

## **REPORT ON THE CONFORMITY OF THE COMPLIANCE MANAGEMENT SYSTEM OF ARGOR-HERAEUS SA FOR THE DUE DILIGENCE IN RELATION TO MINERALS AND METALS FROM CONFLICT - AFFECTED AREAS AND CHILD LABOUR.**

This Report provides a description and a summary of a Limited Assurance Audit on Compliance Management System (CMS) of ARGOR-HERAEUS SA for the Due Diligence in relation to minerals and metals from Conflict-Affected Areas as per art. 964 j - l of the Swiss Code of Obligations and the Ordinance on Due Diligence and Transparency in relation to minerals and metals from Conflict-Affected Areas and Child Labour (DDTrO), for the year ended 31 December 2023.

During the reporting period, ARGOR-HERAEUS complied with the due diligence obligations in relation to child labour and to minerals and metals from Conflict-Affected Areas as further detailed below.

### **Introduction**

ARGOR-HERAEUS SA, headquartered in Mendrisio, Switzerland, provides highly customized solutions in terms of products and services, with particular attention to the quality and responsibility of the precious metals processed.

ARGOR-HERAEUS belongs to a family-owned group Heraeus Holding GmbH based in Hanau, Germany and is integrated into the Operational Unit "Heraeus Precious Metals".

ARGOR-HERAEUS' products and services include the refining of gold, silver, platinum, and palladium from primary and secondary sources as well as the production of coins, (investment) bars for banks and traders. Furthermore, semi-finished products and finished parts are manufactured for both watch and jewelry industry as well as products for the electronics and chemical industries.

ARGOR-HERAEUS is highly committed to create sustainable and transparent value for all players along the entire value chain.

National governments, international organizations and industry associations are working on rules and regulations to ensure that the chain from the origin of the precious metals to the final customer is traceable, sustainable, compliant with all legal requirements and in accordance with ethical standards. The mixture of industrial and legal regulations, in which developments ARGOR-HERAEUS participates and contributes, has evolved significantly in the past years, and continues to do so in future within the scope of continuous improvement.

The OECD Due Diligence Guidance for Responsible Supply Chains of minerals from conflict-affected and high-risk areas (OECD Guidance) with its five steps framework represent one of the benchmark references for the Precious Metals Industry Standards and is applicable to ARGOR-HERAEUS.

With the entry into force on January 1, 2022, with the transition period of one year, of the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO), ARGOR-HERAEUS SA reviewed its Internal Compliance Management processes and procedures to ensure compliance with the DDTrO provisions as it was duly audited by an external auditor MAZAR SA.

ARGOR-HERAEUS' commitments, including human rights and child labour, sourcing from Conflict-Affected and High-risk areas and ESG aspects, are reflected in our policies published on the website: <https://argor-heraeus.com/regulations>.

## Company management systems

ARGOR-HERAEUS has adopted a strong policy regarding due diligence for supply chains of Precious Metals.

Since 2004, we are applying the Precious Metals Supply Chain Due Diligence Policy based on our company Policy of Compliance and Ethics. The Supply Chain Due Diligence Policy is fully compliant with Annex II of the OECD Due Diligence Guidance as well as with the LBMA Responsible Gold/Silver Guidance, the DDTro, the Swiss Anti-Money Laundering Legislation.

The Policy sets out our full commitment to:

- fight human rights abuses associated with extraction, transportation, and trade of precious metals;
- fight money laundering and terrorism financing;
- responsibility to conduct systematic risk-based due diligence over the entire supply chain;
- screen and monitor the transactions and governance structures in place to maintain adequate records of Due Diligence documents and supply chain traceability;
- ensure ongoing training for the staff involved in the supply chain.

The Policy also includes Environmental, Social and Governance (ESG) factors as per the LBMA guidance.

Following the enforcement of the DDTro, provisions of the Supply Chain Policy were reinforced with additional references to ILO Convention 138 referring to child labour.

Supply Due Diligence Policy as well as other relevant Policies and processes, are approved, regularly reviewed, and updated, when required, by the ARGOR-HERAEUS' Senior Management as well as by the Heraeus Precious Metals (Group) senior management and the respective committees. Policies on local and group level are made available on the respective websites:

- <https://argor-heraeus.com/regulations>
- [https://www.heraeus.com/en/hpm/responsibility/compliance\\_hpm/compliance.html](https://www.heraeus.com/en/hpm/responsibility/compliance_hpm/compliance.html)

ARGOR-HERAEUS has set up an internal management structure to enforce strict supply chain due diligence.

