



Assurance over
SEMPSA'S LBMA
Compliance Report
FY 2021
Management report - Draft

KPMG AB

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9 May 2022



Assurance over SEMPASA's LBMA Compliance Report 2021

Introduction

Name of Refiner:

SEMPASA Joyería Platería, S.A.

Reporting period subject of the assurance:

1 Jan 2021 – 31 Dec 2021

Assurance scope and level of assurance:

We were engaged by SEMPASA Joyería Platería, S.A. (SEMPASA) to provide Reasonable assurance on its Refiner's Report for the year ended on December 31, 2021. The assurance scope consists of SEMPASA Gold and Silver Refiner's Report for year 2021.

Summary of assurance procedures:

- A. *Planning and risk-analysis*
- B. *Review & testing (incl desktop review of site)*
- C. *Reporting*

See Appendix 1, page 13

Limitations:

Due to Labor strike during the dates of the planned audit (April 26-28), the audit was carried out at Hotel Via Castellano and KPMG Madrid Offices, as LBMA have been informed. The audit has been based on our risk analysis, interviews, performed document reviews and sampling/testing of processes.

Interviews with relevant key persons at the site have been performed in order to follow up on development in processes since previous year assurance, see appendix 2 page 14.

Countries of Origin Annex for recycled gold and silver:

See attached copy of the annex to SEMPASA LBMA Compliance report 2021 appendix 3 page 15.

Assurance Conclusion:

See Auditor's Limited Assurance Report attached to the SEMPASA Compliance report 2021.

Assurance teams qualifications:

Karin Sivertsson has experience of sustainability assurance engagement since 2000 and from LBMA assurance since 2013. She is an LBMA approved service provider since 2016.

Adam Regefalk Bjornstad is a sustainability consultant and has been working with sustainability assurance engagements and with LBMA compliance audits since 2020.

Gunnar Karlsson is responsible for signing the assurance report together with Karin Sivertsson. Gunnar is an authorized auditor in Sweden and has many years of experience of financial audits. Gunnar has been signing LBMA assurance reports since 2016.

Independence

KPMG recognize that rigorous client acceptance and continuance policies are vitally important to our ability to provide high-quality professional services. All services to be delivered to clients therefore must comply with our procedures for acceptance and continuance of clients and engagements and any threats against our independence must be cleared before starting to work on every new engagement.

We confirm all of our audit team are independent to SEMPASA Joyería Platería, S.A.

Content

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Findings and recommendations

