

UMICORE PRECIOUS METALS (THAILAND) LTD.

COMPLIANCE REPORT

**1. REFINER'S DETAIL**

Refiner's name	Umicore Precious Metals (Thailand) Ltd. (UPMT)
Location	Prawet District, Bangkok, Thailand
Reporting Year-end	01/01/2018 – 31/12/2019
Date of Report	01/06/2020

Umicore Precious Metals (Thailand) Ltd. (hereinafter referred to as UPMT) is a subsidiary of Allgemeine Gold- und Silberscheideanstalt AG (hereinafter referred to as AGOSI) based in Germany, which is a part of the international UMICORE group. UPMT was established in 1993 and was able to draw from AGOSI's over one hundred years of experience in the precious metal business. UPMT is focused on precious metal refining, production, and distribution of semi-finished products for the jewellery and electroplating industry.

*(For further information on the Umicore Group and AGOSI, please visit [www.umicore.com](http://www.umicore.com) and <https://www.agosi.de> respectively)*

UPMT is listed on the "Good Delivery List" for Silver by the LBMA. In addition, UPMT is a Code of Practices certified member of the Responsible Jewellery Council (RJC) under the member group Allgemeine Gold- und Silberscheideanstalt AG since December 2011. UPMT has been certified for RJC Chain-of-Custody standard since June 2013. UPMT is listed by Responsible Minerals Initiative (RMI) as a "Conformant Gold Refiner" since Feb 2017.

**Remark:**

This report has been extended to cover both reporting year 2018 and 2019 to be compliant with the Responsible Silver Guidance (RSG) for both periods. Any notable differences between 2018 and 2019 are emphasized at the end of each chapter.

**2. SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEM**

*We have fully complied with Step 1: Establish strong management systems.*

**1.1 UPMT has a policy regarding due diligence for supply chains of silver and other precious metals (gold and PGM)**

A UMICORE Group Policy "Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas" has been in effect within the Umicore Group and UPMT since February 2013.

Based on the principles of the group policy, UPMT has developed the 'Umicore Precious Metals Thailand (UPMT) - Supply Chain Due Diligence Policy on Precious Metals', which is consistent with the Model Supply Chain Policy in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This Policy was updated in 2019 to cover not only for Gold and PGM but also Silver, collectively referred to by UPMT as "precious metals". This policy details UPMT's responsibility and commitment to considering and preventing human rights violations and other risks in our supply chain that may be connected to the extraction, trading, handling and exporting of minerals from conflict-affected and high-risk areas.

**Notable remark:**

In 2018, UPMT's Policy on Materials from Conflict-Affected-Areas and Supply Chain Guideline were not specifically written to the requirements of the LBMA standard. In 2019 both documents were extended to include Silver to align those with the LBMA RSG. Both revisions have been completed and published in Q2 2019.

## 1.2 UPMT has established an internal management structure to support supply chain due diligence

UPMT has developed the Supply Chain Security Guideline (hereinafter referred to as the UPMT Guideline) to manage the responsible sourcing of precious metals at UPMT. The UPMT Guideline is part of the UPMT IMS which has been developed to cover the requirements in ISO9001, ISO14001, LBMA Responsible Silver Guidance, RJC Code of Practice (COP) and RJC Chain-of-Custody (CoC). The UPMT Guideline defines measures and supporting processes to identify, assess and manage supply chain risks related to precious metals. The UPMT Guideline also defines roles and responsibilities, risk identification and KYC processes, training, records keeping and reporting lines. The local compliance officer supported as necessary by the Business Unit Anti-money Laundering Officer (at the AGOSI group level) has been appointed to implement and supervise Supply Chain Due Diligence at UPMT. The Local Compliance Officer is responsible for reviewing and updating the supply chain due diligence policy and procedure and reporting to Top Management.

In 2019, UPMT expanded its existing Supply Chain management system and corresponding documentation to cover silver and the requirements in the LBMA RSG. A gap assessment was performed to determine if there were any requirements from the RSG that were not fully addressed in the existing management system in place (in conformance with the RJC CoC and COP standards). The results of the gap assessment were presented to Top Management. The compliance officer developed measures to close the gaps that were identified. The measures are documented, and the status is tracked in the corrective action plan by the compliance officer.

