

LBMA Responsible Silver Guidance

Version 1. September 2017

Introduction

LBMA has set up a *Responsible Silver Guidance* for Good Delivery Refiners 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. This *Guidance* formalises and consolidates existing high standards of due diligence amongst all LBMA Good Delivery Refiners.

This *Guidance* follows the five-step framework for risk-based due diligence of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas adopted on 15 December 2010.

Refiners should use the LBMA Toolkit (available on the [LBMA website](#)) to implement the requirements within this *Guidance*. Refiners may be asked to justify any substantive deviations from the Toolkit (comply or explain).

This *Guidance* should be interpreted as a minimum threshold upon which Refiners should build and continually improve their due diligence practices across each of the key areas. The concept of continual improvement is an integral component of the LBMA responsible sourcing programmes and underpins the spirit of the LBMA's five-step framework.

The LBMA also supports initiatives facilitating responsible supply chains for all forms of mining in areas of conflict or human rights abuse high-risk.

Scope

All Refiners producing LBMA Good Delivery silver bars (Refiners) must comply with this *Guidance* in order to remain on the LBMA Good Delivery List (GDL). Any Refiner applying to be a LBMA Good Delivery accredited Silver Refiner after 1 January 2018, must implement this *Guidance* and pass an audit covering a 12 months period prior to becoming a member of the GDL. All GDL Applicants must use an auditor on the LBMA's Approved Service Provider List (available on the [LBMA website](#)). An LBMA Responsible Silver Certificate will only be issued to GDL Refiners who have successfully completed their annual audit.

Definition

AML-CFT: Anti-Money Laundering – Combating the Financing of Terrorism.

Contribution to conflict: Contribution to armed aggression between two or more parties which leads to human rights abuses. The parties in the conflict may include government, militia, organised criminals or terrorist groups.

De Minimis Threshold: Material containing less than 15% silver by weight (kilograms) may be excluded from the scope of this *Guidance*. Where a Refiner deems material to be outside the scope of this *Guidance*, they must fully document the decision process leading to their conclusion that the material poses no risk of contributing to systematic or widespread abuses of human rights, does not contribute to conflict, and complies with high standards of anti-money laundering and combating terrorist financing practice.

Grandfathered Stocks: Silver investment products (ingots, bars, coins and grain in sealed containers) held in bullion bank vaults, central bank vaults, exchanges and refineries, with a verifiable date prior to 1 January 2018, will not require a determination of origin. This includes stocks held by a third party on behalf of the listed entities.

Human rights: For the purpose of this *Guidance*, human rights are those defined in the International Bill of Human Rights. The Bill includes the Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966), the International Covenant on Civil and Political Rights (1966), as well as its two Optional Protocols.¹

ISAE 3000: International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information.

ISO 19011:2011: International Standard for auditing management systems, including the principles of auditing, managing an audit programme and conducting management system audits, as well as guidance on the evaluation of competence of individuals involved in the audit process, including the person managing the audit programme, auditors and audit teams.

Mined Silver: For Mined Silver, the origin is the mine itself, whether artisanal and small-scale mine or a medium or large-scale mine. An exception to this is Mining By-product, such as silver obtained from the mining of base metals - minerals outside of the scope of this *Guidance*. The origin of Mining By-product silver should be deemed to be the point at which trace silver is first separated from its parent mineral ore (for example the refinery). The Refiner's due diligence should ensure that false representations are not made to hide the origin of newly Mined Silver through Mining By-products.

Mining By-product: Silver that is produced from other base metal mining, for example from lead, zinc, copper ore, in which silver may be a trace constituent. When silver is a by-product, the other more important metal is processed and refined first, and the silver is then extracted and refined from the final residue of the primary metal, such as a leach residues from zinc ore or copper electrolytic cell slime or lead anode cleaning slimes.

Money laundering: Money laundering is the practice of disguising the origins of illegally obtained money. Ultimately, it is the process by which the proceeds of crime are made to appear legitimate. The money involved can be generated by any number of criminal acts, including drug dealing, corruption and other types of fraud. The methods by which money may be laundered are varied and can range in sophistication from simple to complex.

Politically Exposed Persons (PEPs): *Foreign PEPs* are individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials. *Domestic PEPs* are individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials. *Persons who are or have been entrusted with a prominent function by an international organisation* refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions. The definition of PEPs is not intended to cover middle-ranking or more junior individuals in the foregoing categories.

