



ABC Refinery - Responsible Gold Guidance (RGG) Compliance Report - *Abridged*

This abridged RGG compliance report summarises how ABC Refinery (ABC) has complied with the requirements of the *LBMA Responsible Gold Guidance*.

Refiner's Details

Refiner's Name	ABC Refinery
Location	12 Meeks Road Marrickville NSW Australia 2204
Reporting year-end	30 June 2017
Senior management responsible for this report	Matthew Page

ABC Refinery's Evaluation

This report lists the minimum requirements that must be satisfied by Refiners in accordance with the *LBMA Responsible Gold Guidance* to demonstrate compliance. ABC Refinery fully complies with the LBMA RGG, as demonstrated by the processes outlined in this report.

Step 1 - Establish strong company management systems

Compliance Statement with Requirement:

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

1.1. Adopt a company policy regarding due diligence for supply chains of gold

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)*.

A copy of our Due Diligence Policy appears as Annexure 1. This Policy sets out our responsibility for conducting risk-based due diligence, screening and monitoring of transactions and governance structures in place. The Policy attaches copies of the OECD Due Diligence Guidance and the LBMA RGG Version 6.1 dated 14 August 2015 and Version 6.2 dated 1 September 2017 (see Annexure 2 and 3).

1.2 Set up an internal management structure to support supply chain due diligence

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Suite 30, Level 6, 88 Pitt Street, Sydney NSW 2000, Australia

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An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication and Senior Management review as per the Due Diligence Policy. The Compliance Officers have been assigned to manage the process, and have a direct line of reporting to the Legal and Compliance Counsel and other Senior Management. In addition, ABC has a Compliance Committee to fully support the due diligence process.

1.3 Establish a strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors

Supply chain traceability system

ABC has a comprehensive supply chain traceability system that records and maintains supply chain information for every lot refined, including assigning a unique reference number to each input and output. Information included in the traceability system includes, but is not limited to, the following:

- i. Client name and unique reference number;
- ii. Type of gold received (Mined Gold/Recycled Gold);
- iii. Photograph of gold received;
- iv. Weight and assay (declared and processed);
- v. Reference to the Gold-Supplying Counterparty due diligence file; and
- vi. Date of arrival at the Refinery and date of finalisation of the refining process.

1.4 Strengthen company engagement with Gold-Supplying Counterparties and, where possible, assist Gold-Supplying Counterparties in building due diligence capacities

As stated in 1.1 above, as part of ABC's KYC and onboarding process all gold-supplying counterparties are required to complete a refining application contained in Annexure 4 (recycled gold) and Annexure 5 (mining companies).

The refining applications are extensive due diligence documents that require suppliers to provide information, including but not limited to the following:

- i. **Client Business Activity** – type of business, description of core business activity, country where precious metals are refined, markets the client operate and/or trades;
- ii. **Origin/Source of Precious Metals** -
 - (a) For mined gold - the name, number and location of the mining site and processing plant, mining site licence information, daily production of the mining site, employee number on the mining site and processing plant, gold extraction method, whether there are comprehensive procedures and systems to guarantee the safety of the working environment in the mining site and processing plant, environmental protections in place, the procedures in place to ensure prevention of child labour in the mining site and processing plant, gold processing method and the capacity of the processing plant; and
 - (b) For recycled gold - the types, forms and percentage of precious metals sourced by the Client (including whether the metal is jewellery, broken jewellery, rudimentary bars, coins, collected waste or other), where the

gold-supplying counterparty sourced the refining material, the origin of the refining material, the average precious metal content of incoming refining material and the procedures the client follows to export precious metals to Australia (if applicable);

- iii. **Responsible Precious Metals Supply Chain** – whether the Client has established and implemented policies and procedures that conform to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas (Supplement on Gold), whether the Client complies, or plans to comply, with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and whether the client currently complies with industry initiatives including the LBMA RGG, RJC Chain of Custody Standard, WGC Conflict Free Gold Standard or the Conflict Free Smelter (CFS) Program;
- iv. **AML/CTF Declaration** – whether the Client has established and implemented AML/CTF policies and procedures designed to combat money laundering and financing of terrorism and whether the client has implemented systems for the identification of its customers and record keeping of customer data, including customer information in the case of recorded transactions, account opening and other information; and
- v. **Bribery Policy** – whether the Client has established a bribery policy and whether the client or senior management ever been charged anywhere in the world for the violation of applicable anti-bribery laws or regulations.

