective Action Plan always includes the following information:

- i. a description of the issue
- ii. reference to the relevant section in the relevant Guide
- iii. assigned risk rating of the non-compliance
- iv. corrective actions to be taken for each non-compliance identified
- v. the timeframe for completion of corrective actions for each non-compliance identified, and
- vi. the person responsible for the implementation of each corrective action.

ABC reports to the LBMA on the status of the area of concern in its next Refiner Compliance Report. For the year in review, there has not been any medium, high-risk or zero tolerance non-compliance nor has ABC failed to satisfy any of the Guides' requirements.

**Other report comments**

If users of this report wish to provide any feedback to ABC with respect to this report, they can contact ABC's General Counsel on [compliance@abcrefinery.com](mailto:compliance@abcrefinery.com).

Yours sincerely

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