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# ***Independent Practitioner's Limited Assurance Report***

Heraeus Deutschland GmbH & Co. KG  
Hanau

Limited assurance engagement on the LPPM Refiner's Compliance Report of Heraeus Precious Metals North America LLC., Santa Fe Springs (USA) for the period 1 January to 31 December 2021

Engagement: DEE00072604.1.1





**Independent Practitioner's Limited Assurance Report**

To Heraeus Deutschland GmbH & Co. KG, Hanau

We have been engaged to perform a limited assurance engagement on the accompanying Refiner's Compliance Report prepared by Heraeus Precious Metals North America LLC, Santa Fe Springs (USA), (the "Refiner") for the business group Heraeus Precious Metals North America LLC as defined in the Compliance Report for the period 1 January to 31 December 2021 (the "Refiner's Compliance Report").

**Management's Responsibility for the Refiner's Compliance Report**

The Management of Heraeus Deutschland GmbH & Co. KG, Hanau (Germany) ("Heraeus Deutschland") is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the LPPM Responsible Platinum/Palladium Guidance (version 2) as of 20 February 2020 (the "Guidance").

This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by management as relevant for demonstrating compliance with the Guidance are the activities described in the Refiner's Compliance Report. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant to the proper preparation and presentation of the Refiner's Compliance Report, which is free of material misstatements due to intentional or unintentional errors.

**Audit Firm's Independence and Quality Control**

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

The audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Practitioner's Responsibility**

Our responsibility is to express a limited assurance conclusion on the Refiner's Compliance Report based on our work performed. Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Refiner's Compliance Report.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB and the supplementary guidance set out in the LPPM Responsible Sourcing Programme – Third Party Audit Guidance (version 3) as of March 2021. Guidance. This Audit Guidance requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Refiner's Compliance Report, prepared by the Refiner for the business group Heraeus Precious Metals North America LLC for the period 1 January to 31 December 2021, in all material aspects, does not describe fairly the activities undertaken during the year to demonstrate

compliance, and management's overall conclusion contained therein in accordance with the Guidance.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement of the Refiner's Compliance Report with the Guidance.

Within the scope of our work we performed amongst others the following procedures:

- Interviews with the compliance officers in charge of the preparation of the Refiner's Compliance Report;
- Interviews with management and employees of departments in charge of recycling, purchasing, material management and trading;
- Inspection of relevant corporate guidelines and documents describing the management systems, due diligence and risk management approach towards a responsible supply chain;
- Review of documentation of requirements on the group-wide processes for collecting, analyzing and aggregating data on the supply chain of platinum and palladium;
- Performance of site visits at the Refiner's location in Santa Fe Springs (USA) as part of the inspection of relevant systems, processes and controls, including process walkthroughs from supplier selection to materials receipt and lot processing;
- Evaluation of the consistency of the statements provided in the Refiner's Compliance Report with the findings obtained during our engagement.

### **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 the Refiner to comply with the Guidance may differ. It is important to read the Refiner's conflict minerals supply chain policy available in the download section on Refiner's website:

[www.herae.us/conflictminerals](http://www.herae.us/conflictminerals)

## Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that, in all material aspects, the Refiner's Compliance Report, prepared by Heraeus Precious Metals North America LLC, Santa Fe Springs (USA) for the business group Heraeus Precious Metals North America LLC, for the period 1 January to 31 December 2021, does not describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein in accordance with the Guidance.

## Restriction on Use and Distribution

We issue this report on the basis of the engagement agreed with Heraeus Deutschland. The audit has been performed for purposes of Heraeus Deutschland and is solely intended to inform Heraeus Deutschland about the results of the audit. The report is not intended for any third parties to base any (financial) decision thereon. We do not assume any responsibility towards third parties.

We refer to the fact that the Refiner's Compliance Report subject to our assurance engagement comprises the Annex "List of countries of origin of mined platinum and palladium" and the treatment of the Refiner. According to LPPM Responsible Platinum/Palladium Guidance (version 2) as of 20 February 2020, this Annex detailing the countries of origin of mined platinum and palladium has to be submitted to the LPPM Executive only and does not need to be disclosed publicly.

