

REFINER'S COMPLIANCE REPORT

The 'LBMA Responsible Gold Guidance' regulation established and confected a guide for all their associated members to fight against the abuse of Human Rights, to avoid the contribution to conflicts, in order to comply with the anti-money laundering regulations and the practices of fighting against financing of terrorism.

Based on this SEMPSA JP has elaborated a procedure to control the origin of gold, thus showing the company's compliance with the requirements established by the guidelines of the LMBA.

This report summarises how SEMPSA Joyería Platería S.A. as a Good Delivery Gold refiner has complied with the requirements of the Responsible Gold Guidance.



DETAILS OF THE REFINER

COMPANY NAME	SEMPSA JOYERÍA PLATERÍA, S.A.
BUSINESS ADDRESS	AVENIDA DE LA DEMOCRACIA Nº13, MADRID
OTHER SALES POINTS	CÓRDOBA: A.I.E. Parque Joyero de Córdoba, Fábrica 75, Ctra. Palma del Río
ANNUAL REPORT	31st December 2017
DATE OF THIS REPORT	12th of March 2018
SENIOR RESPONSIBLE MANAGING THIS REPORT	Carlos Díaz Pinto

ASSESSMENT SEMPSA JOYERÍA PLATERÍA, S.A.

Refiners must comply with the following list of minimum requirements as described in the tables according to the LBMA Responsible Gold Guidance (<http://www.lbma.org.uk/>) and thus showing their compliance with the mentioned regulations. When filling in the sections established below, the necessary justifications are provided.

TABLE 2: SUMMARY OF ACTIVITIES CARRIED OUT PROVE COMPLIANCE

STEP 1: ESTABLISHING A STRONG MANAGEMENT SYSTEM IN THE COMPANY	
COMPLIANCE WITH THE REQUIREMENT	SEMPSA JP has fully complied with Step 1: Establishing a strong Integrated Management System in the company.
Has SEMPSA JP adopted a policy related to the Due Diligence for the gold supply chain?	
YES	<p>The “Policy on the gold supply chain” was adopted on April first of 2014 and adapts to the requirements listed in the “Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” and the “LBMA Responsible Gold Guidance” regulation.</p> <p>Sempsa has established a policy regarding the gold supply chain to identify and control the risks of the gold supply from all sources and specially from conflict or risk areas.</p> <p>The mentioned policy is shown in the company’s web page at: http://www.sempsajp.com/ This document can be consulted in the company’s intranet system and is also displayed on the company’s notice board. The policy has been attached to this document. (Annex 1)</p>
Has SEMPSA JP established an internal structure to support the Due Diligence supply chain?	
YES	<p>In SEMPSA we are aware of the policy of responsible gold supply chain and we have therefore described an internal structure to guarantee the appropriate performance of processes to be able to assure suitable origin and traceability of gold.</p> <p>In procedure PG-17-COO-“Control of the origin of the Gold” all processes for responsible gold supply chain have been defined. This structure can be completed by the organization chart as an annex of the Integrated Management System Manual.</p>
Has SEMPSA JP established a strong internal Due Diligence system, on the control and transparency of the gold supply chain, including the traceability and the identification of other participants in the supply chain?	
YES	<p>SEMPSA JP introduced the Integrated Management System in 2010. Even before the publication of the “LBMA Responsible Gold Guidance” regulation, some robust administrative control procedures of Due Diligence, before 2001, for all their precious metal suppliers independently of the nature of the metal (gold, silver or metals of the Platinum group) or their origin.</p> <p>The mentioned control processes have been strengthened with the introduction of procedure PG-17-COO-“Control of the Origin of the Gold”, joining all the information on the traceability of the metal, assessment of the suppliers, actions before the possible risk identifications, etc., in one single document in the most specific way.</p> <p>As a result of the national regulation of Money laundering have been included new documents of identification of suppliers that reinforces the mechanisms already implanted for the recognition of all the mandated persons in the supplier.</p>

	<p>SEMPSA has appointed a person in exclusively charge of managing all Due Diligence documentation in a central file. The mentioned Technical Unit, operating since November 2014, complies with legal changes in the regulation in force, established to avoid money laundering and financing of terrorism.</p> <p>The “Compliance Officer” is responsible for the control of metal purchases, checks their origin with the ethical procedures fixed by the LBMA. He is responsible for the assessment and afterwards the follow-up of the gold suppliers; he collects the data of all information necessary to comply with the Due Diligence, such as reports, audits of suppliers and gold chain supply, making sure they are done in the most suitable way.</p>
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Has SEMPSA JP strengthened their commitment to the supply to third parties where ever possible, and have they helped when supplying these third parties in their potential development of Due Diligence?