## Internal Compliance Management System

An efficient internal Compliance Management System (CMS) is an integral part of ARGOR-HERAEUS overall management system. CMS 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.

At ARGOR-HERAEUS, the CMS has the task of identifying, evaluating, managing, and removing inherent compliance risks within the company. In principle, various internal risk categories can be defined as follows:

- risk regarding legal and regulatory requirements;
- risk regarding regulations of trade and industry associations, professional and association rules and guidelines;
- litigation risk;
- risk of financial losses (country risk, counterparty risk, business, and transaction risk);
- reputational risk.

The CMS is, therefore, not only effective within ARGOR-HERAEUS, but also within the Heraeus Group and outside the organization.

## **Structure of the ARGOR-HERAEUS' Internal CMS**

A central component of the CMS is the “Know your...” approach, which is continuously used to check the legitimacy of potential and existing business partners based on legal and sector specific requirements.

The Human Rights Impact Assessment also ensures that human rights, including risk of child labour are a decisive part of risk management.

The ESG Impact Assessment also covers the protection of biodiversity in the supply chain.

ARGOR-HERAEUS continuously collaborates with the competent stakeholders on elaboration and application of the best applicable standards on responsible sourcing.

## **Compliance Function**

The managing of the Due Diligence process is clearly defined. The Compliance Officer is assigned with the right competence and knowledge to take responsibility for the implementation of the supply chain due diligence processes and to report to the general management.

For the efficient implementation of the CMS at ARGOR-HERAEUS, clear decision-making powers and reporting channels were defined. The system is based on three elements:

- Clear allocation of responsibilities
- Strict separation of competencies in compliance with the dual control principle
- A clear set of rules and transparent processes.

The Compliance Officer is responsible for dealing with non-high-risk business relationships.

The decision-making power over high-risk partners, in turn, lies with the General Management.

The General Management and its associated boards both locally (Compliance Risk Committee) and on Group level (Sourcing Committee) review major decisions. At the same time the global Compliance Officer oversees local decisions continuously. Part of the committee meetings is also transparency and training to foster transparency for all senior committee members.

At least annually, ARGOR-HERAEUS conducts internal training to all the relevant employees on Responsible Sourcing, Anti-Money Laundering, including sourcing from conflict affected and high-risk areas and child labour and other pertinent topics.

The Internal Compliance Management System is continuously subject to updates as per applicable legislation, regulations, and internal standards within the scope of continuous improvement. In 2023 no breaches of the internal due diligence processes triggering internal sanctions have been identified.

Cash payments are generally forbidden, and no exceptions are made.

## **Internal system of due diligence, controls, and transparency over precious metals 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.

ARGOR-HERAEUS' Compliance Function responsibility includes evaluation, monitoring and plausibility checks of existing and potential business relationships upstream and downstream, as well as checking the economic background of its business activities and, if necessary, also of their partners along the value chain and to assess them.

Central elements of the evaluation process are:

- Identification and verification of the business partner, the acting persons, their partners, and suppliers (operating licenses, tax compliance, etc.);
- Determination and examination of the economic grounds as well as of the shareholders and controlling person/s;
- Determination and plausibility check of the intended business activity (assessment of economic sense, volume check);
- Determination and assessment of the origin of the material including respect of human rights, child labour, ESG factors and other relevant criteria as per the LBMA and other relevant standards;
- On site visits: ideally before or within the first six months after start of a business relationship.

We have adopted a robust Precious Metals incoming receipts process: specific documents must be received, and transactional details entered before we process the precious metal-bearing material.

Particularly, within our traceability system, for each lot, based on the type of the material, we collect all the legally required information/documents to duly identify all the incoming 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.

Any form of non-conformity is unacceptable and must be reported to the Compliance Officer, who proceeds with internal clarification and application of the respective processes.

In 2023 no instances of incidents relating to the counterparty's identification, origin, and traceability of precious metals have been identified.