Munich, 25 May 2022

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft



Hendrik Fink  
Wirtschaftsprüfer  
(German Public Auditor)



ppa. Mirjam Kolmar

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Table 1: Refiner's details	
Refiner's name	Heraeus Precious Metals North America LLC – [HPMN]
Location	15524 Carmenita Road Santa Fe Springs 90670 CA, United States
Reporting period	1.1.2021 - 31.12.2021
Date of Report	25.05.2022
Senior Management at HPMN responsible for this report:	Uve Kupka, GM of HPMN, <a href="mailto:Uve.Kupka@heraeus.com">Uve.Kupka@heraeus.com</a>
<p>A globally leading technology group, Heraeus is headquartered in Hanau, Germany. Founded in 1851, it is a family-owned portfolio company which traces its roots back to a pharmacy opened by the family in 1660. Today, Heraeus combines businesses in the environmental, energy, electronics, health, mobility and industrial applications sectors.</p> <p>In the 2020 financial year, Heraeus generated revenues of €31.5 billion with approximately 15.000 employees in 40 countries. Heraeus is one of the top 10 family-owned companies in Germany and holds a leading position in its global markets. More at: <a href="http://www.heraeus.com">www.heraeus.com</a></p> <p>Heraeus operates currently 5 Good Delivery refiners under the LPPM scheme in the following countries: Germany, Hong Kong, USA, South Africa and Switzerland. The latter, "Argor-Heraeus" - 100% owned by Heraeus – publishes its own dedicated LBMA/LPPM compliance report - <a href="https://www.argor.com/en/responsibility">https://www.argor.com/en/responsibility</a>.</p> <p>The following report is for our site "Heraeus Precious Metals North America LLC", based in Santa Fee Springs, CA, USA.</p>	

## Heraeus evaluation

Table 2: Summary of activities undertaken to demonstrate compliance	
<b>Step 1: Establish strong company management systems</b>	
<b>Compliance Statement with Requirement:</b> We have fully complied with Step 1: Establish strong management systems.	
<b>1. Has the refiner adopted a company policy regarding due diligence for supply chains of Platinum and Palladium?</b>	
<p>The Heraeus group has a well-established company-wide policy, binding for all entities (including our refinery and downstream entities) regarding due diligence for the supply chain of conflict minerals including Gold, Tin, Tungsten and Tantalum as well as the other precious metals Platinum, Palladium, Rhodium, Iridium, Ruthenium, Osmium and Silver.</p> <p><b>Comments and Demonstration of Compliance:</b> Already in 2007, we started formalizing our supply chain policy for Precious Metals, which is based on our Code of Conduct and an integral part of our responsibility-conscious management structure.</p> <p>HPMN operates strictly in accordance with LPPM's "Responsible Platinum/Palladium Guidance" V3, March 2021 and the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" – Third edition 2016.</p> <p>Our supply chain policy is annually reviewed and updated. Besides the typical conflict minerals Tin, Tungsten, Tantalum and Gold, we also adopted the same company-wide binding procedures for Platinum, Palladium, Rhodium, Iridium, Ruthenium, Osmium and Silver. The latest version of our policy, updated in April 2021, can be found on our website in the download section: <a href="http://www.herae.us/conflictminerals">www.herae.us/conflictminerals</a>.</p> <p>Besides our supply chain policy, we also updated our Anti-Money laundering guideline in Oct. 2021 to further strengthens and fine-tune our efforts in that area.</p> <p>In addition in 2018 we introduced our new "Human Rights policy", based on the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the corresponding fundamental Conventions and the UN Guiding Principles on Business and Human Rights as well as on the above mentioned "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas".</p>	



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With that policy, Heraeus emphasizes to reasonably ensure that the precious metals in its supply chain originate from legal and ethical sources, that the precious metals are not associated with “illegal actions like” crimes, armed conflicts or human rights abuses and that they will not be used for money laundering, financing terrorism, tax evasion, fraud or any other crime.

## 2. Has the refiner set up an internal management structure to support supply chain due diligence?

Heraeus Precious Metals has set up an internal management structure to support supply chain due diligence.