The Integrated Management System (IMS) requires that an internal audit is performed annually to monitor the effectiveness of the IMS management system including supply chain due diligence. The results of internal audit are reported to Top Management, department managers and supervisors. In addition, supply chain due diligence is considered by Top Management as a part of the annual management review.

**Notable remark:**

In 2018, UPMT started to build capacities for future adaptation and implementation for the management system to meet the requirements of the LBMA Responsible Silver Guidance. An initial gap analysis was conducted for the purpose of reviewing the already acquired compliance of UPMT's existing management system with the RSG. Work packages were defined for existing gaps including with training, process and documentation reviews and internal audit integration. The integration of these packages into UPMT's Integrated Management System started by the end of 2018. Changes to the management system and the revision of relevant Due Diligence and KYC documents according to the RSG have been completed in 2019. The LBMA RSG is now part of UPMT's continuous improvement process (CIP).

## 1.3 UPMT has established a strong internal system of due diligence, controls and transparency over silver and other precious metals (gold and PGM) supply chain, including traceability and identification of other supply chain actors.

The UPMT Guideline establishes measures and controls to ensure supply chain traceability and requirements for maintaining records. To support the maintenance of records UPMT, in 2020, will begin to save and convert all hard copies of documents in digital form.



UPMT manages and tracks its material flows and internal processes in the UmicorePMT Database. The information for each lot of material that must be entered into the UmicorePMT database includes, but is not limited to, name and internal identification number of precious metal supplying counterparty, date of material received, unique lot number, type and details of material, weight, analysis result and status of refining process. The material is tracked internally along the production process.

The UPMT Supply Chain Due Diligence Policy on Precious Metals, the UPMT Guideline and supporting processes including the requirements and relevance of the LBMA Responsible Silver Guidance, RJC Code of Practice standard and RJC Chain-of-Custody standard are included in the orientation training program given to new employees.

Refresher trainings and individual trainings on a needs basis or as triggered by updates. The Local Compliance Officer supported by the HR department track and provide trainings.

Notable remark:

The UmicorePMT Database has been in use for material identification and traceability since 2005.

As key element for supply chain traceability, UPMT developed the confirmation letter (declaration of material source) for customers to confirm the origin of their material in 2013. The document's scope was only to customers delivering gold and PGM containing material.

In 2018, the confirmation letter for the origin of precious metals has been provided to customers who delivered both gold and silver containing material. By the end of 2018, also silver-only providing companies were asked to fill in information on the country of origin for their material. In 2019 all counterparties for precious metals (silver, gold, PGM) were provided with material source confirmation. UPMT achieved completion of filled in documents from all customers.

A general overview of the LBMA Responsible Silver Guidance has been provided to relevant personnel in 2018. The details of the LBMA Responsible Silver Guidance and applicable processes were developed and integrated into a LBMA training in the first half of year 2019.

The CSR Management Representative is designated as compliance officer since 2013. The responsibility of the CSR Management Representative is to take care of UPMT's Integrated Management System (IMS) including ISO 9001, ISO 14001, RJC Code of Practice (COP), RJC Chain-of-Custody (CoC) and matters regarding the precious metal supply chain. The scope of responsibilities was extended for the LBMA Responsible Sourcing Programme.

**1.4 UPMT has strengthened company engagement with precious metals (Silver, Gold and PGM group) supplying counterparties, and where possible, assists precious metals (Silver, Gold and PGM group) supplying chain counterparties in building due diligence capabilities.**

UPMT precious metal supplying counterparties are subject to an on-site visit by the Sales Department. In 2019, additional counterparties related to the supply chain (specifically storage and transportation companies) were also subject to a site visit. During the site visit the Sales Department is responsible for providing the counterparty with information related to UPMT's supply chain management including the UPMT Supply Chain Due Diligence Policy on Precious Metals. The Sales Department is also responsible for collecting written confirmation from the supplier that they have been informed of the UPMT policy.