Recycled Silver: Silver that has been previously refined. This term traditionally encompasses anything that is silver-bearing and has not come directly from a mine in its first silver life cycle. In practical terms, recyclable material includes end-user, post-consumer products, scrap and waste metals, and materials arising during refining and product manufacturing, and investment silver and silver-bearing products. This category may also include fully refined silver that has been fabricated into grain, good delivery bars, medallions and coins that have previously been sold by a refinery to a manufacturer, bank or consumer market, and that may thereafter need to be returned to a refinery to reclaim their financial value.

Recycled Silver By-product: Silver that is produced from other recycled materials for example copper, zinc, nickel and lead secondary materials, in which silver may be a trace constituent. When silver is a by-product, the other more important material is processed and refined first, and the silver is then extracted and refined from the final residue.

Recycled Silver Origin: The origin of Recycled Silver is considered to be the point in the silver supply chain from where the silver is returned to the Refiner. For silver bars the Refiner name should also be available.

Supplier: This term refers to any individual or organisation who is considered to be a participant in the supply chain for the supply of silver and silver-bearing materials.

Terrorist financing: Terrorist financing includes the financing of terrorist acts, of terrorists and of terrorist organisations.

Verifiable Date: A date which can be verified through inspection of physical date stamps on products and/or inventory lists. The requirements applicable to Refiner's Grandfathered Stocks with a subsequent date, or without a verifiable date, are the same as for other silver-bearing material; that is, a Refiner must provide the same level of source/mine documentation.

¹ UN Office of the High Commissioner on Human Rights: <http://www2.ohchr.org/english/law/>

STEP 1 - Establish strong company management systems

1. Adopt a company policy regarding due diligence for supply chains of silver.

Refiners should adopt a silver supply chain policy which is consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Refiners are required to undertake due diligence on all material supplied to them, regardless of silver content (%) or quantity (ozt). Where material containing less than 15% silver by weight (De Minimis Threshold) has been excluded from the scope of this *Guidance*, Refiners must fully document the decision process leading to their conclusion that the material poses no risk of contributing to systematic or widespread abuses of human rights, does not contribute to conflict, and complies with high standards of anti-money laundering and combating terrorist financing practice. By default any material containing more than 15% silver is deemed to fall within the scope of this *Guidance*.

In addition the following topics should be addressed in detail in the internal policy:

- Scope;
- Organisation and responsibilities;
- Identification and assessment of risks, including all risks described in Annex II of the OECD Guidance;
- Criteria for high-risk silver supply chain that meet, at a minimum, the requirements under Step 2.2 of this *Guidance*;
- Detailed and meaningful supply chain & KYC due diligence processes that meet, at a minimum, the requirements under Step 2.2 of this *Guidance*;
- Monitoring of transactions that meet, at a minimum, the requirements of Step 2.2 of this *Guidance*;
- Maintaining records of due diligence documents and supply chain traceability system;
- Employee training.

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

Refiners' internal management system will collect and maintain documentation regarding the sources of Mined Silver, Recycled Silver, or any other feedstock within the scope of this *Guidance*, in order to ensure that they have not financed conflict, have not participated in abuse of human rights or money laundering, nor financed terrorism at any point in the supply chain. The general outline of a best practice for such a structure is as follows:

- Assign authority and responsibility to Senior Management with the necessary competence knowledge and experience to oversee the supply chain due diligence process;
- Ensure availability of resources necessary to support the operation and monitoring of these processes;
- Put in place an organisational structure and communication processes that will ensure critical information, including the company policy, reaches relevant employees and silver-supplying counterparties;
- Ensure internal accountability with respect to the implementation of the supply chain due diligence process;

- Senior managers should review the effectiveness and performance of their supply chain due diligence procedures regularly and document the results of these reviews.
- 3. Establish a strong internal system of due diligence, controls and transparency over silver supply chains, including traceability and identification of other supply chain actors**

Supply chain traceability system

Refiners will establish a supply chain traceability system that collects and maintains supply chain information for each lot refined, including assigning a unique reference number to each input and output in a manner that tampering or removal will be evident. Such information should include:

- Type of silver received (Mined or Recycled);
- Weight and assay (declared and processed);
- Reference to the silver supplying counterparty due diligence file;
- Date of arrival at the refinery and date of finalisation of the refining process.

Maintaining records

Refiners will maintain adequate records of the supply chain documentation, as requested in Step 2, Section 2 of this *Guidance* (Assess risks in light of the standards of their supply chain due diligence system) in order to demonstrate that appropriate and ongoing due diligence has been followed. These records are required to be maintained for at least five years following the end of the Refiner's fiscal year.