### **Company engagement with gold and silver supplying counterparties, and where possible, assisted precious metals supplying counterparties in building due diligence capabilities.**

ARGOR-HERAEUS has strengthened its engagement with precious metals supplying counterparties, and where possible, assisted precious metals supplying counterparties in building due diligence capabilities.

We have also modified our supplier agreements to stay fully compliant with the OECD guidelines.

On a regular basis, we conduct assessments of our mining partners to assess their alignment with the requirements stated in our supply chain guidelines, with special focus on child labor, human rights and ESG. Proposals for possible optimizations of processes and documentations are discussed and documented with our partners during on-site visits and are followed up upon thereafter.

In principle, we expect all counterparties to adhere to OECD standards and submit respective assurance.

## Company-wide confidential grievance mechanism

ARGOR-HERAEUS has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.

We have implemented the Grievance Policy, which is accessible to any interested party, in person or anonymously, to voice concerns regarding the circumstances of precious metals extraction, trade, handling and export in a conflict-affected or high-risk area, including child labour risks. [https://argor.adoratorio.app/wp-content/uploads/2024/03/Grievance-Policy\\_-EN\\_2024\\_clean.pdf](https://argor.adoratorio.app/wp-content/uploads/2024/03/Grievance-Policy_-EN_2024_clean.pdf). Reports can be made via different methods: by phone, e-mail, by post and face to face. In 2023 we have added new channels for communication of grievances and increased the visibility of the grievance mechanism on our homepage: [Argor-Heraeus | The Golden Link](#). In addition to those already existing, it offers now international telephone contacts with local phone numbers and in local language as well as an instant chat availability in more than 100 languages to broaden the possibilities of launching grievances.

## Identification and assessment of risks in the supply chain

ARGOR-HERAEUS performs its Supply Chain Due Diligence to identify risks in the supply chain. For every supplier, we have a client database in place and a risk profile allocated 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-based approach.

In particular, the time interval between checks on existing upstream business partners depends on whether the business partner is classified as a high risk or a non-high risk. The frequency of the reviews is once a year for high-risk customers and every three to five years for non-high-risk ones.

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. The Compliance Officer takes care of the risk assessments and continuous monitoring based on the information received internally or from the relevant tools. KYC screening tools include RepRisk, Factiva, WorldCheck and other open sources.

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.

Supply chain Due Diligence risk-based approach includes the risk categories based on the identification of the customer and on the origin of the material. These include (non-exhaustive list): Politically Exposed Persons; nationality, domicile of the customer, ultimate beneficial owner, legal representatives in high-risk countries; complex structures; presence in international sanctions lists; location of the operations in the high-risk area; origin of the material from high-risk country, World Heritage Site, protected area; transportation of precious metals via high-risk area; human rights, child labour and ESG negative impacts including mercury use; artisanal small-scale mining; money-laundering and terrorism financing risks and others.

High-risk assessment is performed by Compliance Officer with the use of external reliable sources and indexes such as Heidelberg barometer, FATF reports and lists, SECO and International Sanctions lists.; EU CAHRA List, Dodd Frank's 1502, NGO Reports, others. Risk assessment regarding child labour is performed also using UNICEF's Children Rights in the workplace Index. Supporting instruments are also platforms like WorldCheck, FACTIVA, RepRisk.

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 as well as Swiss AML and DDTro rules. All new high-risk suppliers must be approved by ARGOR-HERAEUS Senior Management, while those existing must be confirmed once a year. At least quarterly an internal Compliance Risk Committee of ARGOR-HERAEUS is conducted. Additionally, (see above) the ARGOR-HERAEUS Compliance Officer involves the Heraeus Precious Metals Compliance Officer, which in turn informs the HPM Sourcing Committee about high-risk suppliers.

For existing customers, in case of identification of risks as per internal management strategies and processes, internal clarifications are performed. Based on their results, the business relationship will be terminated, suspended, continued with improvement plan, or continued regularly if potential risks are not confirmed or are mitigated. In cases of known instances and founded suspicion, it is mandatory to proceed with communication to the relevant authorities.

