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

Heraeus Deutschland GmbH & Co. KG  
Hanau

Reasonable assurance engagement on the LBMA Refiner's  
Compliance Report of Choksi Heraeus Pvt. Ltd. for the period  
1 April 2020 to 31 March 2021

Engagement: DEE00072603.1.1





**Independent Practitioner's Reasonable Assurance Report**

To Heraeus Deutschland GmbH & Co. KG, Hanau

We have been engaged to perform a reasonable assurance engagement on the accompanying Refiner's Compliance Report prepared by Choksi Heraeus Pvt. Ltd., Udaipur (India), (the "Refiner") for the business group Choksi Heraeus Pvt. Ltd. as defined in the Compliance Report for the period 1 April 2020 to 31 March 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 LBMA Responsible Silver Guidance (version 1) as of 1 September 2017 as well as the Supplement on Tin, Tantalum and Tungsten of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas as of April 2016 (the "Guidances").

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 Guidances 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 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 LBMA Responsible Sourcing Programme – Third Party Audit Guidance (version 1) as of 11 December 2018. This Audit Guidance requires that we plan and perform the assurance engagement to obtain reasonable assurance whether the Refiner's Compliance Report, prepared by the Refiner for the business group Choksi Heraeus Pvt. Ltd. for the period 1 April 2020 to 31 March 2021, in all material aspects, describes fairly the activities undertaken during the period 1 April 2020 to 31 March 2021

to demonstrate compliance, and management's overall conclusion contained therein is in accordance with the requirements of the Guidances.

The procedures selected depend on the practitioner's judgement. This includes the assessment of the risks of material misstatements of the Refiner's Compliance Report with regard to the Guidances. 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 silver;
- Performance of a virtual site visit at the Refiner's location in Udaipur (India) as part of the inspection of relevant systems, processes and controls, including process walkthroughs from supplier selection to materials receipt and lot processing;
- Performance of an on-site visit at the Refiner's location in Udaipur (India) as part of the inspection of physical material flow;
- 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 Guidances may differ. It is important to read the Refiner's conflict minerals supply chain policy available in the download section on Refiner's website:

<http://www.choksiheraeus.com/scp.pdf>

## Conclusion

In our opinion, the Refiner's Compliance Report, prepared by Choksi Heraeus Pvt. Ltd., Udaipur (India) for the business group Choksi Heraeus Pvt. Ltd. for the period 1 April 2020 to 31 March 2021, in all material aspects, describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is in accordance with the Guidances.

## 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 silver" and the treatment of the Refiner. According to the LBMA Responsible Silver Guidance (version 1) as of 1 September 2017, this Annex detailing the countries of origin of mined silver has to be submitted to the LBMA Executive only and does not need to be disclosed publicly.

Munich, 14 July 2022

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft



Hendrik Fink  
Wirtschaftsprüfer  
(German Public Auditor)



ppa. Mirjam Kolmar

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# *Appendix*

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## General Terms of Engagement:

Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften  
vom 1. Januar 2017

General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften  
[German Public Auditors and Public Audit Firms] as of January 1, 2017

# Choksi Heraeus LBMA Compliance Report 2020-2021

Table 1: Refiner's details	
Refiner's name	Choksi Heraeus Private Limited - CHPL
Location	A-196 (A), 'F' Road, M.I.A. Madri, Udaipur 313003, India
Reporting year-end	Financial Year 2020-2021 – from April 1 <sup>st</sup> 2020, to March 31 <sup>st</sup> 2021
Date of Report	July 12 <sup>th</sup> 2022
Senior Management at CHPL responsible for this report:	Kishore Choksi, Managing Director, CHPL kishore.choksi@choksiheraeus.com
<p>Choksi Heraeus Pvt. Ltd. (CHPL), established in 1994 is a joint venture partner of the globally leading technology group of Heraeus, headquartered in Hanau, Germany. Being part of the Heraeus group, CHPL combines businesses in the environmental, energy, electronics, health, mobility and industrial applications sectors.</p> <p>CHPL is one of the top family-owned companies in India and holds a leading position in India in the precious metal industry. Turnover in the fiscal year 2020/2021: Rs. 4.01 billion. More at: <a href="http://www.choksiheraeus.com">www.choksiheraeus.com</a></p> <p>Heraeus Group, CHPL being part of the group, operates currently 3 Good Delivery refiners under the LBMA scheme in the following countries: Germany, HongKong, and Switzerland. CHPL will be the fourth one, located in India for the LBMA accreditation of Silver</p>	

