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

Heraeus Precious Metals GmbH & Co. KG

Hanau

Limited assurance engagement on the LBMA Refiner's  
Compliance Report of Choksi Heraeus Pvt. Ltd., Udaipur  
(India) for the period 1 April 2023 to 31 March 2024

Engagement: DEE00125428.1.1





**Independent Practitioner's Limited Assurance Report**

To Heraeus Precious Metals GmbH & Co. KG, Hanau

We have been engaged to perform a limited assurance engagement on the accompanying Refiner's Compliance Report prepared by Heraeus Precious Metals GmbH & Co. KG, Hanau (Germany), ("Heraeus Deutschland") for the business group Choksi Heraeus Pvt. Ltd., Udaipur (India) (the "Refiner") as defined in the Compliance Report for the period 1 April 2023 to 31 March 2024 (the "Refiner's Compliance Report").

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

The Management of Heraeus Precious Metals 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 Guidance are the activities described in the Refiner's Compliance Report. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant to the proper preparation and presentation of the Refiner's Compliance Report, which is free of material misstatements due to intentional or unintentional errors.

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

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

Our 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 Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

**Practitioner's Responsibility**

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

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB and the supplementary guidance set out in the LBMA Responsible Sourcing Programme – Third Party Audit Guidance (version 2) as of November 2022. This Audit Guidance requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Refiner's Compliance Report, prepared by Heraeus Deutschland for the business group Choksi Heraeus Pvt.

Ltd., Udaipur (India) for the period 1 April 2023 to 31 March 2024, in all material aspects, does not describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein in accordance with the Guidance.

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

- Interviews with the compliance officers in charge of the preparation of the Refiner's Compliance Report;
- Interviews with management and employees of departments in charge of compliance, customer service, purchasing/sales, accounting, material management and trading;
- Inspection of relevant corporate and local guidelines and documents describing the management systems, due diligence and risk management approach towards a responsible supply chain;
- Inspection of documents managed in underlying due diligence IT system (Know Your Customer - KYC);
- Review of documentation of requirements on the group-wide processes for collecting, analysing and aggregating data on the supply chain of silver;
- Performance of onsite visits 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 as well as a physical tour of the production site;
- Evaluation of the consistency of the statements provided in the Refiner's Compliance Report with the findings obtained during our engagement.

### **Inherent limitations**

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by the Refiner to comply with the Guidance may differ. It is important to read the Refiner's conflict minerals supply chain policy available in the download section on Refiner's website:

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

### **Conclusion**

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that, in all material aspects, the Refiner's Compliance Report, prepared by Heraeus Deutschland, for the business group Choksi Heraeus Pvt. Ltd., Udaipur (India) for the period 1 April 2023 to 31 March 2024, does not describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein in accordance with the Guidance.

**Restriction on Use and Distribution**

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

We refer to the fact that the Refiner's Compliance Report subject to our assurance engagement comprises the Annex "List of countries of origin of mined 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 LBMA Executive only and does not need to be disclosed publicly.

Cologne, 28 June 2024

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft



Theres Schäfer  
Wirtschaftsprüferin  
(German Public Auditor)



ppa. Theresia Trommer



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## ***Appendix***

**Anlagenverzeichnis****Page**

I Heraeus LBMA Compliance Report 2023/24 for Choksi Heraeus Pvt. Ltd., Udaipur (India).....	1
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**General Terms of Engagement:**

Allgemeine Auftragsbedingungen für Wirtschaftsprüferinnen, Wirtschaftsprüfer und  
Wirtschaftsprüfungsgesellschaften vom 1. Januar 2024

General Engagement Terms for Wirtschaftsprüferinnen, Wirtschaftsprüfer und  
Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January  
1, 2024



## Choksi Heraeus LBMA Compliance Report 2023-24

### Introduction

In 1952, pioneer Ravindra Choksi laid the foundation in India for industrial use of Platinum and other precious metals. Since then the family owned Company has been in the forefront of innovation, developing technology for application of precious metals in various walks of life. Year 1994 saw the advent of a very successful Indo-German joint-venture with world renowned Heraeus, one of the leading addresses in Industrial precious and special metals business. Heraeus, the technology group headquartered in Hanau, Germany, is an international family-owned company, founded in 1851.

