

Independent Assurance Report (Reasonable Assurance Engagement) on the LBMA Refiner's Compliance Report of C. Hafner GmbH + Co. KG for reporting year 2022

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

KPMG Cert GmbH Umweltgutachterorganisation, Cologne, ("KPMG" or "we") has been engaged with letter dated 13 December 2022 to carry out a reasonable assurance engagement on the LBMA Refiner's Compliance Report of C. Hafner GmbH + Co. KG, Wimsheim, (further "Company") for the year ended 31 December 2022. The Refiner's Compliance Report is based on the criteria described in the LBMA Responsible Gold Guidance, published by the London Bullion Market Association ("LBMA"), available at www.lbma.org.uk.

C. Hafner GmbH + Co. KG's Responsibilities

The legal representatives of C. Hafner GmbH + Co. KG are responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the LBMA Responsible Gold Guidance (version 9). 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.

Our Responsibilities

It is our responsibility to express a conclusion on the Refiner's Compliance Report for the year ended 31 December 2022 based on our work performed within a reasonable assurance engagement.

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. 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. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a reasonable assurance engagement are more comprehensive than in a limited assurance engagement, the level of assurance obtained is substantially higher. The choice of assurance procedures is subject to the auditor's own judgement.

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

- 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;
- Visit 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 Sourcing Guidance;
- Reviewing a selection of gold supplying counterparty due diligence dossiers and transactions;
- Reviewing the overall presentation of the Refiner's Compliance Report to ensure consistency with our findings.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

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 Conclusion

Based on the procedures performed and the evidence obtained, in our opinion, the Refiner's Compliance Report of C. Hafner GmbH + Co. KG for the period from 1 January to 31 December 2022, in all material aspects, 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 addressed solely to C. Hafner GmbH + Co. KG in accordance with the terms of our engagement contract. 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 C. Hafner GmbH + Co. KG's 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 13 December 2022. 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, 24 March 2023

KPMG Cert GmbH
Umweltgutachterorganisation

Krause
Managing Director

ppa. Reith
Manager

Appendix

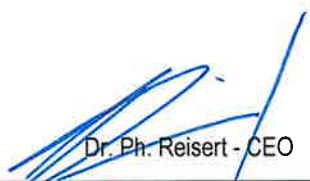
Refiner's Compliance Report

Appendix

Refiner's Compliance Report

The C. HAFNER Compliance report has been written to show compliance with:
LBMA Responsible Gold Guidance (RGG) V9 for reporting year 2022.

Refiner's details

Refiner's name	C. HAFNER GmbH + Co. KG
Location / Scope of reporting	71299 Wimsheim, Maybachstrasse 4 75179 Pforzheim, Esslinger Strasse 11
Reporting year	2022
Date of Report	2023-01-30
Senior management responsible for this report	Dr. Ph. Reisert 

Activities undertaken to demonstrate compliance

Lead auditor:	Compliance Officer
Co-auditor:	Due Diligence Board

Step 1: Establish strong company management systems

Compliance statement with requirement:

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

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

YES, C. HAFNER has adopted and committed to a company policy for gold supply chain due diligence.

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. Both policies have been approved at senior management level and have been communicated to all staff. The policies are reviewed annually and updated when circumstances require. Both policies are available at <https://www.c-hafner.de/en/company/responsibility.html>

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, including Annex II risks (hereafter: OECD Guidance)*. The corporate policy commits to following the OECD Guidance. C. HAFNER has been certified since 2016 according to the Responsible Jewellery Council (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. According to the corporate policy, C. HAFNER is committed to complying with occupational health and safety, environmental protection, resource management and product safety standards. To cover Environmental, Social and Governance (ESG) aspects, C. HAFNER has several programs in place, for instance:

- Energy audit in accordance with EU Energy Efficiency Directive to monitor energy use, carried out in a 4-year cycle. Energy reduction potentials have been identified and measures have been implemented during 2022. Life Cycle Assessment (LCA) of CO₂ neutral operating recycling facility in Pforzheim, conducted in accordance with the international standards ISO 14040 and 14044 has undergone critical review by independent expert.
- RJC COP covers ethical, social, human rights and environmental aspects (e.g. labour rights and working conditions, natural resources)
- Internal program designed to reduce CO₂ emissions during the production of fine gold
- Member of the European Precious Metals Federation (EPMF) REACH-Consortium - lead registrant for gold
- Member of the RJC Sustainable Development Goals (SDG) Taskforce supporting the implementation of the UN SDG goals

- Installation of an executive department for sustainability including a Sustainability Manager in Q3 2022. The Sustainability Manager reports directly to the CEO and sets the programme for the company's *sustainability roadmap* in agreement with the CEO.

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

YES, C. HAFNER has established appropriate gold supply chain due diligence policies and governance structures.

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, LPPM RPPG as well as RJC COC / COP. The company follows specific OECD Guidance recommendations for refiners and complies with requirements of the EU Regulation 2017/821 laying down supply chain due diligence obligations described in Articles 4 to 7 of the Regulation. A digital database is used to store and manage the due diligence management system documentation which designates responsibilities, measures as well as deadlines.

To support the implementation and maintenance of the due diligence management system, senior management has assigned several roles and delegated responsibilities. Job descriptions specify responsibilities and duties. The company's Chief Financial Officer (CFO) has been designated Anti-Money Laundering Officer (AML Officer), whilst the Sustainability Manager has taken over the role and responsibilities of Compliance Officer. Both the AML Officer and the Compliance Officer are part of a 4-member Due Diligence Board composed of senior staff, which also includes the Quality Management Officer and the Deputy CFO. The Compliance Officer and relevant Sales Officer(s) report directly and regularly to the CEO, who retains the ultimate control and responsibility over the company's precious metal supply chain. Trainings on Anti-Money Laundering (AML) are performed by the C. HAFNER's AML Officer. In addition to coordinating due diligence trainings, the Compliance Officer is also responsible for updating the supply chain policy, supporting internal audits and implementing corrective actions to support the continuous improvement of the due diligence management system.

Where a material concern has been identified with respect to a supplier's activity and/or during the process of embarking of a new supplier/customer it is to be communicated by the company's respective employee(s) to either the Compliance Officer or one of the other members of the Due Diligence Board. The member of the Due Diligence Board which receives the material concern ensures that the Board is briefed regarding said concern, in order to take necessary steps for a solution.

Internal guidelines following the OECD Guidance, providing rules and information are available for all employees. Staff involved in the gold supply chain are trained annually in relevant topics of supply chain due diligence. The Compliance Officer is responsible for providing and tracking the trainings. C. HAFNER's training programme aims at maintaining and further developing due diligence awareness. C. HAFNER's training process follows a 2-step approach, where the Compliance Officer first delivers overall due diligence training to **all** Heads of Departments, plus additional relevant staff mentioned further above. In the second step, the Heads of Departments and Team Leaders determine the scope of training for relevant employees in their team and pass on training. To support the company's Due Diligence management system and promote awareness and risk sensibility of the staff, additional ad-hoc trainings in departments involved in the gold supply chain are provided. New employees involved in the gold supply chain receive an initial (overall) due diligence training at the start of their employment. The overall due diligence training is complemented by new requirements (revisions) of the LBMA Responsible Gold Guidance, particularly those relevant to C. HAFNER's gold supply chain. In 2022 C. HAFNER's Compliance Officer delivered due diligence training called *Anforderungen an Sorgfaltspflichten (Due Diligence) aus branchenrelevanten Standards* (Due diligence requirements according to industry-related standards) to Head of Departments, Sales Officers and additional staff involved in the gold supply chain and/or involved in the processing of precious metals at C. HAFNER

facilities. The overall due diligence training was given to a total of 26 participants, predominantly Heads of Departments and Team Leaders. It covered following topics:

- ✦ General understanding of due diligence and its importance for C. HAFNER
- ✦ Internal management systems (KYC process, approval procedure for new business, monitoring of existing customers), Corporate policies, roles and responsibilities
- ✦ General understanding of OECD 5-step framework, conflict-affected and high-risk areas (CAHRA) and risks related to material with CAHRA origin as per OECD Guidance Annex II
- ✦ General understanding of standard setting organisations (LBMA; LPPM, RJC) and German control authority DEKSOR according to EU 2017/821, their importance and duties
- ✦ General understanding of industry related standards (LBMA RGG, LPPM RPPG, RJC CoP/CoC) and requirements, standards revisions and their implication(s) for C. HAFNER
- ✦ Awareness for C. HAFNER grievance mechanism

C. HAFNER management systems require annual training of relevant staff with regards to Anti-Money Laundering and risks related to it. In 2022, the AML Officer trained a total of 17 participants, mainly Sales Representatives (field staff), plus Compliance Officer and Head of Sales Recycling & Investment Products.

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 management review, i.e. the risk assessment. C. HAFNER's annual "Due diligence Report" serves as information to the public and provides the company's statements on fulfilment of legal compliance in environmental affairs. The company's Due diligence Report is available at <https://www.c-hafner.de/unternehmen/verantwortung.html>.

C.HAFNER cooperates with government authorities and/or national law enforcement agencies and customs officials in a transparent manner, for instance within the framework of the checks of the EU-Regulation 2017/821 conducted by German agency Deutsche Kontrollstelle EU-Sorgfaltspflichten in Rohstofflieferketten (DEKSOR).

Has the Refiner established a traceability system over gold supply chains, including chain of custody mapping and identification of supply chain actors?

YES, C. HAFNER has established a strong due diligence and internal traceability system with controls that ensure 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). Before start of transactions, business partner's verification is performed using a web-based application provided by an established credit agency:

- ✦ Check for business partner listing in credit agency *database*.

If business partner is not listed in database, then responsible Sales Representative asks for and collects business related documents, i.e. evidence regarding company legitimization according to national law

- ✦ Check for business partner's Ultimate Beneficial Owner/s (UBOs) in credit agency database.

If business partner's UBOs is/are not listed in database, then Debtor Management Department asks for and collects identification documents for UBOs

- ✦ Check for business partner's Tax number or VAT ID in database.
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If business partner's Tax number or VAT ID is not available database, then responsible Sales Representative asks for and collects copy of document.

Additionally, business partners active as precious metals buyers, wholesalers, goldsmiths, jewellers, investment products dealers as well as industry recycling companies are regularly visited by responsible C. HAFNER Sales Representative/s. Visit reports are reviewed by (Head of) Controlling Department and documented accordingly. Furthermore, class of business partners listed further above are required to confirm compliance with laws and specific regulations in country of operation, legitimization of business activity, specification of precious metals and origin of material offered to C. HAFNER.

In terms of incoming material, the ERP system records the information required in Step 1.3 and 2.1 of LBMA RGG including shipping documents and date of arrival at refinery, unique lot number(s), photographs of material, weight and assays (declared and processed), type of material/s, results from chemical analysis and reference to precious metals supplying counterparty.

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 Corporate and Supply Chain Policy. We encourage and expect our suppliers to carry out business in compliance with all regulations concerning protection of the environment in country/region of operation. C. HAFNER's suppliers are required to hold all necessary environmental permits and registrations, as a minimum standard. From the point of view of sustainable development, the suppliers are asked to strive towards the minimization of their environmental impact, including on climate, taking into consideration the health and safety of employees and public.