## CHPL 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 Silver?</b>	
<p>CHPL has a well-established company-wide policy regarding due diligence for the supply chain of Silver.</p> <p>Being a secondary extractor and refiner of precious metals from out of spent material received from various industries viz. Chemical, process chemistry, electrical, Photovoltaic which are mostly large enterprises. Before entering into an agreement with them CHPL ensures that the source of the material is transparently available. We process only secondary material from within India. We use Internet search and commercial databases to verify the nature of our customers' business, including on-site visits. Written confirmation from them is required to confirm adherence to our "Code of Conduct and material questionnaire for precious metals suppliers".</p>	
<p><b>Comments and Demonstration of Compliance:</b></p> <p>The process having already started, our supply chain policy for Precious Metals is based on our Code of Conduct and an integral part of our responsibility-conscious management structure.</p> <p>CHPL operates in accordance with LBMA's "Responsible Silver Guidance" V1, September 2017 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 regularly reviewed and updated at least in 2-year intervals and updated in-between as deemed necessary. Last updated was 2Q2021 - document "4.03.06-Form V14, dated 27.05.2021" as issued by Heraeus headquarter (HQ).</p> <p>With this comprehensive policy, CHPL 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.</p>	



# Choksi Heraeus LBMA Compliance Report 2020-2021

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

CHPL 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 and communication as per the adopted policy. The assigned compliance officer designs and supervises the overall process. He is supported by officers, who 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 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.

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

### Comments and Demonstration of Compliance:

#### Refiner units:

We have a 'lot' receipts process and specific documents (like lot#, number and type of packages, type of material, gross/net weight announced) must be received, and transactional details like customer ID, date of receipt, actual gross/net weight entered before we process any precious metal-bearing (Silver) materials. Each lot received is accurately and individually 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 check of material description vs actual appearance, number of lots and packages announced vs received, weight announced vs recorded etc.

Through regular training of our employees, we ensure that our guidelines are followed through; any form of non-conformance is unacceptable and must be reported to the compliance officer and senior management.

No such escalation was necessary during the reporting period 2020/2021.

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

### Comments and Demonstration of Compliance:

Any new suppliers must sign our "CODE OF CONDUCT MATERIAL QUESTIONNAIRE FOR PM SUPPLIERS OF CHPL" before we are entering into a new business relationship.

We are reviewing the due diligence checks for all our suppliers using the Heraeus company-wide Know-Your-Customer tool. Our global compliance team at the Heraeus HQ is rating the customers based on the provided information by CHPL and performs necessary background checks using internet searches and commercial databases like DOW-Jones, ORBIS or similar.

In the reporting year, we continued to be actively engaged with large business organizations both in the public sector and Private sector viz. INDIAN OIL CORPORATION LTD and INDIA GYCOL LTD respectively. In general, we source only from a very small number of selected suppliers.

CHPL does not deal with mining companies or process any mining materials which are generally perceived as high-risk material.

## 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:

Yes, besides the possibility to raise compliance violations through internal channels, CHPL is also offering employees and business partners the opportunity to voice concerns over any compliance violations anonymously. All reports can be made via phone, e-mail or post to Compliance Officer, Mrs. Bhanupriya Mehta Jain at [bhanupriya@ravindraheraeus.com](mailto:bhanupriya@ravindraheraeus.com)

However, no concerns were raised in the reporting year 2020/2021.

## Step 2: Identify and assess risks in the supply chain

### Compliance Statement with Requirement:

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

# Choksi Heraeus LBMA Compliance Report 2020-2021

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

CHPL has processes in place to identify the risks in the supply chain.

### Comments and Demonstration of Compliance:

CHPL has put into practice an internal compliance systems and processes. The compliance team at Heraeus HQ assigns a risk rating based on the information provided by customer and the performed desk searches.

CHPL has set up the following steps to implement the systems:

- KYC compliance.
- Prepare and execute contracts
- Payments channelized only through authorized banking systems.
- No cash transactions
- Check against sanctioned party lists (UM, EU, US and CH)
- Indication for worst form of child-labor
- Check databases if customers and its management are mentioned on commercial databases for involvement in fraud, money laundering, terrorist financing or any other illegal activities as described by LBMA's guidance incorporated into our sourcing policy
- Receipts of each consignment is mandatorily accompanied with necessary documents.

We did not source from Conflict-affected High-risk areas and with one exception only sourced from within India. Based on our above-mentioned risk assessment we did rate all our customers as low risk or medium risk. As stated earlier, we continue to be actively engaged in various business organizations both in the public sector and Private sector.

CHPL does not deal with mining companies which are generally perceived to be from high-risk areas. Since each lot is separately analyzed we also verify the material received against any typical mining impurities. No such impurities could be detected within the reporting period.