Findings and recommendations

Summary

Findings	Recommendations
<ul style="list-style-type: none">■ KPMG has performed a reasonable assurance of SEMPSA's compliance report for 2021 prepared in accordance with LBMA Responsible Gold Guidance RGG v8 and Responsible Silver Guidance RSG v1. We have also discussed the impact on SEMPSA's processes with the release of the new version of RGG v9.■ The one low-risk deviation from previous audit have been corrected by SEMPSA; The process to produce the Country of Origin Report has been improved in accordance with our findings and include quality controls (4-eye principle) to ensure the Country of Origin report is complete.■ The SEMPSA's Precious Metals Supply Chain Policy is dated in 2018 and will need to be updated in order to meet the new requirements in RGG v9. SEMPSA is committed to include ESG aspects into the Policy and into the DD processes going forward in accordance with the new RGG.■ SEMPSA have adequate procedures in place for due diligence of new gold and silver suppliers and have a high commitment to these processes from the highest level of management through the GM.■ As previous year (PY) SEMPSA have an Internal control function with an Internal Control Committee "OCI" that contains representatives from GM, Treasury as well the Compliance Officer. In accordance with RGG V 9 SEMPSA have assigned authority and accountability from the Board as the General manager is both member of the OCI and of the Board of Directors.■ SEMPSA sources only recycled gold and silver. No sourcing from mines have been performed during the audit period. The main part of the recycled gold and silver is sourced internally from the Group companies in Europe however there have been some sourcing of Silver from one new country compared to PY (Egypt).■ As previously mentioned, the new procedure for site visits have been implemented with a formalized checklists based on LBMA toolkits, which is in line with our recommendations. The new tools are used on site visits since October 2022. In addition, ESG aspects are to be included in the tools going forward.■ In 2021 there have been a large number of site visits performed in Spain, where the majority of suppliers are located, in order to catch up from previous years and to complete the due diligence procedures and AML requirements. SEMPSA has yet not travelled abroad for site visits since the Covid-19 Pandemic. However, site visits are planned outside Spain as well during 2022.■ As previous year, the main part of the due diligence documentation is on paper; however, SEMPSA's implementation of digitalized processes to enable both physical and digital document management and traceability is proceeding and we have been able to review documentation electronically. The digitalization is to be fully implemented in 2022.■ SEMPSA's Compliance report have been updated based on input during the audit in order to be even more transparent in SEMPSA's continuous development of their processes e.g. inclusion of ESG aspects. The final Compliance Report and the Country of Origin report 2021 is perceived to cover all essential information and is corresponding to the underlying documentation.	<ul style="list-style-type: none">■ We recommend SEMPSA to update the Precious Metals Supply Chain Policy in order to include the new requirements in RGG V9.■ We recommend SEMPSA to develop the DD/risk assessment processes with relevant ESG aspects in accordance with RGG V9.■ We also recommend to include topics such as ESG risks in training.■ Continue to develop the communication with the suppliers to further facilitate the LBMA application in the supply chain.■ Continue to develop the supplier assessment routines and responses to suppliers with the support from the new IT-systems.

Findings and recommendations

Step 1: Establish strong company management system (1/3)

- Compliant/Satisfactory
- Possibility for improvements
- Low risk Deviations
- High risk Deviations

Findings	Status	Recommendations
<ul style="list-style-type: none"> ■ SEMPSA is compliant with step 1 <i>Establish strong (robust) company management system</i>; however, we see one possibility for improvement going forward: 	●	<ul style="list-style-type: none"> ■ See below.
<ul style="list-style-type: none"> ■ SEMPSA have adequate procedures in place for due diligence of new gold and silver suppliers and have a high commitment to these processes from the highest level of management through the GM. ■ SEMPSA has an implemented integrated management system (IMS) based on ISO 14001 (Environment), ISO 9001 (Quality), and ISO 45000 (occ H&S) and has recently added ISO 17025 (Laboratory) to the IMS. The IMS also covers the requirements and procedures for RJC (Responsible Jewellery Council) and LBMA and includes procedures related to precious metals as procedures for, e.g., Control of Origin, processes for gold and silver production as well as controls. ■ The procedures and IMS are regularly audited by internal and external management system audits. Latest external audits was performed in July 2021 and next are planned for July 2022. ■ Spain has strict legislation regarding Anti-money laundering (AML) that SEMPSA needs to comply with. Therefore, there are several manuals and procedures routines implemented at the company covering related areas as, e.g., procedures for how to open new accounts. 	●	<ul style="list-style-type: none"> ■ None
<ul style="list-style-type: none"> ■ The SEMPSA's Precious Metals Supply Chain Policy is available at the company's website both in Spanish and a translated English version. It is also attached to the Compliance report. The policy is dated in 2018 and need to be updated in order to meet the new requirements in RGG V9. 	●	<ul style="list-style-type: none"> ■ We recommend SEMPSA to update the Precious Metals Supply Chain Policy in order to meet the new requirements in RGG V9.