YES	<p>As explained previously the gold supply chain policy can be found on our web-page for all parties interested. Likewise was encourage all our suppliers to follow the mentioned regulations indicated in this document and provides for the introduction of the stipulated standards.</p> <p>To strengthen this issue, the sales department issues e-mails to the suppliers and clients, in which these are asked to join us on the moral and ethical principles. An example is included in Annex II as proof hereof.</p>
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STEP 2: IDENTIFICATION AND RISK ASSESSMENT IN THE SUPPLY CHAIN

COMPLIANCE WITH THE REQUIREMENT	SEMPSA JP has fully complied with Step 2: Identification and risk assessment in the supply chain.
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Does SEMPSA JP have a process in place to identify the risks in the supply chain?

YES	<p>The company avoid establishing any commercial relationships with those suppliers who do not comply with any of the points dealt with in our policy and has established a range of detailed steps to follow in the procedure. Introducing a transparent system to check the origin of gold, collect information on the suppliers and their assessment is the main basis to reduce to the maximum any possibility to acquire gold of doubtful ethical origin.</p> <p>Procedure PG17-COO. The classification of suppliers has been categorized in ‘high risk’ or ‘moderate risk’ based on the risk level associated to what was concluded from the obtained information, through any of the channels indicated in the procedure.</p> <p>To identify the risk, attention is paid to the following points:</p> <ul style="list-style-type: none"> ○ Origin and/or country of transit of the metal (extra-communitarian, without anti-money laundering legislation, anti-corruption and /or similar, tax haven, etc) ○ Features of the supplier such as location or the one of its branches, owners, staff, linked to non- governmental groups, use of agents, directly or indirectly linked to people who are politically exposed, etc. ○ Several circumstances generating reasonable suspicion. <p>This is all included in the dossier of the Client/Supplier at the sales department. To check the information formal and informal face to face visits are held at suppliers requesting reports from third parties etc. New requirements were introduced for those cases where there</p>
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	<p>might be possible trade with companies supplying gold from mining (Nowdays 100% of all gold received is recycled).</p> <p>Other points to strengthen the control of the gold supply chain are the following:</p> <ul style="list-style-type: none"> ❖ Make payments only through the banking system. ❖ Collaborate with the official agencies in charge of the control of different aspects of sales transactions. ❖ Distributing transparency policies among all suppliers. <p>Likewise since the year 2013 services of the digital platform www.dowjones.com are used as a source of information within our Due Diligence process. Thus we can maximize the identification of people who are politically exposed or involved in cases of corruption that might affect our suppliers or any of it's beneficial owners.</p> <p>We have foreseen to start with the use of another type of data base, complementing the collected information, such as for example, Heidelberg Conflict Barometer, used to evaluate the total number of conflicts by type and country worldwide.</p>
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Does SEMPSA JP assess the risks defined in the regulations of their Due Diligence system?	
YES	<p>Any real or potential risk is recorded in the dossier of the client/supplier, and can be consulted, extended or updated at any moment in the central files of the Technical Unit.</p> <p>In procedure PG-17-COO additional controls has been included as explained before, to carry out the transactions with mining companies, although at present it is not fiscally feasible yet. The Declaration regarding the real identification of the client or legal person after the last legal modifications was included.</p> <p>In case irregularities are detected, the suppliers shall be rejected or if the importance of the supply recommends so, the homologation or checking of the data shall be studied in depth. Likewise the data collected in the client's dossier shall be checked and updated by the sales department previous to the metal supply.</p>

Does SEMPSA JP report the risk assessment to General Management?	
YES	<p>General Management reviews and approves the Due Diligence files and their reviews afterwards. In this way they are informed on the results of the risk analysis and on all the information gathered on the supplier.</p> <p>In case suppliers with a high risk level were detected, the Compliance Officer will write a report for General Management, when appropriate, in which the reasons for the mentioned classified risk level are detailed, the proof of such status, the period of time in such status, the historical operations carried out and the comments of interest are described. That is: SEMPSA General Management shall be immediately informed after a case of rejection of a supplier or product arises, for not having passed the risk assessment.</p> <p>There is a plan to review and periodically update the Due Diligence Files. SEMPSA General Management shall periodically assess, minimum once a year, the control's strategy and response to the risks and results produced by the suppliers classified as red flag or those who in whom certain anomalies were detected.</p> <p>As such the files are being complemented with the new requirements appearing in the legislation and complementary documentation is attached as well; such as certificates of Responsible Jewerly Council (RJC) and/or Electronic Industry Citizenship Coalition (EICC) for or adhesion to initiatives, like the one of the OECD, for those suppliers who have them.</p>

STEP 3: DESIGN AND IMPLEMENT A MANAGEMENT SYSTEM TO RESPOND TO THE RISK IDENTIFICATION

COMPLIANCE WITH THE REQUIREMENT SEMPSA JP has fully complied with Step 3: Design and implement a management system to respond to the risk identification.