Training

Refiners will develop an ongoing silver supply chain training program for all staff involved in the silver supply chain.

Compliance Officer

Refiners shall nominate a Compliance Officer who reports to Senior Management.

The Compliance Officer is responsible for all matters regarding the silver supply chain. In particular, they review the silver supply chain due diligence, assesses if the due diligence is adequate and request additional documentation or information if necessary. They ensure that appropriate measures are executed in case of high-risk supply chains or transactions. They are also responsible for the training of the employees with respect to the responsible supply chain, to prepare and update the silver supply chain policy, and to give proper information to the Senior Management in order for them to perform their duties.

Payment through official banking channel

Refiners shall make and receive payments for silver through official banking channels where they are reasonably available. Any cash transaction to which the Refiner is party should be clearly motivated, supported by verifiable information and approved by Senior Management.

Cooperation with government authorities

Refiners must cooperate fully and transparently with government authorities and provide full access to records and information as appropriate.

4. Strengthen company engagement with silver-supplying counterparties and, where possible, assist silver-supplying counterparties in building due diligence capacities

Refiners are encouraged to build long-term relationships based on trust and mutual recognition with their suppliers.

Refiners will encourage silver-supplying counterparties to commit to, and acknowledge in writing their compliance with, a supply chain policy consistent with Annex II of the OECD Due Diligence Guidance Model Policy for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas for all interactions with the Refiners.

Where appropriate, Refiners should define a process to promote responsible sourcing practices throughout the supply chain and assist silver supplying counterparties or prospects in improving their responsible supply chain practices. For example, Refiners can communicate their expectation and provide guidance or share practices during on-site visits to help counterparties improve their practices.

Refiners should support the implementation of relevant initiatives such as the Extractive Industry Transparency Initiative (EITI).

5. Establish a confidential grievance mechanism

Refiners will develop a mechanism allowing any employee or external stakeholder to anonymously voice concerns over the silver supply chain or any newly identified risk.

STEP 2 - Identify and assess risk in the supply chain

1. Identify risks in the silver supply chain

For both Mined Silver and Recycled Silver, Refiners should identify in accordance with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the following risks associated with the supply chain from the point of origin to the Refinery regarding:

- Systematic or widespread human rights abuses associated with the extraction, transport or trade of silver, including worst forms of child labour, any forms of torture, inhuman and degrading treatments, widespread sexual violence or other gross human rights violation forced or compulsory labour, war crimes, crimes against humanity or genocide;
- Direct or indirect support to illegitimate non-state armed groups, public or private security forces which illegally control mines sites, traders, others intermediaries, transport routes through the supply chains or illegally tax or extort money or minerals through the supply chains (“illegitimate non-state armed groups, public or private security forces”)¹;
- Bribery and fraudulent misrepresentation of the origin of silver;
- Non-compliance with taxes, fees and royalties due to Governments related to mineral extraction, trade and export from conflict affected and high-risk areas;
- Money laundering or terrorism financing;
- Contribution to conflict.

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

Supply chain due diligence

In order to map the supply chain and assess the risks effectively, Refiners will perform supply chain due diligence following a risk-based approach before entering into business relationship with any silver-supplying counterparty. The assessment of risk in a supply chain begins with the origin of silver (including Recycled Silver).

As a minimum supply chain due diligence measures will comprise the following:

- Identifying the silver-supplying counterparty and verifying its identity using reliable, independent source documents, data or information;
- Identifying the beneficial owner(s) of the silver-supplying counterparty;
- Checking that the silver-supplying counterparty and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists;
- Obtaining business and financial details with regard to the silver-supplying counterparty and information on the purpose and intended nature of the business relationship;
- For Mined Silver from Large/Medium Scale and Base metal Mining:
 - Identifying the origin of the silver based on reasonable and good faith efforts;
 - Obtaining mining license for mining operations located in conflict affected or human right abuse high-

¹ UN Office of the High Commissioner on Human Rights: <http://www2.ohchr.org/english/law/>

- risk areas, if applicable;
 - Obtaining import/export silver license for silver supplying counterparty located in conflict affected or human right abuse high-risk areas, if applicable;
 - Collecting and assessing mining practice;
 - Obtaining data on mining capacity, if available.
- For Recycled Silver, collecting and assessing the Recycled Silver-supplying counterparty's AML-CFT policy and practices, if applicable;
- Conducting ongoing due diligence on the silver supply chain.