Notable remark:

In 2018, UPMT's strengthening counterparties process was mostly performed on counterparties supplying gold and PGM. The process was reviewed and modified to extend its scope on silver suppliers as well as storage and transportation companies. An early visit report was in use during on-site visits as verification record on Due Diligence and KYC processes, including but not limited to records of communication on the concept of responsible sourcing according to RJC COP, RJC CoC and LBMA Responsible Silver Guidance. Site visits were accompanied by providing information on the UPMT Supply Chain Due Diligence Policy and UPMT Supply Chain Security Guideline.

In order to ensure the compliance on applicable standards as well as further improving strengthening counterparties, the Due Diligence Questionnaire was developed by integrating UPMT's visit report template and LBMA's Due Diligence Questionnaire.

**1.5 UPMT has established a company-wide communication mechanism to promote employee participation on risk identification to management.**

UPMT promotes employee awareness and encourages employees to voice concerns about any issues regarding traceability or identification. Internally a physical mailbox has been set up to allow employees to anonymously voice concerns. HR is responsible for forwarding the concerns to the relevant department.

All interested parties as well as suppliers can access the UPMT Supply Chain Due Diligence Policy on the company website using the following link, <https://www.umicore.co.th/en/about-us/our-sites/precious-metals/>. The name and e-mail address of Business Unit compliance officer and Local compliance officer are provided. The Business Unit compliance officer and Local compliance officer can be contacted by any external or internal party wishing to voice a concern or any other issues related to UPMT supply chain due diligence.

Any voice concern is recorded, reviewed and executed the necessary action by Compliance Officer and Top Management according to UPMT's complaints procedure.

Notable remark:

In 2018, only the name and e-mail address of the local compliance officer were published to voice concerns regarding due diligence and KYC issues along the supply-chain.

**STEP 2: IDENTIFY AND ASSESS RISK IN SUPPLY CHAIN**

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

**2.1 UPMT has a process to identify risks in the supply chain.**

UPMT identifies and assesses risks in the precious metals supply chain. The UPMT Guideline requires risk identification and KYC documentation, as required by the LBMA Responsible Silver Guidance. KYC documentation is collected for precious metal supplying counterparties and other relevant parties in the supply chain (as determined by the Local Compliance Officer and Sales Team).

UPMT considers risk related to country of origin and transit, supplier, material as well as transactional or supplier inconsistencies. The BU Anti-money Laundering Officer has developed a country risk assessment to support the uniform identification of country risk across the business unit. Supplier risk identification, assessment and management is done through the collection of KYC documentation and counterparty risk



profile (Business Partner Scoring for non-Thailand based suppliers). To support the identification of supplier risk and to strengthen business relationships an on-site visit is performed for precious metal supplying counterparties. In addition, the Local Compliance Officer, Sales Department, Incoming Goods Department and Production department monitor material and related inconsistencies as a part of daily business.

**Notable remark:**

In 2018, the process of identifying and assessing risks in the precious metals supply chain was only applied to local customers and foreign customers who delivered both gold and silver containing material. In the second half of 2018 this approach was extended to foreign customers, who only deliver silver containing material. Since Q1 2019 UPMT's KYC process was once more extended to include local customers, who delivered only silver material.

UPMT's Due Diligence Questionnaire record, one of the key tools to identify and assess risks in the supply chain is in use since 2019. See 1.4 for further information.

## 2.2 UPMT assesses risks in light of the standards of their due diligence system.

Beginning in 2019, the completion of the precious metal supplying counterparty acceptance process is now a formal requirement before entering any business relationship.

The UPMT Guideline requires that KYC documents are collected and verified. If a supplier is categorised as High Risk according to the LBMA RSG requirements or stricter internal requirements enhanced due diligence is triggered. Depending on the risk level of the supplier or transaction, enhanced due diligence and additional KYC documentation will be required.

The exact measures to be taken are decided on a case by case basis by the Local Compliance Officer and as needed supported by the Business Unit Anti-money Laundering Officer. The Managing Director is informed of the measures taken as well as the results.