Since the founding of the Choksi Heraeus Private Limited ("CHPL / Choksi Heraeus") in 1988, our entrepreneurial activities have repeatedly required adjustments to changing conditions in order to take advantage of new opportunities. Sustainability has become a central entrepreneurial guiding principle and has long been incorporated into the principles of our entrepreneurial and social actions.

The Plant is spread over 7500 Sq.m. floor area, situated in Udaipur, a city of Lakes & Palaces, and well connected to major cities of India. The Company follows a well proven Quality Management System (ISO 9001:2015) and has established its obligation to the society with Environmental Management System (ISO 14001:2004).

CHPL – publishes its LBMA compliance report under:

<https://www.choksiheraeus.com/rar.pdf>

Choksi Heraeus serves the needs of Industries in Switchgear, Automotive, Aerospace, Electronics, Ceramic & Glass Surface Decoration, Jewellery and Photovoltaic with solutions and products of Precious Metals & Special Materials.

Manufacture is carried out using the latest technology that is developed in-house and also from our joint venture collaborator Heraeus, Germany. CHPL being part of the multinational Heraeus group of Germany are in the same league with the major global manufacturers.

Heraeus is not only manufacturers of catalysts; but the whole gamut of precious metal products falls within their range.

A uniform compliance system applies to CHPL business units located within India, which process precious metal containing material and are operated by worldwide. They are supplemented by overarching guidelines through local laws and guidelines. In the conceit in this report, we refer to the site:

### **CHOKSI HERAEUS PRIVATE LIMITED, UDAIPUR, INDIA**

Although the same due diligence procedure is applied to all precious metals, this designated LBMA report will focus on Silver. All relevant guidances are implemented into local due diligence, including LBMA Responsible Silver Guidance<sup>1</sup> on which will be the focus of this report. It should be emphasized that all regulations apply without restriction to all precious metals processed. CHPL products and services includes:

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<sup>1</sup> London Bullion Market Association (LBMA); Responsible Silver Guidance, Version 1, September 2017

## Choksi Heraeus LBMA Compliance Report 2023-24

- Engineered Materials.
- Thin Film Materials.
- Electronic Assembly Materials
- Solder pastes and SMT adhesives.
- Jewellery and Investment
- Gold & Silver Coins, Silver bars – Casted & Minted are available in various design.

CHPL processes precious metals that come from three different sources:

- From Heraeus own material (so called “loop business”)
- from material already certified as "Good Delivery"
- from material out of Platinum Group Metals (PGM)-mines as side stream and
- from recycling material, such as return material from industrial activity or old jewelry.

The sources of recycled material are of most varied nature: in addition to industrial return material and old jewelry, the so called "post-consumer Silver" for recycling can also come from other sources like spent catalysator, alloys and other Silver containing products.

CHPL is continuously committed to creating 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 extraction of the raw material to the final customer is sustainable, compliant with all legal requirements and in accordance with ethical standards. CHPL participated and contributed, has evolved significantly in the past years, and continue to do so in future within the scope of continuous improvement.

LBMA Responsible Silver Guidance<sup>1</sup>, applicable to the all the Good Delivery Refiners, in addition to the measures to combat money laundering, terrorist financing and human rights abuses globally, have extended their scope to Environmental, Social and Governance (ESG) responsibilities.

CHPL's commitments, including Sustainability aspects, are reflected in our policies published on the website:

- <https://www.choksiheraeus.com/csr.html>
- <https://www.choksiheraeus.com/suspolicy.pdf>

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.

CHPL is one of the top family-owned companies in India and holds a leading position in India in the precious metal industry.

More at: [www.choksiheraeus.com](http://www.choksiheraeus.com)

## Choksi Heraeus LBMA Compliance Report 2023-24

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 2023-24 from April 1 <sup>st</sup> 2023 to March 31 <sup>st</sup> 2024
Date of Report	June 12 <sup>th</sup> 2024
Senior Management at CHPL responsible for this report:	Kishore Choksi, Managing Director, CHPL kishore.choksi@choksiheraeus.com

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.

CHPL is one of the top family-owned companies in India and holds a leading position in India in the precious metal industry.

More at: [www.choksiheraeus.com](http://www.choksiheraeus.com)

Heraeus Group, CHPL being part of the group, operates currently 3 Good Delivery refiners under the LBMA scheme in the following countries: Germany, Hong Kong, and Switzerland. CHPL will be the fourth one, located in India for the LBMA accreditation of Silver.