Refiners shall apply each of the supply chain due diligence measures described above but may determine the extent of such measures on a risk-sensitivity basis depending on the type of company, business relationship, transaction type, location of the company or transit zone. For higher-risk categories, an enhanced due diligence should be performed and the following additional steps are required:

- On-site investigation/visit (mining sites for Mined Silver and silver supplying counterparty office for Recycled Silver) for high-risk supply, aimed at substantiating the documentary supply chain due diligence findings, which should be conducted within the first year of the business relationship;
- For silver from Large/Medium Scale and Base metal Mining: The verification of the identity using reliable, independent source documents, data or information and the checking of government watch list information should be done for each company involved in the chain located in conflict affected or human right abuse high-risk areas from the mine to the refinery (including silver producers, intermediaries, silver traders and exporters, and transporters);
- For Recycled Silver: The verification of the identity using reliable, independent source documents; data or information and the checking of government watch list information should be done for each company involved in the chain located in conflict affected or human right abuse high-risk areas from the silver-supplying counterparty to the refinery (including transporters).

High Risk Supply Chains

Refiners should determine their own criteria to define high-risk supply chains. However, the following minimum criteria shall be considered high-risk and trigger enhanced due diligence:

- The Mined Silver or Recycled Silver originates from, has transited or has been transported via a conflict-affected or human rights abuse high-risk area;
- The Mined Silver is claimed to be originated from a country that has limited known reserves, likely resources or expected production levels of silver;
- The Recycled Silver comes from a country where silver from conflict-affected and human rights abuse high-risk areas are known, or reasonably suspected, to transit;
- Silver-supplying counterparty or other known upstream companies are located in a country representing high-risk for money laundering;
- Silver-supplying counterparty or other known upstream companies or their beneficial owners with significant influence over the Silver-supplying counterparty are PEPs;
- Silver-supplying counterparty or other known upstream companies are active in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, sects and their leaders.

The Refiners shall revisit the due diligence performed within a reasonable timeframe, which will be defined in the internal procedure for low, medium and high-risk supply chains.

Following a change of risk level to high-risk, Refiners have to perform the enhanced due diligence steps within a reasonable timeframe, and apply, if required, Step 3 of this *Guidance* (Design and implement a management strategy to respond to identified risks).

Monitoring of transactions

The Refiner will conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship so as to ensure that the transactions are consistent with the Refiner's knowledge of the supply chain and risk profile. Monitoring of transactions is undertaken by applying a risk-based approach.

In this context, the Refiner will receive and document the following information for each lot received:

- For Mined Silver:
 - Estimated weights and assay results (from counterparty);
 - Shipping/transportation documents (waybill/airway bill, pro-forma invoice, if applicable);
 - Export and import form for high-risk transaction, if applicable.
- For Recycled Silver:
 - Estimated weight (from counterparty);
 - Shipping/transportation documents (waybill/airway bill, pro-forma invoice, if applicable);
 - Export and import form for high-risk transaction, if applicable.

Refiners will verify that the documents and materials are consistent with each other and with its knowledge of the supply chain based on the due diligence performed. Refiners need to verify that the shipment received is in conformance with the shipping/transportation documents. The background of transactions which are not consistent or are in any way suspicious should be examined and the findings established in writing and reported to the Compliance Officer. The silver must be physically segregated and secured as required in Step 3 of this *Guidance* until the inconsistencies are resolved. These findings will be reported to the appropriate authorities as applicable.

Recognition of other certifications to demonstrate compliance with the LBMA due diligence requirements

The following certificates may be used by the Refiner to assist in demonstrating compliance with the requirements described in Step 2, Section 2 of this *Guidance*:

- Mined and/or Recycled silver-bearing material for which a Responsible Jewellery Council (RJC) Chain of Custody Transfer Document has been issued by a RJC certified Entity; or
- Mined silver-bearing material where a Management Statement of Conformance document is issued which accompanies the silver shipments or silver shipments over a period of time.

3. Report risk assessment to designated Senior Management

Senior Management retains the ultimate control and responsibility for the silver supply chain. Senior Management will carefully select and supervise the Compliance Officer and give them the necessary means to perform their duty.

Senior Management will approve each new supply chain assessed as high-risk and should revisit each year the decision whether to continue with these business relationships or not.

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

The objective of this section is to evaluate and respond to identified risks in order to prevent or mitigate adverse impacts. Where appropriate, Refiners should seek to enhance supplier engagement and their own systems of information collection and transparency.