### Comments and Demonstration of Compliance:

An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy. The assigned compliance officer on Holding level designs and supervises the overall process. He is supported by the business unit’s compliance officers, which are responsible for implementing and enforcing these policies within our organization and further fine tuning the process with corresponding operating procedures. He also performs the day-to-day KYC checks. The site compliance officer oversees the local process and conducts necessary training of the policies. He is not involved in the KYC approval process, which is centralized at the headquarter in Germany by the business unit’s compliance officer and his team. The compliance officer is assigned with the right competence and knowledge to manage the entire process and has a direct reporting line to the executive committee.

Our corporate auditing team also ensures through their audits, that our policies and standards are applied through-out our organization.

The commercial teams receive annual trainings on our Code of Conduct, especially in human rights due-diligence and the risks involved of sourcing from conflict affected high risk areas - “CAHRA”.

## 3. Has the refiner established a strong internal system of due diligence, control and transparency over the supply chains of Palladium and Platinum, including traceability and identification of other supply chain actors?

### Comments and Demonstration of Compliance:

#### Refiner units:

We have a robust ‘lot’ receipts process and specific documents like delivery note, AWB, drum list incl gross weights, seal list (where applicable) must be received, and transactional details entered before we process any precious metal-bearing (Platinum, Palladium, Gold and Silver) and other conflict materials, like Tin, Tantalum and Tungsten. Each lot received is accurately registered in our transactional system and ensures complete traceability within our production streams. We carry out specific controls regarding received materials before processing incoming material as outlined in our internal guidelines. This includes but is not limited to verifying quantities, type of material, shipping documents like airwaybills, seals etc.

Through annual training of our employees, we ensure that our guidelines are followed through; if any form of non-conformance is identified, such material is set aside and must be reported to the head of production, compliance officer and senior management for further review.

No such escalation was necessary during the reporting period.

## 4. Has the refiner strengthened company engagement with Platinum and Palladium supplying counterparties, and where possible, assist Palladium and Platinum supplying counterparties in building due diligence capabilities?

### Comments and Demonstration of Compliance:

New suppliers must sign our “CODE OF CONDUCT MATERIAL QUESTIONNAIRE FOR PRECIOUS METAL SUPPLIERS OF HERAEUS” before we are entering into a new business relationship or provide their own Code of Conduct covering the same messages as ours. That questionnaire will be updated when our CAHRA list is updated. We further sharpened-up our documentation requirements in our updated business partner check SOP and have addressed that for the rating of new or existing customers since beginning of 2020.

We are renewing our due diligence checks for all our business partner in one, two- or three-years intervals based on the risk assessment in our KYC workflow and the results are archived in a database.

In the reporting year, we continued to be actively engaged in various business organizations like IPA (International Platinum organization), EPMF (European Precious Metals Federation), FVEM (Fachvereinigung Edelmetalle) as well engaging with our government in expert hearings.

We are a founding member of the “Fabricators Working Group” – FWG – promoting a “one mine, one audit” approach by developing a system for sustainability audits of Platinum group mines, currently focusing on South Africa, where there was an agreement reached to a set of principles aiming at:

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- Sustainability and transparency in PGM supply chains
- Manage risks and create business value along the PGM value chain
- Facilitate good practice exchange, collaboration, and engagement in response to challenges along the supply chain

## 5. Has the refiner established a company-wide communication mechanism to promote broad based employee participation and risk identification to management?

### Comments and Demonstration of Compliance:

Besides the possibility to raise compliance violations through internal channels, Heraeus is also offering an external compliance hotline giving employees and business partners the opportunity to voice concerns over any compliance violations anonymously and especially over our Precious Metals (Platinum, Palladium, Gold and Silver) and also Tin, Tantalum and Tungsten supply chain or other identified risks regarding conflict minerals or any further issues. All reports can be made via phone, e-mail or post. In addition, we also refer to the compliance hotline offered by RMI (Responsible Minerals Initiative) and LBMA.

Details can be found in our publicly available sourcing policy: [www.herae.us/conflictminerals](http://www.herae.us/conflictminerals).

However, no concerns were raised in the reporting year 2021 neither by employees nor by external parties.