ARGOR-HERAEUS undertakes the Enhanced Due Diligence (EDD) measures based on the type of the precious metals bearing material. These include (non-exhaustive list): identification of all the participants of high-risk supply chain until the origin of the material, understanding of the risk of human rights violations and child labour, compliance with environmental standards, nature of security services provided in the mine, support to illegitimate non-state armed groups, compliance with tax requirements, assessment of due diligence processes for the recycling customer supply chain. For artisanal/small scale mining (ASM), a detailed understanding of the structure and participants to the supply chain as well the use of mercury is required. For the due diligence on this category of suppliers, ARGOR-HERAEUS cooperates with the relevant organizations and standards like Swiss Better Gold Association (SBGA), FAIRMINED, FAIRTRADE, other relevant stakeholders.

One of our EDD measures for high-risk customers is the on-site visit. On-site visits are mandatory, possibly before, but at least within the 6 months of the business relationship commencing. Visits are undertaken by experienced inhouse staff from ARGOR-HERAEUS or from the Heraeus Group, trained on the job over time by other experts. Results are checked via four eye principle and documented as described. Additionally, external consultants can be engaged due to capacity reasons, travel restrictions or specific expertise. Basic visit contents and documentation expectance does not change though. Furthermore, external visits shall not be conducted by the same external entity twice and external visits shall always be followed by internal staff visits where possible. Furthermore, we aim to achieve a maximum of 5 years between visits with much shorter periods depending on the risk level.

ARGOR-HERAEUS reports risk assessment to General Management.

As of 31.12.2023 ARGOR-HERAEUS did not identify zero-tolerance cases.

During the reporting period, based on checks performed, no reasonable grounds to suspect child labour in ARGOR-HERAEUS supply chain, were identified.

## **Risk management**

ARGOR-HERAEUS has adopted an automated and permanent screening of all business partners to identify 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 Compliance Risk Committee which after a careful

analysis decides how to proceed and what kind of action/measures must be taken. Additionally, the risks with potential higher impacts are as well reported and monitored to/by the HPM Sourcing Committee.

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.

Where a management strategy of risk mitigation is undertaken, it includes measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated Senior Management.

ARGOR-HERAEUS continuously cooperates with the relevant stakeholders including national, international authorities, associations, NGO's. Constructive and efficient cooperation is a necessary step to a transparent and responsible supply chain.

### **Independent third-party audit of the supply chain due diligence**

ARGOR-HERAEUS engaged the services of the assurance provider MAZAR SA. MAZAR SA has been chosen as a trusted, independent, and accredited partner.

Further information and specific details of how ARGOR-HERAEUS systems, procedures, processes, and controls have been implemented to align to the specific requirements have been set out in our supply chain policy, which is available on our company website [www.argor.com](http://www.argor.com).

### **Summary of the activities undertaken by MAZAR SA to demonstrate compliance of ARGOR-HERAEUS with DDTro:**

Within the scope of its engagement, the assessment of MAZAR SA included the following:

- understanding of the company's culture of compliance: systems in place to comply with the DDTro, organization of the compliance, involvement of the Board, allocation of tasks and roles,
- review of existing principles and measures included into the Compliance Management System,
- appreciation of the risk assessment process
- sampling of due diligence files and transactions, to confirm the correct implementation of the principles of measures.

As per results of assessment conducted, based on the limited assurance procedures performed, as described above, MAZAR SA concluded that:

- the assertions included in the description of the Compliance Management System, relating to the principles and measures of the Compliance Management System, are well described in all material aspects
- the principles and measures included in the description of the Compliance Management System are adequate to prevent and identify in a timely manner the risks of significant violation of the Due Diligence request mentioned in the article 964k al. 1 and 2 CO and in the Ordinance on Due Diligence and Transparency in relation to minerals and metals from Conflict-Affected Areas and Child Labour (DDTrO)
- the principles and measures included in the description of the Compliance Management System were implemented at 31 December 2023.

## Management conclusion

ARGOR-HERAEUS fully complies with the requirements of the DDTro.

The company implemented effective management systems, procedures, processes, and practices to conform to the requirements of the DDTro, as specified above, in the “Summary of the activities undertaken to demonstrate compliance”, for the reporting year ended 31 December 2023. ARGOR-HERAEUS is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

If users of this report wish to provide any feedback to ARGOR-HERAEUS with respect to this report, they can contact corporate relations on [compliance.argor@heraeus.com](mailto:compliance.argor@heraeus.com).

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