1. Report findings to designated Senior Management

Where appropriate, information gathered and actual and potential risks identified in the supply chain risk assessment will be communicated to Senior Management.

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

If the result of the silver supply chain due diligence concludes that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group, or fraudulent misrepresentation of the origin of minerals or if the possibility of the same is deemed too high, the Refiner should stop immediately to refine silver from this provenance and report it to the appropriate authorities if applicable. However, in case of indirect support to non-state armed group carried out by extortion of good faith miners or other supply chain actors, the Refiners can continue to refine silver coming from this source provided that it adopts an improvement strategy.

If the result of the silver supply chain due diligence concludes that it is possible that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group or fraudulent misrepresentation of the origin of minerals, the Refiner should suspend refining silver from this provenance until it can obtain additional information/data confirming or refuting the preliminary assessment.

Where the result of the due diligence is not fully satisfactory or when the result of the due diligence concludes that there is direct or indirect support to illegitimate public or private security forces, bribery, non-fraudulent misrepresentation of the origin of minerals or non-compliance of taxes fees and royalties due to government, but the assessed company in the supply chain is using reasonable and good faith effort, Refiners can continue to refine silver coming from this source provided that it adopts an improvement strategy, devised with input and engagement from the supplier, which clearly defines performance objectives within a reasonable timeframe.

3. 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.

The principles of risk mitigation that underpin this section focus on good faith efforts to make meaningful improvements on the supply chain where Refiners do not terminate their relationship with suppliers.

The improvement strategy described in section 2 above shall state clear performance objectives, including qualitative and/or quantitative indicators in order to measure improvement. Significant and measurable improvement towards eliminating the risk within six months from the adoption of the risk management plan must be identified. Additional measures will then be defined in a revised improvement strategy, based on the progress achieved within the first six months. If no such measurable improvement can be demonstrated within the six-month period, Refiners shall suspend the relationship until the supplier has

responded to the improvement plan.

Risk mitigation plans and their effectiveness are subject to on-going monitoring with regular reports made to senior management. Refiners shall consider suspending or discontinuing engagement with a supplier after failed attempts at mitigation within six months from the adoption of the risk management plan.

Where appropriate, Refiners will consult and or monitor progress with stakeholders on the risk mitigation plan and make use of leverage over the actors across the supply chains who could contribute to risk mitigation.

Where appropriate Refiners will cooperate and/or consult relevant stakeholders (such as local or central authorities, upstream companies, international or civil society organisations and affected third parties). Refiners may also benefit from the creation or support of community-based monitoring networks to facilitate monitoring of risk mitigation measures.

On the deadline, an assessment will be performed in order to determine if the measures have been properly undertaken. Senior Management shall be informed of the results and make a decision as to whether to continue dealing, disengage or suspend the supply chain in question. The decision making process will be documented.

STEP 4 - Arrange for an independent third-party audit of the supply chain due diligence

It is expected that if a Refiner is being audited against both the Responsible Gold Guidance and the Responsible Silver Guidance that only one combined audit is performed.

Auditor Requirements

Refiners must have their silver supply chain management systems and practices audited by independent and competent third parties drawn from the list of Approved Auditors, which can be viewed on the LBMA website (www.lbma.org.uk).

Audit Standards

The LBMA recognises there are different types of audit engagements with which Refiners are familiar. For this reason, the LBMA will accept either an audit engagement performed in accordance with ISAE 3000, or the certification standard ISO 19011:2011. The LBMA has prepared detailed Third-Party Audit Guidance with respect to these two types of engagements.

Audit Procedures

For third-party audits based on ISO 19011:2011, auditors shall perform their assessment based on the LBMA Third-Party Audit Guidance, specifically those sections that are drawn from ISO 19011:2011.

For assurance engagements, auditors shall apply ISAE 3000 and refer to the LBMA Third-Party Audit Guidance, specifically those sections that provide further guidance on the application of ISAE 3000 Standard. Auditors will provide assurance on the Refiner's Compliance Report (refer to Step 5).

Audit Report

ISO 19011:2011

The audit report should include:

- Confirmation of the auditor's professional qualification;
- Confirmation of the auditor's independence;
- The audit standards applied;
- The auditor's assessment on the Refiner's compliance with this *Guidance*;
- An annex listing the countries of origin of silver (both Mined and Recycled), and amount received from each country, for the assessment period.