Findings and recommendations

Step 1: Establish strong company management system (2/3)

- Compliant/Satisfactory
- Possibility for improvements
- Low risk Deviations
- High risk Deviations

Findings	Status	Recommendations
<ul style="list-style-type: none"> ■ SEMPSA have as previous stated, adequate procedures in place for due diligence of new gold and silver suppliers as well procedures for monitoring existing gold and silver suppliers. Dow Jones screening is performed on all suppliers before entering into an agreement or contracting. During 2022 SEMPSA will develop the DD procedures with ESG aspects where relevant in accordance with RGG V9. ■ The majority of Gold and silver is sourced either from Spain (Gold shops) or internally from the Group companies in UK, France, Holland and Portugal. There are no new countries added for Gold compared to PY however there have been some sourcing of Silver from Egypt compared with prior year. The suppliers have been sufficiently assessed through the DD process. ■ SEMPSA continue to strengthen the Internal control function with the Internal Control Committee "OCI" that is mandatory according to the AML legislation. The internal control function consists of 3 levels. OCI have representatives from General Manager (GM), Treasury as well the Compliance Officer. The GM is also part of Board of Directors therefore the requirement in RGG V9 regarding Board accountability is found to be met. SEMPSA have also implemented monthly KYC meetings to discuss common understanding and approach and to develop the knowledge in the organization. 	●	<ul style="list-style-type: none"> ■ None
<ul style="list-style-type: none"> ■ We have reviewed the list of all deliverers of recycled gold- and silver refined at the SEMPSA refinery during 2021. SEMPSA has also sourced fine gold and silver that does not need to be refined (as already Good delivery metals). These follow the same DD process as the recycled metals. ■ We have reviewed on a sample basis that suppliers have gone through the relevant procedures as prescribed by the SEMPSA's due diligence policies and processes. We examined that the due diligence procedures implemented by SEMPSA are reasonable and considered sufficient. ■ Furthermore, we ensured that the list is complete and includes information on all deliveries made to SEMPSA's refinery during 2021 via the SAP. No gold- or silver have been sourced from conflict affected areas or sanctioned countries and no mined gold and silver have been sourced during 2021. ■ During our review nothing has been identified indicating that the final Country of Origin report for 2021 is not complete. 	●	<ul style="list-style-type: none"> ■ None

Findings and recommendations





Step 1: Establish strong company management system (3/3)




- Compliant/Satisfactory
- Possibility for improvements
- Low risk Deviations
- High risk Deviations

Findings	Status	Recommendations
<ul style="list-style-type: none"> ■ Considerable amount of due diligence documentation is still on paper, however, as mentioned in previous reports, SEMPSA is in the process of digitalizing their routines and data storage with a new IT tool with automated alerts. The IT tool will be implemented during 2022. ■ The documentation is well organized in paper files per supplier, yet we support the digitalization project as it would further improve the data handling processes and enable management to establish a better overview of the current level of risk within company's gold and silver supply chains. 	●	<ul style="list-style-type: none"> ■ None
<ul style="list-style-type: none"> ■ SEMPSA continue to have recurring training on prevention of money laundering and financing of terrorism. Latest session performed in October 2021. These trainings seem to cover the most relevant LBMA related matters concerning as origin of precious metals and interviewed staff appear to be well aware of requirements. 	●	<ul style="list-style-type: none"> ■ Continue to develop training that include topics such as relevant ESG aspects going forward.
<ul style="list-style-type: none"> ■ SEMPSA have developed a mechanism allowing any employee or external stakeholder to voice concerns anonymously. A whistleblower system have been developed and was launched in October 2021. ■ The whistleblower system is part of a bigger project, the Ethical Compliance project developed in 2020. There is a Protocol (Guideline) developed including definitions on what to report in the Internal Whistle Blowing Scope (ethical channel): The crimes or issues that are contemplated on the whistle blowing system goes from financial crimes, money-laundry, terrorist financing and all type of related crimes to Human Resources related crimes, Environmental crimes, human trafficking, corruption, etc. ■ This system is available for all the organization members and external third parties, clients and suppliers. They can contact the organization by e-mail or by the company web. No cases have been reported via the system since the launch. 	●	<ul style="list-style-type: none"> ■ None

Findings and recommendations

Step 2: Identify and assess risk in the supply chain (1/1)