### 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.

#### 2.1. Does the refiner have a process to identify risks in the supply chain?

Heraeus has processes in place to identify the risks in the supply chain

#### Comments and Demonstration of Compliance:

We have internal SOPs to clearly identify and assess risks in our supply chain. For every supplier we have established a client database and allocated a risk profile according to our risk profile criteria. These criteria were – again – reviewed and updated in 2021 by our compliance team at our headquarter in Germany. This process is a formal requirement before entering any business relationship with any Precious Metals supplying partners, including but not limited to our Gold, Silver, Platinum and Palladium supplying counterparties. Our due diligence process is carried out on a risk-based approach and follows our requirements as outlined in our “Code of Conduct for Precious Metal Suppliers of Heraeus”. We are monitoring government regulations and reports from United Nations. In addition, we review a list of relevant NGO’s and other international organizations helping us identifying risks in our supply chain. This monitoring is ongoing but at minimum four time a year.

Our SOP describes in detail how we identify regions and countries as high risk – CAHRA. The list includes all countries listed by the EU <https://www.cahraslist.net>. In addition, we use indices like “Conflict Barometer” from Heidelberg Institute for International Conflict Research, “Global Risk Index” published by INFORM (The Joint Research Center of European Commission is the scientific lead for INFORM), “fragile state index” published by “Fund for Peace” and the “Corruption Perception Index” from Transparency International to develop our own extensive list of high-risk countries (“CAHRA”), which is revised at least twice a year. Any business partners from those countries would need to undergo enhanced due diligence measures and require 4-eye approval.

In addition, our ERP system was set-up to initially block all transactions with CAHRA listed countries with respect to relevant precious metals materials. Only a very small team at our headquarter in Germany has the competency and access rights to release those blocks after enhanced due diligence checks. All these checks and steps are recorded in our transactional system and can be traced back more than 5 years.

The results of that screening are evaluated and help us further strengthen our risk identifying steps and are included in our general Risk Management System and annually reviewed.

#### 2.2. Does the refiner assess risks in light of the standards of their due diligence system?

Heraeus assesses the risk considering the standards of our due diligence system

#### Refiner’s units:

Supply chain due diligence comprising all measures required by the LPPM is performed before entering a business relationship with any Platinum, Palladium, Gold, Silver as well as Rhodium, Iridium, Tin, Tantalum and Tungsten supplying counterpart. We perform enhanced due diligence for higher risk categories, which includes all metal-bearing

# Heraeus LPPM Compliance Report 2021 for HPMN

mining material mentioned above and where they potentially originate from or transits via conflict affected areas and areas with human rights abuse, child labor, ecocide or other serious environmental damage or other high-risk factors. In addition, we conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship following a risk-based approach.

According to our risk criteria, we do in general perform enhanced due diligence for mined material. Mined material from a CAHRA region is our highest risk category and any approval requires a strict four-eye principle, automatically enforced through our IT system. In addition, we request on-site audit from third parties or conduct our own on-site audits.

In case our due diligence assessment leaves any doubts, we request additional documentations from our partners by using the “pushback” functionality of our KYC system. We might suspend our business relationship with existing partners or refuse to open a relationship with new partners. To enforce our supply chain policy in the reporting year, we refused to enter new business relationships with a notable number of potential partners, especially in the case of precious metals supply, for various reasons.

### 2.3. Does the refiner report risk assessment to the designated manager?

#### Comments and Demonstration of Compliance:

The compliance officers and their teams assess the potential risks in-line with Heraeus internal guidelines as well as the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” as set out in the Annex II. If high risks are identified with new or existing business partners, the Compliance Officer will deny acceptance of new business partner or cancel business with existing partners. The compliance officer has a right of veto for critical business transaction, and we have a clearly defined escalation mechanism for such cases. If the business disagrees with the assessment of the compliance officer, the issue will be escalated to the CEO for final decision; however, no such escalation was necessary during the reporting period.

Our corporate guideline “Allocation of Competences in Decision-Making Processes for the Responsibility Functions Compliance, EHS, Tax, Customs & Export Control, Global Trade Compliance and Data Protection” introduced in November 2018 strengthened and clarified the mandate of the compliance officer with a clearly defined “RAPID” model, also with regards to the responsibility for the supply chain of Platinum, Palladium, Gold, Silver, Tin, Tungsten and Tantalum.