Has SEMPSA JP foreseen a strategy for risk management of an identified risk in case of:

- a) Mitigation of risks while the transactions are going on? YES**
- b) Mitigation of risks while business is stopped? YES**
- c) De-linking to the risks? YES**

YES

In case any risk assessment shows unequivocally proof of or probability of high risk in the any of the steps of the supply chain, the entry of metal of this origin is immediately stopped. Afterwards, if the product has arrived at our facilities it shall be duly identified and put into quarantine until new orders. The Compliance Officer shall be informed and shall initiate the necessary investigations until the situation is clarified.

In case the risk was detected in documents, any transaction of this origin shall be detained until clarifying.

The Compliance Officer shall collect the necessary information to solve any issue involving risks, (through audits, visits, request of documentation, hiring external services or any other means necessary).

Under no circumstances shall the company work with suppliers whose risk level has been determined as 'high risk' at the risk assessment or has changed to 'high risk' coming from a lower level. These suppliers shall immediately be eliminated from the data base of active suppliers and the mentioned status shall be notified of on the cover of the Due Diligence file so as to avoid any confusion.

In order to eliminate potential sources or risk to be detected, the Compliance Officer will be requested to open up a non-conformity report to propose the appropriate corrective actions to prevent their reproduction. The main risk to be analysed are the following:

- By country of origin of gold or of gold transit:
 - Country of origin or transit considered area of conflict or of high risk.
 - Country without gold reserves.
 - Country without legislation on anti-money laundering, anti-corruption and similar.
 - Country where it is the habit to pay cash.
- By supplier:
 - Supplier operating in any of the areas mentioned previously or with connections of any kind with them.
 - Supplying company whose owners are located in these areas.
 - Unjustified use of intermediates.
 - Among its owners there is a person who is politically exposed or involved in cases of corruption or money laundering.
 - Direct or indirect link with non-governmental armed groups.
 - Absence of partial or full documentation required from the clients, suppliers in the procedures of SEMPSA JP or by the legislation in force.

	<ul style="list-style-type: none"> ➤ By circumstances: Any anomalous circumstance leading to reasonable suspicion. ➤ By product: Products for recycling with gold contents far from the usual ones. <p>For example with gold content of 90% may suggest alluvial gold mining has been directly transformed into jewellery.</p> <p>Important change in the kind of material supplied by a habitual supplier, without any reasonable justification.</p> <p>Considerable and non-justified increase of quantities provided by a supplier.</p> <p>Incoherence between documentation provided and inspection of the material received.</p> <p>Distortion in the documentation or information delivered.</p>
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Where a management strategy to mitigate the risk is carried out measurable steps must be included, which must be taken and reached with a follow-up on action, periodical new risk assessments and regular reports for General Management.

YES	<p>It is SEMPSA JP 's policy not to purchase any metal from a supplier whose origin poses a high risk, as such avoiding the main risk identified in the Guide published by the OECD Due Diligence for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas.</p> <p>Likewise, if a high risk arises from the homologation process, this supplier shall not be listed under any circumstances.</p> <p>In this way we get to mitigate the risk of using gold coming from an incorrect origin, which is a fact that can be measured by our sales team when checking the dossier of the Client/Supplier.</p>
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STEP 4: AGREEMENT TO HAVE AN INDEPENDENT AUDIT ON THE SUPPLY CHAIN BY A THIRD PARTY

COMPLIANCE WITH THE REQUIREMENT	SEMPSA JP has fully complied with Step 4: Agreement to have an independent audit on the supply chain by a third party.
YES	The independent company chosen is KPMG who shall carry out the annual review process using the ISAE 3000 standard, proving that SEMPSA JP has complied with the requirements established in the LBMA Responsible Gold Guidance.