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

CHPL assesses the risk in light of the standards of our due diligence system

### Comments and Demonstration of Compliance:

Refiners' units:

CHPL conducts the necessary due diligence required by the LBMA before entering into a business relationship with any Silver supplying counterpart. In addition, we conduct appropriate scrutiny and monitoring of transactions undertaken. As stated earlier, we continue to be actively engaged in various large business organizations which are both in the public sector and Private sector.

CHPL does not deal with mining companies which are generally perceived to be from high-risk areas.

We would suspend our business relationship with existing partners or refuse to open a relationship with new partners in case of lack of satisfaction, especially if the material description does not match with the material received, analytical results show unexpected impurities and there is an indication of misrepresenting the true origin of the material or there are clear signs of violation of our supply chain policy (like child labor, terrorist financing, signs of money laundering or indication of gross human rights abuses. No such risk was identified during the reporting period.

## 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 CHPL's internal guidelines, and the compliance officer has adequate delegation to 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 as described in our sourcing policy. However, no concerns were raised in the reporting year 2020/2021.

Step 3: Design and implement a management system to respond to identified risks

# Choksi Heraeus LBMA Compliance Report 2020-2021

<b>Compliance Statement with Requirement:</b>	
We have fully complied with Step 3: Design and implement a management system to respond to identified risks.	
<b>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?</b>	
CHPL 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. The Board of Directors discuss business risks, and a policy decision is adopted to take appropriate action by the managers.	
<b>Comments and Demonstration of Compliance:</b>	
CHPL is integrated into the Heraeus-wide KYC tool for automated and risk-based ongoing screening of all business partners for identifying risks in the supply chain.	
<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>	
<b>Comments and Demonstration of Compliance:</b>	
Corresponding procedures are in place and are applied accordingly. Our risk assessment enables us to take action wherever necessary. This includes mitigating identified risk by verifying additional documents and going as far as disengaging with suppliers if deemed necessary. Especially if there are any suspicion of disguising the true origin of material or any other topics not in line with our sourcing policy. However, no concerns were raised in the reporting year 2020/2021.	
<b>Step 4: Arrange for an independent third-party audit of the supply chain due diligence</b>	
<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.	
<b>Comments and Demonstration of Compliance:</b>	
For the reporting period 2020/2021 we engaged PricewaterhouseCoopers GmbH as our assurance provider for the audit. However, in view of the Covid-19 pandemic, the audit was carried out virtually.	
<b>Step 5: Report on supply chain due diligence</b>	
<b>Compliance Statement with Requirement:</b>	
We have fully complied with Step 5: Report on supply chain due diligence.	
<b>Comments</b>	
CHPL's Supply Chain Policy sets out the principles and procedures to align the specific requirements of LBMA. That is available on our website – <a href="http://www.choksiheraeus.com/scp.pdf">http://www.choksiheraeus.com/scp.pdf</a>	

## CHPL overall conclusion

<b>Table 3:</b>	<b>Management conclusion</b>
<b>Is the refiner in compliance with the requirements of the LBMA Responsible Silver 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>	

# Choksi Heraeus LBMA Compliance Report 2020-2021

YES	<p>In conclusion, CHPL's implemented management systems, procedures, processes and practices conform to the requirements of the LBMA "Responsible Silver Guidance" V1, September 2017 - as explained above in Table 2, for the reporting year ending March 31<sup>st</sup>, 2021.</p> <p>CHPL is committed to continuous improvement and that is monitored internally on a regular basis. Any potentially identified corrective action would be implemented immediately.</p> <p>Being a secondary extractor and refiner of precious metals from out of spent material received from various industries viz. Chemical, process chemistry, Electrical, photovoltaic, etc. which are all large enterprises, CHPL makes sure before entering into an agreement with them that the source of the material is transparently available.</p>
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## Other details

**Table 4: Other report comments**

If readers of this report wish to provide any feedback to CHPL please contact CHPL at: [kishore.choksi@choksiheraeus.com](mailto:kishore.choksi@choksiheraeus.com)

For CHOKSI HERAEUS PVT. LTD.

  
Kishore Choksi  
Managing Director

Udaipur, 12<sup>th</sup> July 2022 Kishore Choksi

For CHOKSI HERAEUS PVT. LTD.

Kishore Choksi  
Managing Director

Annex on Page 6 is listing the countries of origin of Silver (only for recycled metals, as we do not process mined material), and amount received from each country, for the assessment period as requested by the LBMA Responsible Silver Guidance, Version 1- September 2017. This information is only communicated to LBMA and will not be disclosed to the public.