In addition, UPMT conducts scrutiny and monitoring of transactions undertaken through the course of the relationship. The Sales Department supported by the Incoming Goods Department monitor transactions and review shipping and transportation documents.

**Notable remark:**

In 2018, the completion of the precious metal supplying counterparty acceptance process was only required for customers supplying Gold/PGM but neither silver supplying counterparties nor domestic counterparties.

## 2.3 UPMT reports risk assessments to the designated manager

The Sales Department provides the risk identification and assessment reports with identified risk mitigation measures (if required) including the precious metal supplying counterparties KYC documents to Top Management and the Local Compliance Officer.

Top Management makes the decision to commence the business relationship, however the Local Compliance Officer maintains the right to veto.

**Notable remark:**

In 2018 UPMT did not start new trade relations with foreign counterparties and did not identify any high-risk supply chain, which needed clearance from the MD.

### **STEP 3: DESIGN AND IMPLEMENT A MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS**

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

#### **3.1 UPMT has devised a strategy for risk management**

UPMT has devised a strategy for risk management of identified risks by either (i) mitigation of the risk while continuing trade, (ii) mitigation of risk while suspending trade or (iii) disengagement from the risk as specified by step 3 of the LBMA RSG.

**3.2 Where a management strategy of risk mitigation is undertaken, it will include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management**

Where a potential or actual risk has been identified, Sales department and Compliance Officer determines on a case by case basis which risk management strategy will be employed. Depending on the identified risk, the BU Anti-money Laundering Officer will be informed. If the Compliance Officer with the approval of Top Management decides to mitigate risk, a strategy including necessary actions or measures will be developed and implemented.

Where necessary actions have been developed to mitigate potential or actual risk, the Sales Department is responsible for monitoring the actions and improvement as well as reporting to the Local Compliance Officer and Top Management.

#### **Notable remark:**

In 2018, the procedure for responding to the identified risks had not been clearly described in the UPMT Supply Chain Security Guideline. The process has been described in the revision and published in UPMT Supply Chain Security Guideline in 2019.

### **STEP 4: ARRANGE FOR AN INDEPENDENT THIRD PARTY AUDIT OF THE SUPPLY CHAIN DUE DILIGENCE**

UPMT has engaged KPMG Cert GmbH (listed in the LBMA's Approved service Provider List) to perform a Reasonable Assurance against the LBMA Responsible Silver Guidance, for the period 1 January 2018 to 31 December 2019.

The Audit for reporting year 2018 was conducted after the audit for reporting 2019. Information on the 2018 audit were added to the report retroactively.

UPMT's supply chain due diligence management system is also audited by a 3<sup>rd</sup> party (UL Responsible Sourcing Group) in connection with RJC Code of Practice (COP) and RJC Chain-of-Custody (CoC). The precious metals covered by the RJC certified scope are gold and PGM.

### **STEP 5: REPORT ON SUPPLY CHAIN DUE DILIGENCE**

Umicore Precious Metals (Thailand) Ltd. reports as defined in step 5 of the LBMA RSG on supply chain due diligence on an annual basis in this Refiner's Compliance Report. This Refiner's Compliance Report and the Umicore Precious Metals Thailand (UPMT) - Supply Chain Due Diligence Policy are available on our homepage:

<https://www.umicore.co.th/en/about-us/our-sites/precious-metals/>

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### 3. MANAGEMENT CONCLUSION

In conclusion, UPMT implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Silver Guidance, as explained above in section 2 of this report, for both reporting year 2018 and 2019. The audited period ended 31 December 2019.

Umicore Precious Metals (Thailand) Ltd. is committed to continual improvement, and any corrective action identified will be monitored internally on a regular basis.

### 4. OTHER REPORT COMMENTS

If users of this report wish to provide any feedback to UPMT with respect to this report, they can contact UPMT's Local Compliance Officer by sending an e-mail to [philailuck.maimala@ap.umicore.com](mailto:philailuck.maimala@ap.umicore.com)

Approval of the report by:



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Mr. Matthias Schmidt  
Managing Director