STEP 5: REPORT OF THE SUPPLY CHAIN OF DUE DILIGENCE

COMPLIANCE WITH THE REQUIREMENT	SEMPSA JP has fully complied with Step 5: Report of the supply chain of Due Diligence.
YES	For more detailed information and specific facts on how the Integrated Management System works including the control process of the gold supply chain, through control devices, procedures and records were introduced to check up on the requirements of the LBMA Responsible Gold Guidance and they have been introduced in our gold supply chain policy, which in turn is available on our webpage as mentioned before.
CONCLUSIONS ABOUT SEMPSA JP	The conclusions have been included in Table 3 below.

TABLE 3: CONCLUSION ON MANAGEMENT

Does SEMPSA JP comply with the requirements of the “LBMA Responsible Gold Guidance “for the period reported?

YES

General Management of SEMPSA Joyería Platería SA is fully and continuously involved in the gold supply chain, considering and taking on this issue as one of their own tasks, thus turning it into an icon of reference for the rest of the employees. The system must continue with its natural evolution in continuous improvement year after year, achieving more involvement and a clear trend towards excellence in this matter.

A set of measures of action were introduced to detect irregularities which are promptly arranged by the employees who are involved in the process. Thus, the company guarantees that the requirements of the LBMA are accomplished. To conclude; SEMPSA Joyería Platería S.A. has satisfactorily implemented processes, procedures and practices in integrated management system to be able comply with the requirements of the LBMA Responsible Gold Guidance standards.

It is the intention of SEMPSA JP Management that this system becomes part of both the continuous improvement process and of their working philosophy which is something to be understood and applied by all staff. Therefore, periodical actions of awareness and training are provided to manage that those responsible for each process, are able to detect real or possible situations on their own account, which in future may result in Non Compliance.

The staff involved in the elaboration of the client’s or the precious metal supplier’s dossier and in the risk analysis in the gold supply chain, has been trained in the issues basis of the audit.

The training shall be annually planned and shall be part of the annual training plans, as described in the Integrated Management System.

During the year 2017 technical and human resources shall be assigned for the best management regarding treatment and filing of the “Due Diligences” documentation at the Technical Unit.

SEMPSA Joyería Platería S.A. has compromised itself to remain willing to continuously improve and shall internally follow any corrective action, according to the established in our procedure on non-compliance and on corrective and preventive actions. And finally it is approved that a new Compliance Refiner Report is going to be confectioned for the first quarter of 2018.

TABLE 4: CONCLUSION ON MANAGEMENT

COMMENTS

Sempsa is responsible for the preparation and presentation of the information contained in this report that has been obtained from the documentation and records on the control of the gold supply chain.

Based on the list of active suppliers in 2017, KPMG has designed its data samplings to review the application of our Due diligence process. The result of this assurance process will be published on Sempsa's Joyería Platería SA website, including, among other aspects:

- ❖ SEMPSA JP's policy on the control of ethical origin of gold.
- ❖ Risk control in the supply chain.
- ❖ General data on the development of the audit: dates, audit team, methodology followed, etc.
- ❖ Most important conclusions of the audit, except those data which may be considered as confidential.

The audit carried out by the independent entity regarding the fiscal year 2017, was brought forward to the first quarter of 2018. No changes in the work schedule are foreseen and shall be kept henceforth.

Along fiscal year 2017, no significant changes have been produced directly inciting in the processes involved in the gold supply chain.

During the third quarter the LBMA consulted the member refiners, to enact a similar regulation in the future for the silver sector.

The Precious Metal Code is expected was launched in May 2017 which has a high percentage of synergies with the regulation published for the gold and silver supply chain.

The audit team will conduct a preparatory audit exercise for silver, so that the 2019 audit for the current fiscal year will cover gold and silver. For the latter metal, the standard issued by the LBMA in September 2017, LBMA Responsible Silver Guidance, will be followed.

The audit of the present fiscal year has been planned to be developed in the first quarter of 2018. The person to contact to answer possible questions which may arise after reading this report shall be: Mr. Carlos Díaz Pinto, cdiaz@sempsajp.com, Tel. +0034 91 382 91 13.

ANNEX 1.POLICY ON RESPONSIBLE GOLD SUPPLY CHAIN



POLICY ON RESPONSIBLE GOLD SUPPLY CHAIN

SEMPA Joyería Platería, SA. support the principles set off towards the establishment of ethical relationships as a common guideline for the development of all their activities, as such avoiding the contribution to the generation of armed conflicts, abuse against human rights, organized crime and/or money laundering.

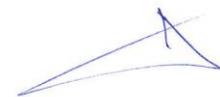
Consequently, it assures that the origin of the gold they receive is ethically acceptable.

