

# Independent Assurance Report (Reasonable Assurance Engagement) on the LPPM Refiner's Compliance Report of SAXONIA Edelmetalle GmbH for reporting year 2022

To the Management of SAXONIA Edelmetalle GmbH, Halsbrücke

KPMG Cert GmbH Umweltgutachterorganisation, Cologne, ("KPMG" or "we") has been engaged with letter dated 12 January 2023 to carry out a reasonable assurance engagement on the LPPM Refiner's Compliance Report of SAXONIA Edelmetalle GmbH, Halsbrücke, (further "Company") for the year ended 31 December 2022. The Refiner's Compliance Report is based on the criteria described in the LPPM Responsible Platinum/Palladium Guidance, published by the London Platinum & Palladium Market ("LPPM"), available at [www.lppm.com](http://www.lppm.com).

## SAXONIA Edelmetalle GmbH's Responsibilities

The legal representatives of the SAXONIA Edelmetalle GmbH is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the LPPM Responsible Platinum/Palladium Guidance (version 3). 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 LPPM 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 SAXONIA Edelmetalle GmbH'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 site operating in Halsbrücke, 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 LPPM Responsible Sourcing Guidance
- Reviewing a selection of Platinum/Palladium 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 SAXONIA Edelmetalle GmbH 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 LPPM Responsible Platinum/Palladium 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 SAXONIA Edelmetalle GmbH in accordance with the terms of our engagement contract. Those terms permit disclosure to other parties, solely for the purpose of SAXONIA Edelmetalle GmbH showing that it has obtained an independent assurance report in connection with SAXONIA Edelmetalle GmbH 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 SAXONIA Edelmetalle GmbH. We have carried out our engagement on the basis of the General Engagement Terms included in our engagement agreement dated 12 January 2023. 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



Gerd Krause  
24.03.2023



Martin Reith, Manager  
24.03.2023

Krause  
Managing Director

ppa. Reith  
Manager

## Appendix

Refiner's Compliance Report



# **Appendix**

## **Refiner's Compliance Report**





## **Refiner's Platinum and Palladium Compliance Report 2022**

The LPPM has developed the Responsible Sourcing Programme and the Responsible Platinum/Palladium Guidance (RPPG) for Good Delivery Refiners such as SAXONIA Edelmetalle GmbH. The RPPG requires Good Delivery Refiners to adopt high standards of due diligence to help identify and prevent money laundering, systematic or widespread abuses of human rights, terrorist financing and contribution of conflicts in the refiner's supply chain.

This report demonstrates how SAXONIA Edelmetalle GmbH complies with the requirements of the LPPM Responsible Platinum/Palladium Guidance.

### **Refiner's details**

Refiner's name	SAXONIA Edelmetalle GmbH
Location	Erzstrasse 9, 09633 Halsbrücke, Germany
Reporting year	01.01.2022 – 31.12.2022
Senior Management responsible for this report	Dr. Hans-Christian Winkelmann Managing Director

SAXONIA Edelmetalle GmbH (in the following referred to as "SAXONIA") is continuing the tradition of mining and processing precious metals which has existed in the region of Freiberg since the beginning of the 17th century. Today, the company is a recognised partner for industrial users of precious metal refining and manufacturing.

As one of the oldest refineries in Germany SAXONIA is focused on the recycling of precious metals and their re-use or further processing.

<b>Step 1: Establish strong company management systems</b>
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Compliance Statement with Requirement:

We have fully complied with step 1: Established a strong management system.

**1. Adopt a company policy regarding due diligence for supply chains of platinum/ palladium.**

Compliance Statement with Requirement:

SAXONIA has adopted a policy regarding due diligence for supply chains of precious metals.

Comments and Demonstration of Compliance:

We established a platinum/ palladium supply chain policy, which is consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. The policy is our commitment to implement the relevant regulatory and ethical requirements defined in the German Money Laundering Law, the OECD Guideline as well as the LPPM Responsible Platinum/Palladium Guidelines. The Supply Chain Due Diligence Policy is published (in German and English) on SAXONIA homepage <https://saxonia.de/compliance/>

The policy is signed by Senior Management.

**2. Set up an internal management structure to support supply chain due diligence.**

Compliance Statement with Requirement:

SAXONIA has set up an internal management structure to support supply chain due diligence.

Comments and Demonstration of Compliance:

An internal management system was developed and implemented to meet the requirements to support supply chain due diligence at SAXONIA. The management system includes guidelines, processes and standardised forms for risk identification, client acceptance, monitoring of suppliers and checking of incoming materials. In addition, the internal management system defines governance roles and responsibilities, trainings, communications for the SAXONIA group. The Group Compliance Officer has been assigned to manage and monitor supply chain due diligence at SAXIONA Edelmetalle GmbH and to manage the KYC process for the entire SAXONIA group. The Group Compliance Officer reports directly to the Managing Director of SAXONIA Edelmetalle GmbH and also ultimately to the managing directors of SAXONIA Holding GmbH. To strengthen the KYC process and continuous monitoring of suppliers the position client onboarding function (COF) was established at the compliance department at SAXONIA Holding GmbH. SAXONIA aims to achieve continuous improvement throughout the management system and its processes.