To support KYC procedures and further strengthen business relationships, 107 on-site visits to precious metals supplying counterparties were carried out in 2022. An on-site- checklist was developed based on the company's experience in the sector and consultation of LBMA's Side Visit Report for Recycled Material. The on-site checklist ("Lieferantenaudit") comprises general information on the business partner, its activities and description of visited facilities. The checklist also takes into consideration surrounding area and precious metals safe keeping conditions. Additional details on type and origin of material, as well as inquiries related to Annex II risks of the OECD Guidance aim at raising awareness for the sector's due diligence procedures and C. HAFNER's policies. FAQ supports in understanding aspects in legal compliance, risks in transportation, environmental risks and customs declaration.

Link to FAQ: https://www.c-hafner.de/fileadmin/user_upload/pdf/edelmetall-recycling/FAQs_Scheidgutanolieferung_EN.pdf.

C. HAFNER provides information about environmental programs to encourage suppliers to improve their own practices. In terms of Environmental, Social and Governance issues, the company has established a homepage section dedicated to our sustainability efforts, where we publish an executive summary of the company's life cycle assessment, together with our certificate received for CO₂-offsetting.

Has the Refiner established a company-wide confidential grievance mechanism?

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

An external law office (OSR – Rechtsanwälte) has been mandated to operate the confidential and anonymous grievance mechanism as an independent third-party. The digital platform receiving any grievances has become available in Q1 2022 and is accessible to internal (via C. HAFNER's intranet) and external parties at <https://www.c-hafner.de/en/company/responsibility.html>. Additionally, anonymous communication of internal and external stakeholders is enabled via post or email at hafner@ombudservice.de.

All interested parties have the opportunity to report concerns or complaints regarding our corporate activities or those of our suppliers. Notifications and complaints filed are handled anonymously and without prejudice. The company's grievance management 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 2022, no complaints regarding C. HAFNER's supply chain due diligence were received.

Step 2: Identify and assess supply chain risks

Compliance statement with requirement:

We have fully complied with Step 2: Identify and assess risks in the supply chain.

Does the Refiner have a due diligence process to identify 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 during the precious metals receipt concerning i.e. material or transportation route, the transaction is put on hold until clarified by the Due Diligence Board and/or the Compliance Officer. The interaction of staff conducting risk assessment during embarking of business partners, i.e. Debtor Management Department, complemented by supervision from AML Officer (at the same time CFO) ensure a robust risk identifying process, continuously monitoring the circumstances of the business relationship.

How does the Refiner identify risks in light of the standards of its 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, AML Officer (CFO) and if required 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 the company's Due diligence Board or alternatively involvement of the Compliance Officer, who subsequently informs the Due Diligence Board.

Has the refiner undertaken EDD measures for identified high-risk supply chains?

C. HAFNER's risk identification process currently doesn't include EDD measures due to its customer onboarding policies. High-risk supply chains identified during embarking of new customers / suppliers are eliminated, i.e. principally excluded.

Step 3: Design and implement a management strategy 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.

Does the Refiner have a process to respond to the identified risks by either (i) mitigating the risk while continuing to trade, (ii) mitigating 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 (i) mitigation of the risk while continuing to trade, (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.

The debit management department is responsible for approving new low and medium risk precious metal supplying counterparties and informing the AML Manager and/or Compliance Officer. If a counterparty is assessed as high risk the debit management department informs the AML Manager and/or Compliance Officer. The CEO approves 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.

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.

C. HAFNER's due diligence management system requires the continuous monitoring of counterparties. If a risk management strategy is implemented (i), the Compliance Officer and Due Diligence Board 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 Due Diligence Board.

Step 4: Obtain independent third-party assurance on supply chain due diligence practices

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 annually 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) 2022 has been prepared in accordance with LBMA Responsible Gold Guidance Step 5, providing details of the company's supply chain due diligence policies, management systems and risk-assessment processes. 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 at 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 Directive (93/42/EWG).

C. HAFNER's procedures, process instructions and practices are designed to achieve compliance with the requirements of the LBMA RGG Version 9.

This report is C. HAFNER's Refiner Compliance Report for the FY 2022. The CEO, the Due Diligence Board and the 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 and/or sustainability@c-hafner.de.

*** End of report ***