1.5 Establish a confidential grievance mechanism

ABC is committed to high standards of conduct and ethical behaviour. Accordingly, we have a whistleblowing policy that ensures that employees and directors can raise concerns without fear of reprisal. This policy aims to encourage people to report an issue if they genuinely believe someone has contravened the any policy, procedure or the law. A copy of ABC's Whistleblowing Policy appears at [Annexure 23](#).

Our Policy states that a whistleblower will not be discriminated against or disadvantaged for making a report in accordance with this policy. This applies if the matter is proven or not, regardless of whether it is reported to an external authority

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.

2.1 Identify risks in the gold supply chain

ABC has a variety of mechanisms to identify risks in the gold supply chain and to ensure strict adherence to the OECD Due Diligence Guidance from the point of origin to ABC. ABC's Responsible Precious Metals Supply Chain Due Diligence Policy (see [Annexure 9](#)) sets out ABC's considerations in ensuring that all precious metal, whether received from mined or recycled suppliers, comes from legitimate and ethical sources and does not contribute to conflict, human rights abuses, terrorist financing practices and money laundering.

2.2 Assess risks in light of the standards of their supply chain due diligence system

2.2.1 Supply chain due diligence

As part of ABC's supply chain due diligence ABC conducts several enquiries, including the following:

- i. Identifying the gold-supplying counterparty and verifying its identity using reliable, independent documents, data or information including, but not limited to, third-party Veda checks, ASIC searches, ABN and GST registration confirmation as well as web searches;
- ii. Identifying the beneficial owner/s of the gold-supplying counterparty. This is required as part of section 9 of the recycled gold application and section 11 of the mined gold application;
- iii. Checking that the gold-supplying counterparty and their beneficial owners are not named on any government lists, including individuals to which the *Charter of the United Nations Act 1945* and the *Autonomous Sanctions Act 2011* currently applies, for wanted money launderers, known fraudsters or terrorists as well as a Politically Exposed Persons (**PEP**) check; and
- iv. Obtaining business and financial details with regard to the gold-supplying counterparty and information on the purpose and intended nature of the business relationship.

2.2.1.1 Recycled Gold

Part B of ABC's mining application for recycled gold (see Annexure 4) requires information related to beneficial ownership, responsible sourcing and an AML/CTF declaration. If, for example, the client has established and implemented policies and procedures that conform to the OECD Due Diligence Guidance the client is asked to produce a copy of those policies and procedures. Clients are also asked to describe their procedures in place to ensure that the precious metals purchased by the client has not financed conflict.

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

ABC requires 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.

- i. chemicals are used; and
- ii. The capacity of the gold processing plant.

2.2.2 High Risk Supply Chains

ABC has a variety of criteria it uses when evaluating gold-supplying counterparties. In addition to the enquiries made by ABC, referred to at 2.2.1.2 above, as stated at 1.1 above, ABC's Compliance Officer must assign 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 LBMA RGG and the OECD Due Diligence Guidance.

2.2.3 High-Risk Categories

ABC's Due Diligence Policy requires that for all gold-supplying counterparties that are deemed to be "high risk" enhanced due diligence must be undertaken. Enhanced due diligence includes the completion of a physical site visit by an ABC representative and completion of a report in the form contained in Annexure 7.

The Site Visit Report must include a range of information, including but limited to the following:

- i. Location and photographs of the site;
- ii. Production and operation description;
- iii. AML/CTF procedures/protocols in place;
- iv. Documentation attesting formal/legal sourcing; and
- v. Security description.

2.2.3.1 Recycled Gold from sources located in conflict or human right abuse high-risk areas

ABC does not receive recycled gold from sources located in conflict or human right abuse high-risk areas. However, as part of ABC's recycled gold refining application (see [Annexure 4](#)) we conduct a robust supply chain due diligence, including requiring a range of identity documents, on all of our recycled gold suppliers. Suppliers of recycled gold are required to provide primary and secondary identity documents, as well as company and business documents (if applicable). As noted at 2.2.1 above, we conduct third-party Veda checks, ASIC searches, ABN and GST registration confirmation as well as web searches to verify information provided by our recycled gold suppliers.

As stated at 2.2.1 above, we also check government watch lists to ensure that gold-supplying counterparties and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists. The Compliance Officer is also responsible for completing a Politically Exposed Persons (**PEP**) check.

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

To date, ABC has not received gold from ASM or LSM located in conflict affected or human rights abuse high-risk areas. Notwithstanding this, as stated at 1.1 and 2.2.3 above, ABC's Due Diligence Policy (see [Annexure 1](#)) requires 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 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.

