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

Geneva, 17 March 2016

## **Independent Reasonable Assurance Report on MKS (Switzerland) SA's Compliance Report 2015**

### **Introduction**

We were engaged by MKS (Switzerland) SA ("MKS") to perform a reasonable assurance engagement on MKS SA's Compliance Report dated 12 February 2016 for the Reporting Period from 1 January 2015 to 31 December 2015 (the "Compliance Report").

LBMA Responsible Gold Program is designed for precious metal refiners. 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. As a result MKS (Switzerland) SA which is the flagship entity of the MKS PAMP Group, has then decided to be voluntarily audited on its compliance with the Guidance since July 2012.

### **Management's responsibilities**

The management of MKS (Switzerland) SA is responsible for the preparation and presentation of the Compliance Report in accordance with the *LBMA Responsible Gold Guidance* (the "Guidance"). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived and includes conformance with Steps 1 to 5 of the LBMA Responsible Gold Guidance. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Compliance Report.

### **Our responsibility**

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements *ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the guidance set out in the *LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors* (the "Audit Guidance"). This standard requires that we plan and perform this engagement to obtain a reasonable level of assurance.

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

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

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

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

#### **Inherent limitations**

Non-financial information, such as that included in the Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The 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 MKS (Switzerland) SA's gold supply chain policy available on MKS (Switzerland) SA website ([www.mks.ch](http://www.mks.ch)).

#### **Independence and competency statement**

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

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

### Opinion

In our opinion, the Compliance Report for the period from 1 January 2015 to 31 December 2015 dated 12 February 2016 describes fairly the activities undertaken during the reporting period to demonstrate compliance and management's overall conclusion contained therein is 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 2 dated 18 January 2013.

Ernst & Young Ltd



Milena De Simone  
Partner



Zakaria Zammou  
Senior Manager

**Enclosure** : Copy of the Compliance Report dated 12 February 2016



## MKS (Switzerland) SA LBMA Responsible Gold Guidance Compliance Report

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### Introduction

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The *LBMA Responsible Gold Guidance* is 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.

As a result MKS (Switzerland) SA ("MKS"), which is the flagship entity of the MKS PAMP Group, has implemented the LBMA Responsible Guidance in 2012. All gold feedstock sourced by MKS, which is sent for refining to the MKS PAMP Group refineries comply fully with the LBMA Responsible Gold Guidance requirement. MKS has then decided to be voluntarily audited on its compliance with the Guidance since July 2012.

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### Table 1: Company's details

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Dealer's name	MKS (Switzerland) SA
Location	Promenade St-Antoine 10, 1204 Geneva, Switzerland
Reporting period	January 1 <sup>st</sup> 2015 to 31 December 2015
Date of Report	February 12, 2016
Senior Management responsible for this report	Marwan Shakarchi, Chairman

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This report summarizes how MKS (Switzerland) SA complied with the requirements of the LBMA Responsible Gold Guidance during the year 2015. MKS (Switzerland) SA applies the version 6 of the Guidance, issued in August 2015.

### MKS (Switzerland) SA's evaluation

The following table lists the minimum requirements that must be satisfied in order to be compliant with the LBMA Responsible Gold Guidance.



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**Table 2: Summary of activities undertaken to demonstrate compliance**

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**Step 1: Establish strong company management systems**

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**Compliance Statement with Requirement:**

We have fully complied with Step 1 Established strong management systems.

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**MKS (Switzerland) SA has adopted a policy regarding due diligence for supply chains of gold**

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**Comments and Demonstration of Compliance:**

Our Responsible Precious Metal Group Policy is consistent with the model set out in the Annex II of the OECD due diligence guidance. This sets out in particular our responsibility to establish strong company management systems to fight serious abuses of human rights, to avoid contributing to conflict over our supply chain and to comply with high standards of anti money laundering (AML) and combating terrorist financing (CFT), to perform appropriate due diligence on a risk basis over our counterparties and precious metal supply chain and to ensure appropriate scrutiny and monitoring of transactions on a risk based approach.