With the internal and external promulgation of the present document and the procedure of Control of the Origin of the Gold all conducted by the Compliance Officer, it is achieved to:

- Show transparency in all processes of our business, positioning ourselves against corruption, fraud and money laundering.
- Establish the ethical, moral and social guidelines to be followed in all our activities.
- Safeguard the ethical integrity of our commercial relationships with any entity or individual.

This policy' s scope is the gold supply chain reaching the company and it embraces the Integrated Management System of SEMPA Joyería Platería SA, where necessary actions are established to guarantee that the documentation and records of the gold supply chain of the Due Diligence is available and updated and likewise such necessary training for SEMPA Joyería Platería's staff is programmed , as such complying with the requirements for the control of the gold chain supply and complementing the Code of Conduct of the Cookson Group, the policy on Social Corporative Accountability and the Policy of the Integrated Management System, with which the company compromise itself:

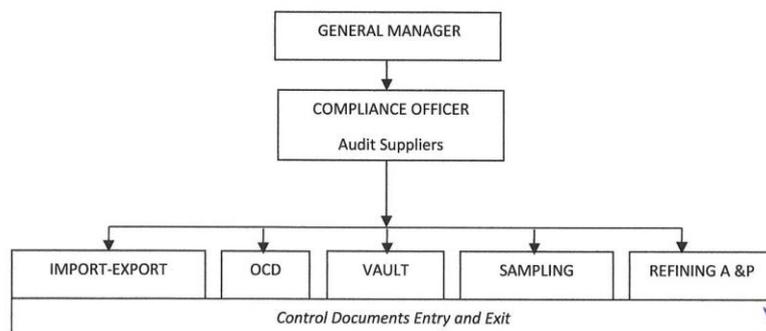
- Not to contribute, provide for, tolerate or take part in:
 - Any form of torture, cruelty or degrading human treatment.
 - Any form of forced labour.
 - Abuse or violation of human rights.
 - Crimes of war, the violation of International human laws, crime against humanity or genocide.
- Not to maintain relationships with suppliers linked to any kind of serious abuse mentioned in the former paragraph.





- Not to tolerate direct or indirect support to armed forces not belonging to a UNO State member or associated to them through payments, or providing assistance or equipment, to companies or people controlling mines, transport routes, the precious metal commerce areas, or to those who oblige to the payment of taxes or extortion through import or export companies, agents, or other intermediaries of any kind.
- In the same way, not to establish any commercial relationship with suppliers, posing a reasonable risk of being connected in any way to the described in the former point.
- We affirm that the role the public or private security forces of the State undertakes, is to provide for the security and safety of the workers, facilities and ownership, in accordance with the legislation in force and guaranteeing the human rights, not to provide for support to those who not comply.
- Not to exert inappropriate influence, offers, promises or coactions, they shall be rejected in the same way. It is not allowed to use company funds, to obtain personal benefits through the use or violation of this policy in any way.
- Not to replace the origin of the precious metal, to distort taxes, royalties and payments to governments for the extraction, trade, manipulation, transport or export.

The company is contributing to the elimination of money laundering linked to the trade, transport, export and extraction of precious metals, thanks to the following organizational structure:



Madrid, 1st April 2014

Julián Sardá de las Heras

General Manager of SEMPSA Joyería Platería S.A.

ANNEX 2.EMAIL TO THE SUPPLIER

From: Julia de los Llanos [<mailto:jllanos@sempsajp.com>]

Sent on: Monday, 18th of September 2017 16:23

For: Julia de los Llanos [<mailto:jllanos@sempsajp.com>]

Issue: POLICY ON GOLD SUPPLY CHAIN

Dear Clients and Customers,

A few years ago we implemented our Integrated Management System following the standards UNE-EN ISO 9001:2008, UNE-EN ISO 14001:2004, OSHAS 18001:2007 and UNE-EN ISO/IEC 14025, to fulfil our commitment to fully comply with the requirements and expectations of our clients and suppliers.

Last year we introduced a new “Policy of the Gold Supply Chain” which we informed you about. These procedures are based on ethical principles which help us to develop our activity and range from the respect for people to environmental issues.

Although you already have the information available on our webpage, I have allowed myself to once more attach the document containing our Policy on the Gold Supply Chain. In this Policy the principles on which our company bases itself regarding the gold supply have been described in great detail.

On this occasion apart from informing you, we would like to ask you to join us in this policy, at least in the terms and ethical principles contained therein.

We would like to sincerely thank you for your help in advance and I would like to ask you to reply by mail, or to the address or by fax indicated below to my attention, if you agree with this issue.

Kind Regards.

Julia de los Llanos
Sales Manager



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