Argor-Heraeus SA
Mendrisio

Independent Assurance Report on the Refiner’s Compliance Report for the year ended 31 December 2018

Mendrisio

We have been engaged by Argor-Heraeus SA (the ‘Refiner’) to provide reasonable assurance on its Refiner’s Compliance Report for the period ended 31 December 2018.

The independent assurance scope consists of the Refiner’s Compliance Report (the ‘Compliance Report’), prepared by the management of Argor-Heraeus SA in accordance with the LBMA Responsible Gold Guidance (version 7, dated 1 September 2017), with the LBMA Responsible Silver Guidance (version 1, dated 1 September 2017) and with LPPM Responsible Platinum/Palladium Guidance (version 1, dated 1 April 2018), hereafter the ‘Guidances’.

Management’s responsibility
The management of Argor-Heraeus SA is responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the Guidances. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidances are the activities described within the Refiner’s Compliance Report.

Auditor’s responsibility
Our responsibility is to perform an assurance engagement and to express an opinion on Refiner’s Compliance Report. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors (Version 3, dated 1 September 2017), in the LBMA Responsible Silver Programme - Third Party Audit Guidance for ISAE 3000 (Version 1, dated 1 September 2017) and in the LPPM Responsible Sourcing Programme – Third Party Audit Guidance for ISA 3000 (Version 1, dated 15 October 2018), hereafter the ‘audit guidance’.

Those standards require that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance whether the Refiner’s Compliance Report was prepared, in all material aspects, in accordance with the LBMA Responsible Gold Guidance, with the LBMA Responsible Silver Guidance and with the LPPM Responsible Platinum/Palladium Guidance.

Based on risk and materiality considerations, we performed our procedures to obtain sufficient and appropriate assurance evidence. The procedures selected depend on the assurance practitioner’s judgement.

We performed among others the following procedures:

- Enquiries of management to gain an understanding of the Refiner processes and risk management protocols in place.
- Enquiries of relevant staff responsible for the preparation of the Compliance Report;
- Site visits to the Refiner.
• Assessing the suitability of the policies, procedures and internal controls that the Refiner has in place to conform to the Guidance.

• Review of a selection of the supporting documentation, including gold, silver, platinum and palladium supplier counterparty due diligence file and transaction’s documentation.

• Test a selection of the underlying processes and controls that support the information in the Report.

• Review of the presentation of the Compliance Report to ensure consistency with our findings.

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

**Inherent limitations**
Non-financial information, such as that included in the Refiner’s Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by refiners to comply with the Guidances may differ. It is important to read the Refiner’s supply chain policy available on the company website [http://www.argor.com/en/responsibility/policy-regulations](http://www.argor.com/en/responsibility/policy-regulations).

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

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

**Conclusion**
In our opinion, the Refiner’s Compliance Report prepared by Argor-Heraeus SA for the year ended 31 December 2018, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein, is in accordance with the requirements of the LBMA Responsible Gold Guidance, of the LBMA Responsible Silver Guidance and of the LPPM Responsible Platinum/Palladium Guidance.

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

We further refer to the fact that the Refiner’s Compliance Report subject to our assurance engagement comprises the Annex “Countries of origin information for mined and recycled gold, silver, platinum and palladium”.

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In accordance with the LBMA Responsible Gold Guidance, with the LBMA Responsible Silver Guidance and with the LPPM Responsible Platinum/Palladium Guidance, this Annex detailing the countries of origin and the quantities of mined and recycled gold, silver, platinum and palladium has to be submitted to the LBMA and LPPM Executive only and does not need to be disclosed publicly.

PricewaterhouseCoopers SA

Roberto Caccia  Roberto Buonomo

Lugano, 21 March 2019

Enclosure: Refiner’s Compliance Report
Refiner's details

<table>
<thead>
<tr>
<th>Refiner's name</th>
<th>ARGOR-HERAEUS SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Via Moree 14, CH-6850 Mendrisio</td>
</tr>
<tr>
<td>Reporting year-end</td>
<td>01.01 - 31.12.2018</td>
</tr>
<tr>
<td>Date of Report</td>
<td>04.03.2019</td>
</tr>
<tr>
<td>Senior management responsible for this report</td>
<td>Christoph Wild, CEO, <a href="mailto:christoph.wild@heraeus.com">christoph.wild@heraeus.com</a></td>
</tr>
</tbody>
</table>

Summary of activities undertaken to demonstrate compliance

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

Compliance Statement with Requirement:
We have fully complied with Step 1: Established strong company management systems.

Has the Refiner adopted a company policy regarding due diligence for supply chains of gold, silver, platinum and palladium?
Argor-Heraeus has adopted a strong policy regarding due diligence for supply chains of Precious Metals. In 2004, we completed and started applying the Precious Metals Supply Chains Policy based on our company Policy of Compliance and Ethics. The supply chain policy has been formalized during the last reporting year and it is fully compliant with Annex II of the OECD Due Diligence Guidance. This Policy sets out our full commitment to fight human rights abuses associated with extraction, transportation and trade of precious metals; to fight money laundering and responsibility to conduct systematic risk-based due diligence over the entire supply chain; to screen and monitor the transactions and governance structures in place to maintain adequate records of Due Diligence documents and supply chain traceability; to ensure ongoing training for the staff involved in the supply chain.

Has the Refiner set up an internal management structure to support supply chain due diligence?
Argor-Heraeus has set up an internal management structure to support supply chain due diligence. We have an efficient internal Compliance management system which main effort is to embed the Supply Chain due diligence into every single structure and process and to define the governance, roles, responsibilities, internal audit and communication. The managing of the Due Diligence process is clearly defined. The Compliance Officer is assigned with the right competence and knowledge to manage the entire process and to report to the general management.