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**MKS (Switzerland) SA has set up an internal management structure to support supply chain due diligence**

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**Comments and Demonstration of Compliance:**

MKS 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 for each lot refined. Senior Management retains the ultimate control and responsibility for combating human rights abuses, money laundering, terrorist financing and avoiding contribution to conflict over the supply chain. The Compliance Officer has been assigned to manage the process, and has a direct line of reporting to Senior Management.

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**MKS (Switzerland) SA has established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors**

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**Comments and Demonstration of Compliance:**

MKS has a robust traceability system database that records supply chain information and documents for each lot sent for refining to the MKS PAMP Group refineries. Specific and relevant transactional documentation as per our internal guidelines must be received and verified before we process the gold-bearing material.

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**MKS (Switzerland) SA has strengthened company engagement with gold supplying counterparties, and where possible, assists gold 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.

Our Refining Agreement makes reference to our Responsible Precious Metal Group Policy and the Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas.

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

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**MKS (Switzerland) SA has established a company-wide communication mechanism to promote broad based employee participation and risk identification to management**

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**Comments and Demonstration of Compliance:**

Our Group has a mechanism allowing any employee, supply chain actor or stakeholder to voice any concerns over the gold supply chain or newly identified risk. The functional mailbox [responsiblepm@mkspamp.com](mailto:responsiblepm@mkspamp.com) has been established and is reviewed by the Group Compliance Officer and by MKS (Switzerland) SA Compliance Officer. All relevant enquiries are treated directly by the Compliance Department.

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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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**MKS (Switzerland) SA has a process to identify risks in the supply chain**

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**Comments and Demonstration of Compliance:**

MKS (Switzerland) SA identifies and assesses risks in the supply chain. We have established our criteria for high-risk categories and systematically apply them to all our precious metal supplying counterparties. We conduct due diligence following a risk-based approach and allocate a risk profile according to our risk profile criteria. This process is a formal requirement before entering into any business relationship with a precious metal supplying counterparty.

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**MKS (Switzerland) 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 gold 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. Currently, we have one artisanal mining supply chain where we source through a licensed buyer and exporter from licenses small scales miners located in the Southwestern region of Ghana. This supply chain represents an insignificant part of our gold supply chain. We have been recognized by Human Rights Watch in June 2015 as having put in place robust due diligence over this supply chain. 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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**MKS (Switzerland) 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 continue with business relationships categorized as high risk. The Compliance Officer prepares on a yearly basis a report on high risk suppliers to Senior Management in order for them to perform these duties. Senior Management retains the ultimate control and responsibility for the gold supply chain.

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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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**MKS (Switzerland) SA has devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade; (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk**

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**Comments and Demonstration of Compliance:**

During the reporting period, MKS 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:**

MKS (Switzerland) SA has decided on a voluntary basis to arrange for an independent third-party audit of its gold supply chain due diligence process.

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**Comments and Demonstration of Compliance:**

MKS has engaged on a voluntary basis the services of the assurance provider Ernst & Young Ltd, Geneva, and their independent reasonable assurance report will be available on MKS's website when issued.

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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 Group Policy is available on MKS's website. Our 2015 Compliance report with the audit report will be available on MKS's website when issued. Previous year Compliance report with audit report are as well available on our website.

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**MKS (Switzerland) SA's overall conclusion**

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**Table 3: Management conclusion**

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**Is the MKS (Switzerland) SA in compliance with the requirements of the *LBMA Responsible Gold Guidance* for the reporting period?**

Yes	In conclusion, MKS (Switzerland) SA has in place effective management systems, procedures, processes and practices to conform to the requirements of the <i>LBMA Responsible Gold Guidance</i> , as explained above in Table 2, for the reporting year ended 31 December 2015.
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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 (Switzerland) 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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