



Independent Reasonable Assurance Report on the LBMA Refiner's Compliance Report of C. Hafner GmbH + Co. KG for reporting year 2019

To the Management of C. Hafner GmbH + Co. KG

KPMG Cert GmbH Umweltgutachterorganisation ('KPMG' or we') have been engaged with letter dated 23 December 2019 to carry out a Reasonable Assurance engagement on C. Hafner GmbH + Co. KG's LBMA Refiner's Compliance Report - for the year ended 31 December 2019. The Refiner's Compliance Report is based on the criteria described in the Responsible Gold Guidance, published by the London Bullion Market Association ('LBMA'), available at www.lbma.org.uk.

C. Hafner GmbH + Co. KG's Responsibilities

C. Hafner GmbH + Co. KG's management is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the LBMA Responsible Gold Guidance (version 8). This responsibility includes establishing appropriate risk management procedures and internal controls relevant to the preparation of the Refiner's Compliance Report that is free from material misstatements, whether due to fraud or error. The criteria identified by the senior management as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner's Compliance Report.

Ensuring the independence and quality of the auditor

During performance of the engagement we observed the requirements of independence and quality assurance set out in legal provisions and professional pronouncements, in particular the professional code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Our responsibilities

Our responsibility is to carry out a Reasonable Assurance Engagement and to express an independent conclusion based on the work performed and evidence obtained, as to whether the Refiner's Compliance Report, in all material respects, describes fairly the activities undertaken during the year to demonstrate that compliance is in accordance with the requirements of the LBMA Responsible Gold Guidance.



We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) – ‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’ (IAASB) and the guidance set out in the LBMA Responsible Sourcing Programme - Third Party Audit Guidance for ISAE 3000 Auditors (‘the Audit Guidance’) as a Reasonable Assurance Engagement. ISAE 3000 requires that we plan and perform the Assurance Engagement to obtain reasonable assurance about whether the Refiner’s Compliance Report is free from material misstatement.

An Assurance Engagement on the Refiner’s Compliance Report involves performing procedures to obtain sufficient appropriate evidence to give reasonable assurance over the Refiner’s Compliance Report. The procedures selected depend on our judgement. These procedures included:

- Inquiries of management to gain an understanding of C. Hafner GmbH + Co. KG’s policies and procedures for risk management;
- Interviews with senior management and relevant staff responsible for the preparation of the Refiner’s Compliance Report;
- Interviews with relevant staff responsible for providing the information in the Refiner’s Compliance Report;
- Visits to sites operating in Wimsheim and Pforzheim, Germany;
- Assessing the suitability of the Reporting Criteria including the appropriateness of relevant methods, policies, procedures, and internal controls that the refiner has in place with the LBMA Responsible Gold Guidance;
- Reviewing a selection of Gold supplying counterparty due diligence dossiers and transactions;
- Testing a selection of the processes, controls and estimates that support the information provided in the Refiner’s Compliance Report;
- Reviewing the overall presentation of the Refiner’s Compliance Report to ensure consistency with our findings.

Our conclusion

Based on the work we have performed and the evidence we have obtained, in our opinion, the Refiner’s Compliance Report for the year ended 31 December 2019, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance with the requirements of the LBMA Responsible Gold Guidance. This conclusion is to be read in the context of the remainder of this Assurance Report, in particular the inherent limitations explained above and this Assurance Report’s intended use.

Restriction on use / limited liability

This Assurance Report is made solely to C. Hafner GmbH + Co. KG, in accordance with the terms of our engagement contract between us. Those terms permit disclosure to other parties, solely for the purpose of C. Hafner GmbH + Co. KG showing that it has obtained an independent Assurance Report in connection with the C. Hafner GmbH + Co. KG Refiner’s Compliance Report. Accordingly, our report shall not be used by any other person or for any other purpose.



We have provided the services described above on behalf of C. Hafner GmbH + Co. KG. We have carried out our engagement on the basis of the General Engagement Terms included in our engagement agreement dated as of 23 December 2019. By taking note of and using the information as contained in our Assurance Report each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms in the engagement agreement (including the limitation of our liability for negligence to EUR 1 million) and acknowledges their validity in relation to us.

Cologne, Germany, 27 March 2020

KPMG Cert GmbH Umweltgutachterorganisation

A handwritten signature in blue ink, appearing to be 'G. Krause', written in a cursive style.

Gerd Krause
Managing Director

A handwritten signature in blue ink, appearing to be 'Mara Zimen', written in a cursive style.

ppa. Mara Zimen



Appendix

Refiner's Compliance Report

The C. HAFNER Compliance report has been written to show compliance with LBMA Responsible Gold Guidance (RGG) for reporting year 2019.

Refiner's details

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|---|---|
| Refiner's name | C. HAFNER GmbH + Co. KG |
| Location | 71299 Wimsheim, Maybachstrasse 4 75179 Pforzheim, Esslinger Strasse 11 |
| Reporting year | 2019 |
| Date of Report | 22-01-2020 |
| Senior management responsible for this report | Dr. Ph. Reisert |

Activities undertaken to demonstrate compliance

| | |
|---------------|------------------------------|
| Lead auditor: | Compliance officer |
| Co-auditor: | Senior Manager Due Diligence |

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

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

Has the Refiner adopted a company policy regarding due diligence for supply chains of gold?