ISAE 3000

The audit report should include:

- Confirmation of the auditor's professional qualification;
- Confirmation of the auditor's independence;
- The audit standards applied;
- The auditor's assessment on the Refiner's Compliance Report;



- An annex listing the countries of origin of silver (both Mined and Recycled), and amount received from each country, for the assessment period.

In addition, auditors shall make recommendations to the Refiner to improve their silver supply chain practice. Such recommendations may be done in a separate report.

Regardless of the third-party audit approach chosen, Refiners will submit a Corrective Action Plan when there is a Medium / High-Risk / Zero Tolerance non-compliance and/or the Refiner fails to satisfy one or more of the requirements as set out in Steps 1 to 5 of this *Guidance*. Copies of the Corrective Action Plan must be reported to the LBMA.

The Refiner's Corrective Action Plan will include (for each Medium / High-Risk / Zero Tolerance non-compliance identified):

- A description of the issue;
- Reference to the relevant section in of this *Guidance*;
- Assigned risk rating of the non-compliance;
- Corrective actions to be taken for each non-compliance identified;
- The timeframe for completion of corrective actions for each non-compliance identified;
- The person responsible for the implementation of each corrective action.

Auditors should prepare a Management Report, which includes at least:

- Reporting period;
- Audit scope;
- Audit standard and level of assurance;
- Description of audit team members;
- Qualification and independence of audit team members;
- Date of the audit;
- Number of person day audit;
- Summary of assurance procedures;
- Assurance observations, findings and recommendations for improvement;
- Description of any deviation from conformance;
- Assurance conclusion.

Audit Periodicity

An audit of the Refiner's compliance with of this *Guidance* is required on a yearly basis, within three months of their financial year-end which will cover activities over a 12-month reporting period. A full audit (reasonable assurance/full assessment) will be carried out to ensure Refiners are meeting the requirements of this *Guidance*. After successfully passing a full audit without instances of non-compliance (Medium, High-Risk, Zero Tolerance), Refiners may be subject to a lower level of audit or "audit review" (limited assurance/assessment review) for the next two years. A full audit will be required every three years; however, some Refiners may choose to conduct a full audit every year. The required audit frequency will increase if instances of non-compliance are identified or if there is a significant change of circumstance in the Refiner's supply chain.

Submission of Audit Report to LBMA

Copies of Full Audit Reports, Review Reports and Management Reports shall be submitted to the LBMA Chief Executive via email on an annual basis.

STEP 5 - Report on supply chain due diligence

Refiners must publicly report on their silver supply chain due diligence policies and practices, with appropriate regard for security, proprietary information and the legal rights of the other supply chain actors. Refiners must publicly report on their compliance with this *Guidance* on an annual basis, which will cover activities over a 12-month reporting period.

ISO 19011:2011

For third-party audits based on ISO 19011:2011, Refiners are not required to issue a Refiner Compliance Report. Refiners will therefore make available to the public their company policy regarding silver supply chain and the LBMA Summary Report. Refiners are not required to disclose publicly the Annex report disclosing the countries of origin of silver.

ISAE 3000

For assurance engagements, Refiners are required to compile a Refiner Compliance Report, including the following information:

- Name of refinery;
- Time period of compliance;
- Country of Origin for Mined and Recycled Silver;
- Summary of activities undertaken during the period to demonstrate compliance;
- Refiner's level of compliance with each step of this *Guidance*;
- Management conclusion statement on compliance with this *Guidance*.

Refiners should make available to the public their company policy regarding silver supply chain, the Refiner's Compliance Report with these guidelines together with the Assurance Report. Refiners are not required to disclose publicly the Annex report disclosing the countries of origin of silver.

Corrective Action Plan

Regardless of the third-party audit approach chosen, Refiners should also submit a Corrective Action Plan to the LBMA Physical Committee when there is a Medium / High-Risk / Zero Tolerance Non Compliance and/or the Refiner fails to satisfy one or more of the requirements as set out in Steps 1 to 5 of this *Guidance*.

The Refiner's Corrective Action Plan should include (for each Medium / High-Risk / Zero Tolerance non-compliance identified):

- A description of the issue;
- Reference to the relevant section in this *Guidance*;
- Assigned risk rating of the non-compliance;
- Corrective actions to be taken for each non-compliance identified;
- The timeframe for completion of corrective actions for each non-compliance identified;
- The person responsible for the implementation of each corrective action.

EFFECTIVE DATE

Refiners shall apply this *Guidance* (version 1) for the annual period beginning on or after 1 January 2018. Earlier application is encouraged.