2.2.4 Monitoring of transactions

ABC conducts ongoing monitoring of transactions with all gold-supplying counterparties to ensure that transactions are consistent with our knowledge of the counterparties supply chain and risk profile.

ABC receives a number of documents following the receipt of mined and recycled gold from counterparties. These documents include:

- i. Estimated weights and assay results (see representative example at [Annexure 24](#));
- ii. Shipping/transportation documents (see representative example at [Annexure 25](#));

- iii. Export and import form for all transactions (see representative example at Annexure 26); and
- iv. Reference to the clients customer file, including the supply chain due diligence file.

ABC employs a risk-based transaction monitoring approach towards our gold-supplying counterparties. ABC employs both qualitative and quantitative assessments when monitoring shipments received from both mined and recycled gold-supplying counterparties. Issues identified as part of our transaction monitoring can be raised by the Compliance Officer in the Compliance Committee (see Annexure 10) in the context of an Internal Compliance Committee meeting. These concerns are then elevated to the attention of Senior Management to ensure appropriate attention. If the background of a transaction is inconsistent, or if ABC believes is suspicious about any matter related to a transaction, ABC will lodge a Suspicious Matter Report with AUSTRAC. A record of all AUSTRAC lodgements, including the basis for the lodgement, is kept in a log held by the Compliance Officer and the Legal and Compliance Counsel.

2.3 Report risk assessment to designated Senior Management

As stated at 1.1 and 1.2 above, Senior Management retains the ultimate control and responsibility of the gold supply chain. Senior Management selects and supervises the Compliance Officer and is responsible for providing the Compliance Officer the necessary means to perform their duty. Senior Management should approve each new supply chain assessed as “high” or “extreme risk” and should revisit each year the decision whether to continue with these business relationships or not. The Compliance Officer reports directly to the Legal and Compliance Counsel and other Senior Management on a monthly basis. This reporting provides Senior Management an opportunity to review the effectiveness and performance of the supply chain due diligence procedures.

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

Compliance Statement with Requirement:

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

3.1 Report findings to designated Senior Management

The 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.

3.2 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

Further to the LBMA RGG Version 6.1 dated 14 August 2015 and Version 6.2 dated 1 September 2017 and the OECD Due Diligence Guidance, ABC is regulated by the 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)*. Accordingly, ABC has an internal AUSTRAC AML/CTF Program that sets out the identification, management and reduction of the risk of money laundering and terrorism financing as well as our customer

identification procedures. Moreover, ABC is subject to onerous reporting obligations under the Act and the AML/CTF Rules. 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.

3.3 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

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 27*) 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 in order 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 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 from the customer.

3.4 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 LBMA RGG, we engage the services of the assurance provider William Buck Chartered Accountants (**William Buck**) to conduct an annual audit of our compliance with the LBMA RGG. 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 LBMA RGG.

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 LBMA RGG, the audit report includes:

- i. Confirmation of the auditor's professional qualification;
- ii. Confirmation of the auditor's independence;

- iii. The audit standards applied;
- iv. The auditor's assessment on the Refiner's Compliance Report; and
- v. An Annex listing the countries of origin of gold (both Mined and Recycled), and amount received from each country, for the assessment period.

Submission of Audit Report to LBMA

ABC's audit reports are sent to the LBMA Chief Executive via email within three months of our 30 June financial year end.

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 publically 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

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. Summary of activities undertaken during the period to demonstrate compliance;
- iv. Refiner's level of compliance with each Step of this Guidance;
- v. Management conclusion statement on compliance with this Guidance;
- vi. 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 LBMA RGG requirements ABC is committed to preparing a Corrective Action Plan to remedy an area of concern. We will submit the Corrective Action Plan to the LBMA. The Corrective Action Plan will include the following information:

- i. A description of the issue;
- ii. Reference to the relevant section in this Guidance;
- 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 will report to the LBMA on the status of the area of concern in its next Refiner Compliance Report.

Other report comments

If users of this report wish to provide any feedback to ABC Refinery with respect to this report, they can contact ABC's Legal and Compliance Counsel on compliance@abcrefinery.com

Yours sincerely



MATTHEW PAGE

Legal and Compliance Counsel
Pallion

8 Meeks Road Marrickville NSW 2204 Australia

P: +61 2 8571 9288 | **F:** +61 2 8571 9240

matthew.page@pallion.com | www.pallion.com |