**3. Established a strong internal system of due diligence, controls and transparency over Platinum/Palladium supply chains, including traceability and identification of other supply chain actors.**

Compliance Statement with Requirement:

SAXONIA 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.

Comments and Demonstration of Compliance:

Supply chain traceability:

SAXONIA has a precious metal acceptance process. Materials bearing precious metals delivered for refining, can only be accepted if a completed form is provided. The form is filled in by the supplier. It requires the supplier to include the supplier's name, date of delivery, weight of material delivered, the type of material, the (expected) material composition and the material's origin. The information provided is reviewed for consistency. In the following a unique reference number is given to the specific lot and the information is entered in the ERP system. Finally, the supplier receives a confirmation of receipt showing the unique reference number for the specific lot. This number is used for any further communication regarding the lot.

Training:

The Group Compliance Officer provides every two years training regarding KYC, responsible sourcing of precious metals and whistleblowing to staff members who are involved in supply chain matters. The Group Compliance Officer has developed a training program to track the trainings and has identified job positions involved directly with the supply chain and where risks could be identified reasonably. These positions (e.g. material acceptance area, sales, metal management) receive specific training related to their tasks.

Payments are exclusively conducted via official banking channels.

SAXONIA does not consent to cash transactions.

SAXONIA fully and transparently cooperates with government authorities, while in 2022 no transactions had to be reported.

**4. Strengthen company engagement with Platinum/Palladium supplying counterparties and, where possible, assist Platinum/Palladium supplying counterparties in building due diligence capabilities.**

Compliance Statement with Requirement:

SAXONIA has strengthened company engagement with platinum/ palladium supplying counterparties, and where possible, assisted supplying counterparties in building due diligence capabilities.

Comments and Demonstration of Compliance:

To strengthen company engagement with precious metal supplying counterparties, SAXONIA requests that these suppliers commit in writing the understanding and adhering to the SAXONIA Group Supply Chain Policy. All new suppliers are provided with Supply Chain Policy together with the KYC forms prior to the beginning of the business relationship. New customers confirm the acceptance and adherence to the Supply Chain Policy by signing the KYC forms legally binding. For delivery of material customers must fill in a form and confirm the acceptance and adherence of the Supply Chain Policy for this delivery by signing it. The form is available on SAXONIA homepage.

**5. Establish a company-wide communication mechanism to promote broad employee participation and risk identification to management.**

Compliance Statement with Requirement:

SAXONIA group has established a group-wide communication to promote broad-based employee participation and risk identification to the management.

Comments and Demonstration of Compliance:

The SAXONIA Group Supply Chain Policy names a functional email address (compliance@saxonia.de) and the phone number of the Group Compliance Officer for internal and external stakeholders to get in contact for any reason related to supply chain due diligence. We also highlighted the Compliance Whistleblowing Hotline with a separate document to encourage all stakeholders to support us in endeavours by disclosing any relevant information. During the annual trainings, employees are encouraged and trained to participate in the risk identification and management systems as well as communicating potential and actual risks internally to the Group Compliance Officer.

<b>Step 2: Identify and assess risk in the supply chain</b>
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Compliance Statement with Requirement:

We have fully complied with step 2: Identify and assess risk in the supply chain

**1. Identify risks in the Platinum/Palladium supply chain**

Compliance Statement with Requirement:

SAXONIA has a process to identify risks in the supply chain.

Comments and Demonstration of Compliance:

Recycled precious metals material based in Europe are our key business while precious metal by-products from mining operations are an exception. SAXONIA identifies risks in the supply chain during client on-boarding and during the monitoring of suppliers and material.

First: SAXONIA identifies and assesses precious metals supplier's risk during the collection of KYC information and client onboarding process. The criteria applied within the scope of the country risk assessment are based on the risks defined in the RSG Step 2 Section 1. The minimum information required for completing supplier due diligence is defined in the RSG Step 2 Section 2. as well as the German Money Laundering Law. During the client onboarding process, precious metal suppliers are subject to a risk assessment and rated according to their risk profile (high, medium, low).

Second: SAXONIA monitors incoming transactions as well as the precious metals suppliers. SAXONIA uses a specific form as explained in Step 1.3. for the delivery of material containing precious metals. Red flags resulting in re-assessments of the supplier's risk profile may be identified by, for example:

- material delivered does not correspond to supplier's business,
- information collected from supplier visits or
- due to information retrieved from compliance tool (external database monitoring suppliers and informing SAXONIA about changes).

## **2. Assess risks in light of the standards of their supply chain due diligence system.**

### Compliance Statement with Requirement:

SAXONIA assesses risks in light of the standards of our supply chain due diligence systems.