(In the RAPID-model „R“ stands for „Recommend“, „A“ for „Agree“, „P“ for „Perform“, „I“ for „Input“ and „D“ for „Decide“).

### 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.

### 3.1. 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

Heraeus has 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.

#### Comments and Demonstration of Compliance:

Heraeus has set-up an automated and ongoing screening of all business partners for identifying risks in the supply chain. In addition, and based on the risk assessment a regular re-assessment of all business partners and transactions is established. In addition, the compliance officer will carefully assess any ad-hoc identified risk brought up by any stakeholder and will decide on necessary actions.

If we identify risk in our supply chain, we will immediately suspend the transactions with that relevant supplier. In a next step we will actively approach our counterparty asking for additional information. If we cannot mitigate the risk based on that outcome and according to our risk criteria, we would terminate engagement with that counterparty. An SOP describing these criteria are available to the relevant employees. Final decision is with the compliance officer. Our management system has also a defined escalation process for situations, where the decision of the compliance officer is disputed.

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<p><b>3.2. Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk, and regular reporting to designated senior management.</b></p>
<p><b>Comments and Demonstration of Compliance:</b>          Corresponding procedures are in place and are applied accordingly. In case our risk assessment identifies medium or high risks, we actively approach our suppliers to receive further information like proof of origin. If we cannot mitigate our risk assessment to at least medium risk level, we will terminate our supply agreement.</p> <p>Internal KPI's measure the effectiveness of our system, like how many counter partners are denied during a reporting year. For 2021 that number was in the low two-digit region.</p>
<p><b>Step 4: Arrange for an independent third-party audit of the supply chain due diligence</b></p>
<p><b>Compliance Statement with Requirement:</b>          We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.</p>
<p><b>Comments and Demonstration of Compliance:</b>          For the reporting period 2021 we did engage PricewaterhouseCoopers GmbH as our assurance provider for the "limited assurance" audit. Our reports can be viewed in the download section here: <a href="http://www.heraeus.com/conflictminerals">www.heraeus.com/conflictminerals</a></p>
<p><b>Step 5: Report on supply chain due diligence</b></p>
<p><b>Compliance Statement with Requirement:</b>          We have fully complied with Step 5: Report on supply chain due diligence.</p>
<p><b>Comments</b>          Further information and details of how Heraeus' systems, procedures, processes and controls have been implemented to align to the specific requirements in the LPPM "Responsible Platinum/Palladium Guidance" V3, March 2021 as well as the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas" – Third edition November 2016 has been set out in our updated supply chain policy which is available on our company website's download sections: <a href="http://www.heraeus.com/conflictminerals">www.heraeus.com/conflictminerals</a></p>

## Heraeus overall conclusion

Table 3: Management conclusion	
<p><b>Is the refiner in compliance with the requirements of the LPPM Responsible Platinum/Palladium Guidance and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas for the reporting period?</b></p>	
<p>YES</p>	<p>In conclusion, Heraeus implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM "Responsible Platinum/Palladium Guidance" V3, March 2021- as explained above in Table 2, for the reporting year ending 31<sup>st</sup> of December 2021.</p> <p>Heraeus is committed to continuous improvement and that is monitored internally on a regular basis. Any potentially identified corrective action would be implemented immediately.</p>

# Heraeus LPPM Compliance Report 2021 for HPMN

## Other details

**Table 4: Other report comments**

If readers of this report wish to provide any feedback to Heraeus please contact the business group compliance officer at: [juergen.mueller@heraeus.com](mailto:juergen.mueller@heraeus.com).



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Hanau, May 25. 2022

i.V. Dr. Juergen Mueller-Schaefer

**Note:**

Annex on Page 7 is listing the countries of origin of Palladium and Platinum (both mined and recycled), and amount received from each country, for the assessment period as requested by the LPPM Responsible Platinum/Palladium Guidance, V3, March 2021.

This information is only communicated to LPPM and will not be disclosed to the public.