-  Compliant/Satisfactory
-  Possibility for improvements
-  Low risk Deviations
-  High risk Deviations

Findings	Status	Recommendations
<ul style="list-style-type: none"> ■ Step 2 <i>Identify and assess risk in the supply chain</i> is stated compliant; however, we see a possibility for improvement. 		<ul style="list-style-type: none"> ■ See below
<ul style="list-style-type: none"> ■ SEMPSA have adequate procedures in place for due diligence of new gold and silver suppliers as well procedures for monitoring existing gold and silver suppliers. Dow Jones screening is performed on all suppliers before entering into an agreement or contracting. Based on the situation in Ukraine the Group have decided not to have business with Russian Companies or sanctioned persons. SEMPSA have confirmed they have no business with any Russian companies. SEMPSA screen all new business partners and existing business partners at minimum every third year e.g. via Dow Jones database. ■ SEMPSA has regular contact with the suppliers in Spain to assess and communicate their requirements, e.g., regarding AML. SEMPSA sources only recycled gold and silver and no sourcing from mines have been performed during the audit period. ■ During our 2021 tests nothing has been identified indicating that SEMPSA's risk assessment process is not sufficient and that suppliers delivering gold- and silver haven't been properly screened and assessed through the due diligence process. 		<ul style="list-style-type: none"> ■ As mentioned before, continue to develop the communication with the suppliers to further facilitate the LBMA application in the supply chain.
<ul style="list-style-type: none"> ■ SEMPSA has decided to where relevant implement ESG aspects into its Policy and DD/risk assessment process in accordance with RGG v9. 		<ul style="list-style-type: none"> ■ Develop the policy and risk assessment processes with relevant ESG aspects to be in accordance with RGG V9.

Findings and recommendations

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

- Compliant/Satisfactory
- Possibility for improvements
- Low risk Deviations
- High risk Deviations

Findings	Status	Recommendations
<ul style="list-style-type: none"> ■ Step 3 <i>Design and implement a management system to respond to identified risks</i> is stated compliant. 	●	<ul style="list-style-type: none"> ■ See below
<ul style="list-style-type: none"> ■ As of today a lot of due diligence documentation is on paper; however, SEMPSA is in process to digitalize their routines and data storage. SEMPSA has contracted an external consultant to develop the IT tool that will be fully implemented during 2022. The IT tool will for instance be linked to Dow Jones data bases for automatic alerts. ■ Although the documentation is well organized in paper files for each supplier, we support the digitalization project as it would further improve the data handling processes and enable management to establish a better controls and overview of the current level of risk within company's gold and silver supply chains. 	●	<ul style="list-style-type: none"> ■ Continue to develop the supplier assessment routines and responses to suppliers with the support from the digitalized systems.
<ul style="list-style-type: none"> ■ SEMPSA's governance structure for high risk cases appears to be functioning well. We have confirmed that all of the cases sampled were managed sufficiently. 	●	<ul style="list-style-type: none"> ■ None
<ul style="list-style-type: none"> ■ During 2021 SEMPSA hasn't been conducting any formal supplier audits on suppliers of gold or silver. However SEMPSA have started to assess the possibilities to source ASM gold in the future and SEMPSA as the Group are looking into what additional DD processes are necessary to source from ASM including third-party audits on the suppliers. This has also been discussed with LBMA. No actual suppliers have been assessed yet. ■ SEMPSA is regularly visiting all gold and silver suppliers in Spain as part of their due diligence procedures and AML requirements. In 2021 the number of site visits are triple the amount than previous year. As mentioned, the procedure for site visits have been developed and implemented to be more formalized with checklists on what to cover at site visits and what to report. ■ Due to the Covid-19 pandemic SEMPSA has been conducting few site visits on suppliers of gold or silver abroad. However in 2022 more focus will be performed to catch up also with the site visits abroad. 	●	<ul style="list-style-type: none"> ■ None