### Comments and Demonstration of Compliance:

Before entering the business relationship with SAXONIA new suppliers are rated based on the evaluated risk.

The onboarding process focuses on collecting KYC information and considering the associated risks. SAXONIA's KYC process consists of obtaining and verifying:

- the nature of supplier's business,
- the identification of the beneficial owner,
- information on the purpose and intention of the business relationship,
- financial details and
- the material's country of origin and transit countries.

SAXONIA group has a dedicated client onboarding function (COF) at SAXONIA Holding GmbH. COF is responsible for obtaining and verifying KYC information given by suppliers and providing an initial risk rating. All new suppliers' KYC dossiers are completed prior to the beginning of the business relationship. For existing suppliers, a risk-based approach based on country of incorporation has been developed to complete the KYC dossiers.

SAXONIA is monitoring transactions by applying a risk-based approach. Considering this, the following information is obtained and documented for each lot of recycled silver received:

- estimated weight (from counterparty),
- shipping/ transportation documents (waybill/ airway bill, pro-forma invoice, if applicable),
- export and import form for high-risk transaction, if applicable.

In this context SAXONIA verifies that the documents and materials are consistent with each other and with its knowledge of the supply chain based on the due diligence performed. Same applies to the verification that the shipment received is in conformance with the shipping/ transportation documents. For any transactions which are not consistent or are in any way suspicious the background is examined and findings are reported in writing to the Group Compliance Officer.

In this case the silver is physically segregated and secured until the inconsistencies are resolved. If applicable the findings are reported to the appropriate authorities.

SAXONIA does not accept lots of mined silver.

### **3. Report risk assessments to designated Senior Management**

#### Compliance Statement with Requirement:

Risk assessments are reported to the designated Senior Management.

#### Comments and Demonstration of Compliance:

Senior Management has ultimate control and responsibility for the precious metal supply chain. The Managing Director, COF and the Key-account Manager approve new precious metal suppliers. High-risk precious metal suppliers require an additional approval of SAXONIA Group Managing Director. High risk customers are reviewed and approved by the Managing Director on entity and group level as well as the Group Compliance Officer on a yearly basis.

<b>Step 3:</b> Design and implement a management strategy to respond to identified risks
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#### Compliance Statement with Requirement:

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

### **1. Report findings to designated Senior Management**

#### Compliance Statement with Requirement:

Findings are reported to the designated Senior Management.

#### Comments and Demonstration of Compliance:

SAXONIA recognizes that supply chain risk may be identified by various departments, including compliance, material acceptance area, sales or metal management. Therefore, trainings have been provided to support risk identification and communication. Internal procedures require employees that have identified a risk to report directly to the Group Compliance Officer and Senior Management.

**2. Devise 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**

Compliance Statement with Requirement:

SAXONIA has adopted the following risk management strategies (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:

Identified risks are investigated by the Compliance Department. The results of the assessment are reported to Senior Management. Senior Management supported by the Group Compliance Officer decides on a case-by-case basis which strategy for risk management will be implemented.

**3. 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**

Compliance Statement with Requirement:

SAXONIA maintains a strategy of risk mitigation, monitoring of performance, periodic reassessment of risk and reporting to Senior Management.

Comments and Demonstration of Compliance:

Depending on the risk mitigation strategy implemented and the risk identified, specific measures are defined by Senior Management and the Group Compliance Officer. The compliance department monitors the effectiveness of the measures taken and reports the status and effectiveness to the Group Compliance Officer and Senior Management.

**Step 4: Arrange for an independent third-party audit of the supply chain due diligence.**

Compliance Statement with Requirement:

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

Comments and Demonstration of Compliance:

SAXONIA engaged the service of LBMA and LPPM approved assurance provider KPMG Cert GmbH Umweltgutachterorganisation for to perform a multi-metal audit covering silver, platinum and palladium for 2022.

The on-site audit took place in February 2023.

**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.

Comments and Demonstration of Compliance:

The Supply Chain Due Diligence Policy is available on our company website. The SAXONIA Refiner's Silver Compliance Report for reporting year 2022 is available on our company website ([www.saxonia.de](http://www.saxonia.de)) as well as on the LPPM Good Delivery List for Platinum Refiners <https://www.lppm.com/platinum-list/> and for Palladium Refiners <https://www.lppm.com/palladium-list/>.

**Management conclusion**

SAXONIA has implemented effective management systems, procedures, processes and practices to comply with the requirements of the LPPM Responsible Platinum/Palladium Guidance, as explained in Step 1, for the reporting year ended 31 December 2022.

SAXONIA is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

If users of this report like to provide any feedback to SAXONIA with respect to this report, they may contact group compliance at [compliance@saxonia.de](mailto:compliance@saxonia.de).

Halsbrücke, 21.03.2023

  
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Managing Director  
SAXONIA Edelmetalle GmbH

  
Stefanie Arndt  
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SAXONIA Holding GmbH