YES, C. HAFNER has adopted a company policy regarding due diligence for supply chains of gold.

C. HAFNER has been certified by LBMA since 2013 as a "Good Delivery Gold Refiner". C. HAFNER's corporate policy and Supply Chain Policy for a Responsible Global Supply Chain of Minerals are available on the C. HAFNER homepage. The Supply Chain Policy is consistent with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Annex II). The corporate policy commits to following the OECD Guidance. C. HAFNER has been certified since 2016 according to the RJC Code of Practices (COP) and Chain of Custody (CoC).

C. HAFNER's policies specify that only secondary recycled material is accepted due to the recycling technology used. The policies are reviewed on an annual basis by management during the Management Review. According to the corporate policy, C. HAFNER is committed to complying with occupational safety, environmental protection, resource management and product safety standards. To cover ESG aspects C. HAFNER has several programs in place, for example:

- Energy audit in accordance with EU Energy Efficiency Directive to monitor energy use and identify energy reduction potentials
- RJC COP covers social, environmental aspects e.g. labour rights and working conditions, natural resources
- Internal program designed to reduce CO2 emissions during the production of fine gold
- Lead registrant for gold (REACH)

Link to corporate policy and Supply Chain Policy <https://www.c-hafner.de/en/company/responsibility.html>

Has the Refiner set up an internal management structure to support supply chain due diligence?

YES, C. HAFNER has set up an internal management structure to support supply chain due diligence.

C. HAFNER maintains a Due Diligence Management System including instructions, process descriptions responsibilities, know your customer process (KYC) and identification and management of risks based on the LBMA RGG and RJC CoC and COP and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

A digital database is used to store and manage the Due Diligence Management System documentation and designates responsibilities, measures as well as deadlines.

To support the implementation and maintenance of the Due Diligence Management System, top management has assigned several roles and delegated responsibility. Job descriptions specify responsibilities and duties. The Senior Manager Due Diligence, Compliance Officer and relevant Sales Officers report directly to the CEO, who retains the ultimate control and responsibility over the precious metal supply chain.

In addition, the effectiveness and performance of the Due Diligence Management System is assessed and reviewed annually in the form of a documented internal audit and a management review.

Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors?

YES, C. HAFNER has established a strong internal system of due diligence, controls and transparency over its gold supply chain.

C. HAFNER has implemented an ERP system that enables traceability and collects and maintains information about precious metal materials and counterparties (KYC).

The ERP system records the information required in Step 1.3 and 2.4 of LBMA RGG including unique lot number, photographs of material, delivery notes, weights, results from chemical analysis and reference to precious metals supplying counterparty.

To support the Due Diligence Management System and promote awareness and risk sensibility of our staff recurring annual general trainings and ad-hoc trainings are provided. Trainings are also provided to communicate new requirements of the LBMA RGG. The Compliance Officer is responsible for providing and tracking the trainings. Trainings on Anti-Money Laundering (AML) are performed by the internal AML Officer. New employees receive an initial due diligence training at the start of their employment

In addition to coordinating due diligence trainings, the compliance officer is also responsible for updating the supply chain policy, supporting internal audits and management review as well as implementing corrective actions to support the continuous improvement of the due diligence management system.

Has the Refiner strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities?

YES, C. HAFNER has strengthened company engagement with gold supplying counterparties, and where possible, assists gold supplying counterparties in building due diligence capabilities.

To strengthen company engagement with precious metal supplying counterparties C. HAFNER requires the counterparties to sign C. HAFNER's "supplier declaration form" thereby committing to C. HAFNER's Supply Chain Policy and specific environmentally friendly practices.

To support KYC procedures and further strengthen business relationships, 311 on-site visits to precious metals supplying counterparties were carried out in 2019. An on-site-checklist was developed based on the company's experience in the sector and LBMA's Side Visit Report for Recycled Material.

Has the Refiner established a confidential grievance mechanism to promote broad-based employee participation and risk identification to management?

YES, C. HAFNER has established a confidential grievance mechanism to promote broad-based employee participation and risk identification to management.

Anonymous communication of internal and external stakeholders is enabled via post or email (info@c-HAFNER.de). A Grievance Process has been established for grievances. The process requires that grievances are recorded and communicated to the

Compliance Officer. The Compliance Officer informs the CEO if necessary and investigative measures are developed on a case by case basis. C. HAFNER fosters an open communication culture and encourages employees to report risks as they are identified. In 2019, no complaints regarding C. HAFNER's supply chain due diligence were received.

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 and assess risks in the supply chain?

YES, C. HAFNER has a process to identify and assess risks in the supply chain.

C. HAFNER defined a process for identifying supply chain risks including KYC, incoming material and country risks. The identification and assessment processes are performed using independent sources and an external database to collect and verify business information about the supply chain and counterparties. The country risk assessment covers the material's country of origin and the countries where suppliers are commercially registered.