Has the Refiner established a strong internal system of due diligence, controls and transparency over gold, silver, platinum and palladium supply chain, including traceability and identification of other supply chain actors?
Argor-Heraeus has established a strong internal system of due diligence, controls and transparency over Precious Metal supply chain, including traceability and identification of other supply chain actors. We have established a strong internal system of due diligence, controls and transparency over Precious Metal supply chain, including traceability and identification of other supply chain actors. We have adopted a robust Precious Metals receipts process: specific documents must be received and transactional details
entered before we process the precious metal-bearing material. Each lot received is accurately registered in our transactional system. Specific controls are carried out before processing the material as outlined in our internal guidelines. Argor-Heraeus organizes regular training for the employees involved in the process to make sure the guidelines are followed and respected. Any form of non-conformity is unacceptable and must be reported to the Compliance Officer.

Has the Refiner strengthened company engagement with gold, silver, platinum and palladium supplying counterparties, and where possible, assisted precious metals supplying counterparties in building due diligence capabilities?
Argor-Heraeus has strengthened company engagement with gold, silver, platinum and palladium supplying counterparties, and where possible, assisted precious metals supplying counterparties in building due diligence capabilities.
We have also modified our supplier agreements in order to be fully compliant with the OECD guidelines. On a regular basis, we conduct audits of our mining partners to verify and make sure they are in line with the requirements stated in our supply chain guidelines, with special focus on Child labor, Human rights and environmental issues.

Has the Refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?
Argor-Heraeus has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.
Recently, we have implemented the Grievance Policy which provides any interested party to voice concerns regarding the circumstances of precious metals extraction, trade, handling and export in a conflict-affected or high-risk area. All reports can be made via different methods: by phone, e-mail, by post and face to face.

**Step 2: Identify and assess risks in the supply chain**

**Compliance Statement with Requirement:**
We have fully complied with Step 2: identify and assess risks in the supply chain.

**Does the Refiner have a process to identify risks in the supply chain?**
Argor-Heraeus has process to identify risks in the supply chain.
We identify and assess risks in the supply chain. For every supplier, we have established a client database and allocated a risk profile according to our risk profile criteria. The process is a formal requirement before entering any business relationship with a supplying counterparty. Our due diligence process is carried out on a risk oriented approach.
We use proper modelling techniques to map our KYC (Know Your Client) process which are used as a reference to identify possible risks in our supply chain and are also ideal training tools.

**Does the Refiner assess risks in light of the standards of their due diligence system?**

**Comments and Demonstrations of Compliance:**
Argor-Heraeus does assess risks in light of the standards of their due diligence system.
Argor-Heraeus performs its Supply Chain Due Diligence in line with all measures required by the LBMA and other applicable standards before entering into a business relationship with any precious metals counterparties. We constantly monitor all transactions which take place through the course of the entire
business relationship and we conduct appropriate scrutiny and monitoring of the counterparts on a regular basis. Identified risks that require further investigation are managed by applying a strong risk-based approach.

**Does the Refiner report risk assessment to the designated manager?**
Argor-Heraeus reports risk assessment to general management.
The Compliance Officer verifies the potential risks in line with the internal codes of Argor-Heraeus as well as the OECD guidelines and the FATF-Rules, Swiss AML-Rules. All new high risk suppliers must be approved by Senior Management, while those existing must be confirmed once a year.

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

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

**Has the Refiner devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?**
Argor-Heraeus has adopted an automated and permanent screening and of all business partners to identifying risks in the supply chain. The screening allows us to manage risk through a rigorous risk assessment of all business partners and transactions through a regular re-assessment. In addition, identified risks are brought up from Compliance or business or any other stakeholder to the internal Risk Committee which after a careful analysis decides how to proceed and what kind of action/measures have to be taken.
The results of the risk management strategy adopted are the following: to identify the risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk, reporting accordingly. Identified risks are brought up from Compliance or business or any other stakeholder to the internal Risk Committee which after a careful analysis decides how to proceed and what kind of action/measures have to be taken.

**Where a management strategy of risk mitigation is undertaken, it should include measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.**
Corresponding procedures are in place and are applied accordingly. In case our risk assessment identifies high risk criteria, we actively approach our supplier to receive further information. If we cannot mitigate our risk assessment, the decision of closing the business relationship could be taken.
Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Compliance Statement with Requirement:
We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

Comments and Demonstration of Compliance:
Argor-Heraeus SA engaged the services of the assurance provider PWC Lugano, and their independent reasonable assurance report can be viewed as soon as available on www.argor.com

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:
We have fully complied with Step 5: Report on supply chain due diligence.

Further information and specific details of how Argor-Heraeus SA systems, procedures, processes and controls have been implemented to align to the specific requirements in the LBMA Responsible Gold Guidance, Responsible Silver Guidance and Responsible Platinum and Palladium Guidance have been set out in our supply chain policy, which is available on our company website www.argor.com.

Management conclusion

Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance, Responsible Silver Guidance and Responsible Platinum and Palladium Guidance for the reporting period?
Yes, the Refiner is in compliance with the requirements of the LBMA.
In conclusion, Argor-Heraeus implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance, of the Responsible Silver Guidance and of the Platinum and Palladium Guidance, as explained above in Table 2, for the reporting year ended 31 December 2018.
Argor-Heraeus SA is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

Other report comments

If users of this report wish to provide any feedback to Argor-Heraeus SA with respect to this report, they can contact corporate relations on christoph.wild@heraeus.com

Christoph Wild
CEO

Benedetta Masciari
Director Finance & Administration