Findings and recommendations

Step 5: Report on supply chain due diligence

- Compliant/Satisfactory
- Possibility for improvements
- Low risk Deviations
- High risk Deviations

Findings	Status	Recommendations
<ul style="list-style-type: none"> ■ Step 5 Report on supply chain due diligence, is stated compliant.. 	●	<ul style="list-style-type: none"> ■ See below
<ul style="list-style-type: none"> ■ SEMPSA's Compliance report have been updated based on input during the audit in order to be even more transparent in SEMPSAs continuous development of their processes e.g. inclusion of ESG aspects. SEMPSA's Compliance report is perceived to cover all essential information. ■ The process to produce the Country of Origin report for Silver and Gold has been developed since previous audit with a quality control and 4-eye-principle. The Country of Origin report was found to be complete and is corresponding to the underlying documentation. 	●	<ul style="list-style-type: none"> ■ None



Appendix

Our engagement

Our engagement

- The audit was performed in Madrid during April 26-28th, with additional interviews via MS Teams on 3 May, 2022. The review has been performed in accordance with ISAE 3000 (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, revised) issued by IAASB. We have used the KPMG assurance methodology KSAM (KPMG Sustainability Assurance Manual) that is based on ISAE 3000 in this assurance engagement. The review has been performed through interviews with management and key personnel at office in Madrid or via Video meetings, alongside with desktop review and interviews with key functions at refinery. In addition, document review and analysis has been performed.
- Level of review: The assurance level is Reasonable assurance of both Gold and Silver Compliance.
- Criteria: LMBA requires SEMPSA to implement the LBMA Responsible Gold and Silver Programme and to report on current status in a Compliance Report. SEMPSA has prepared the Compliance Report in line with the requirements in the LBMA Responsible Gold Guidance v8 and Responsible Silver Guidance v1.
- Our approach includes the following three stages:

Review process



Appendix 2

Interviews conducted

Name	Title/function	Area
Alberto Vergara	Director Financiero and Compliance Officer SEMPSA	General implementation of LBMA Guidelines, walkthrough of responsible silver and gold processes, compliance officer function (physical meetings)
Francisco Espinosa	General Manager SEMPSA	General management responsibilities. (via MS Teams)
Yolinda Gomez	Responsible Salud Laboral and Coordinator of Certificates, including LBMA	Compliance report and Country of Origin Report (physical meetings)
Miguel Angel Gelado	Technical Unit	Due diligence analyses, risk assessment and evidence (via MS Teams and translator)
Jesus San Martin	Commercial	Purchase procedures and due diligence, site visits. (via MS Teams)
Javier Martinez	Metal Controller Manager	Completeness of list of suppliers and the Country of Origin Report (reconciliation against the refinery SAP database) (via MS Teams)
Manuel Perez	Refinery Manager	Refinery processes. (via MS Teams and translator)
Esther Blanco	Treasury department	Supplier accounts (via MS Teams and translator)

Countries of Origin Annex for recycled gold and silver 2021:

In accordance to the LBMA Responsible Gold Guidance v.8 (November 2018) and Responsible Silver Guidance v.1 (September 2017), below are listed the countries of origin for gold and silver referred to the reporting year 2021.

COUNTRY	Gold		Silver	
	Mined (Kg)	Recycled (Kg)	Mined (Kg)	Recycled (Kg)
UK	0	4.308,46	0	16.939,04
FRANCE	0	11.115,65	0	29.178,27
HOLLAND	0	1.262,24	0	696,74
PORTUGAL	0	383,96	0	465,87
GERMANY	0	93,45	0	37.172,7
SPAIN	0	5.367,65	0	34.550,5
ANDORRA	0	17,96	0	0
POLONIA	0	5,55	0	207,29
SINGAPORE	0	0	0	319,79
SLOVAKIA	0	0	0	31,11
BULGARIA	0	0	0	4.225,05
EGYPT	0	0	0	1.012,4



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