KYC information is collected, and supplier acceptance is required prior to beginning the business relationship. Precious metal deliveries are reviewed for consistency prior to entry in ERP system, including weight, shipping documents and supplier status.

If actual or potential red flags or inconsistencies are identified related to the KYC information collected for a counterparty, material or transportation route, the transaction is put on hold until clarified by the Senior Due Diligence Manager and Compliance Officer.

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

YES, C. HAFNER does assess risks considering the standards of their due diligence system.

Prior to beginning a business relationship with a precious metal supplying counterparty C. HAFNER performs supply chain due diligence and collects KYC information in line with measures required by the LBMA RGG and OECD guidance concerning recycled materials.

C. HAFNER identifies counterparties and beneficial owner(s) and monitors transactions. The assessment of the counterparty includes identifying PEPs, possible connections to money laundering or financing terrorist groups as well as identifying intended purpose and nature of the business partner. An external database is used to verify and monitor company information relevant for KYC and anti-money laundering requirements. C. HAFNER follows up on inconsistencies or red flags and, on a case by case basis, triggers enhanced due diligence, for example by carrying out on-site visits through third parties. If the inconsistency cannot be clarified, the supplier is not accepted and business relationship is not established.

Transactions for recycled material as well as counterparty information are monitored by sales, controlling Senior Due Diligence Manager and as needed the Compliance Officer. Additionally, C. HAFNER's monitoring of transactions and precious metal supplying counterparties is supported by soft criteria and indicators, which are checked on a regular basis. These indicators alert C. HAFNER to changes or unusual supplier business activities and trigger requests for additional information and involvement of Senior Due Diligence Manager and the Compliance Officer.

Does the Refiner report risk assessment to the designated manager?

YES, C. HAFNER does report risk assessments to the designated manager.

The debit management department is responsible for approving new low and medium risk precious metal supplying counterparties and informing the Senior Due Diligence Manager. If a counterparty is assessed as high risk the debit management department informs the Senior Due Diligence Manager, Compliance and CEO. The Compliance Officer and CEO approve high risk counterparties and supply

chains. The CEO reviews supply chain due diligence and counterparty risks during the annual management review and the risk assessment report.

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?

YES, C. HAFNER has devised a strategy for risk management of identified risks.

C. HAFNER has devised a strategy for risk management, which requires applying (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk in cases where a risk identified corresponds with those listed in Step 3 of the LBMA RGG by. Currently, C. HAFNER suspends all further trade with the supplier if the suspicion cannot be clarified despite enhanced due diligence measures including on-site-audits (e.g. using C. HAFNER's employees or independent auditors). If a suspicion cannot be confirmed or refuted, C. HAFNER's management system requires that the business relationship with the counterparty is suspended indefinitely. The ERP system is designed to prevent the acceptance of material from counterparties that have been suspended or terminated through a block that prohibits booking transactions to that counterparty.

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.

C. HAFNER's due diligence management system requires the continuous monitoring of counterparties. If a risk management strategy is implemented, the Compliance Officer and Senior Manager Due Diligence determine the appropriate measures to monitor improvement on a case by case basis. These measures are monitored and reported to Senior management.

Undertake additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances.

C. HAFNER monitors counterparties and material. A change of circumstance related to transportation, material or origin or counterparty changes e.g. beneficial owner, PEP, country ratings, scope of business or other red flags named in the OECD Guidance may trigger a reassessment of risk. The decision of whether to implement a risk mitigation strategy or to continue the business relationship is made by the CEO supported by the Compliance Officer and Senior Manager Due Diligence.

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.

Since 2013, C. HAFNER has engaged the services of KPMG Cert GmbH to perform third party audits of the supply chain due diligence. KPMG Cert GmbH is listed as an approved service provider on the LBMA homepage.

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.

C. HAFNER's Compliance Report for financial year (FY) 2019 has been prepared in accordance with LBMA Responsible Gold Guidance Step 5. The Compliance Report, the Independent Assurance Report, as well as our Supply Chain Policy and Corporate policy, are available on our homepage: <https://www.c-hafner.de/en/company/responsibility.html>.

The reports are also available on the LBMA homepage under the Gold Good Delivery List: <http://www.lbma.org.uk/good-delivery-list>.

Management conclusion

Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period?

YES. C. HAFNER complies with the requirements of the LBMA Responsible Gold Guidance for the reporting period.

C. HAFNER has implemented an effective supply chain due diligence management system supported by other certified management systems including RJC Code of Practices and Chain of Custody, DIN EN ISO 9001, DIN EN ISO 13485, DIN EN ISO 17025 and Medical Devices Regulation (2017/745).

C HAFNER's procedures, process instructions and practices are designed to achieve compliance with the requirements of the LBMA RGG Version 8.

This report is C. HAFNER's Refiner Compliance Report for the FY 2019. The CEO, Senior Due Diligence Manager and Compliance Officer approve this report for publishing.

Report comments

If users of this report wish to provide any feedback to C. HAFNER with respect to this report, they can contact C. HAFNER at info@c-hafner.de.

2020-03-23