### Summary of activities undertaken to demonstrate compliance.

The scope of this report focuses on the CHPL's site in Udaipur, India. However, all systems measures, and statements refer to and encompass all CHPL business unit sites and their precious metals sourcing principles. Hence, the report also includes references to CHPL officers and committees, which provides an additional layer of compliance management systems.

This report represents a summary of measures/actions/processes in place at CHPL to comply with the LBMA Responsible Silver Guidance.

### Step 1: Company management systems

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

### Has the refiner adopted a company policy regarding due diligence for supply chains of Silver?

#### **Compliance Statement with Requirement:**

CHPL has a well-established company-wide policy regarding due diligence for the supply chain of Silver.

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 – and with one exception only from within India. We use Internet search and commercial databases to verify the nature of our customers' business, including on-site visits, especially for smaller customers (proprietorship). Written confirmation from

## Choksi Heraeus LBMA Compliance Report 2023-24

them is required to confirm adherence to our "Code of Conduct and material questionnaire for precious metals suppliers". No supplier risk were identified in the financial year 2023 / 2024 which would require a site visit.

We completed and started 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 LBMA Responsible Silver Guidance. The document includes requirements on prevention of money-laundering and terrorist financing.

Regarding the latter, 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.

Supply Chain Due Diligence Policy as well as other relevant Policies and processes, are approved, regularly reviewed, and updated, when required, by the CHPL's senior Management as well as by the Heraeus Precious Metals (Group) senior management and the respective committees. The latest version of Supply policy issued by Heraeus HQ, can be found on the website in the download section:

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

Policies on local and global level are made available on the CHPL websites:

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

With that 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.

### 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.

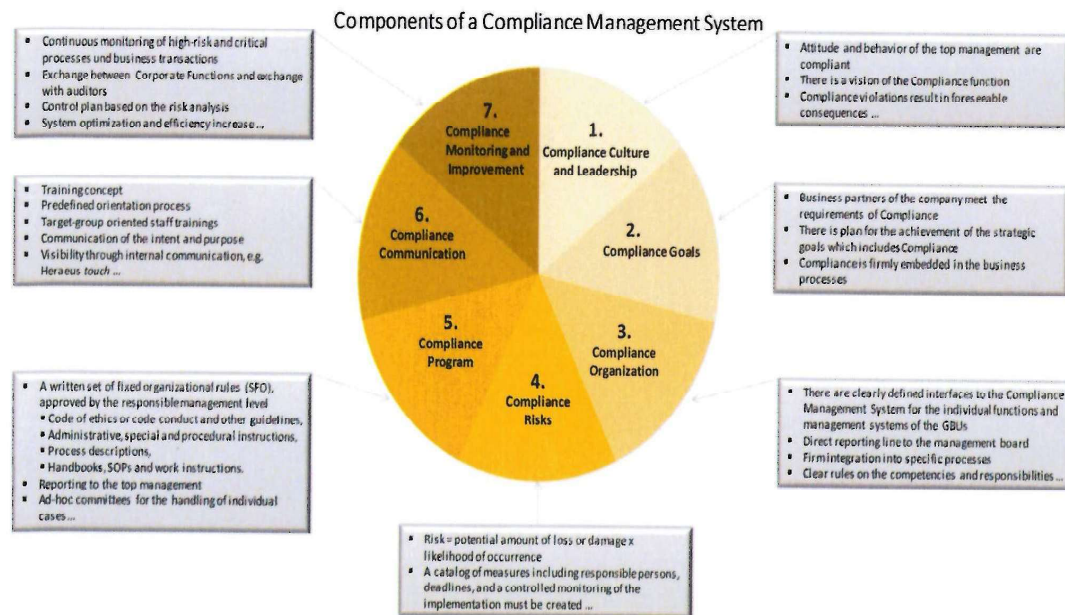
#### ***Internal Compliance Management System***

An efficient internal Compliance Management System (CMS) is an integral part of CHPL's overall management system associated with its Join Venture Partner, Heraeus, Germany. CMS's 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.

## Choksi Heraeus LBMA Compliance Report 2023-24

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.



### **Structure of the CHPL's Internal CMS**

A central component of the CMS is the "Know your customer" 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 issues are a decisive part of risk management.

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

To this end CHPL continuously collaborates with the competent stakeholders on elaboration and application of the best applicable standards on responsible sourcing. We do not make payments to state-owned enterprises.

### **Compliance Function**

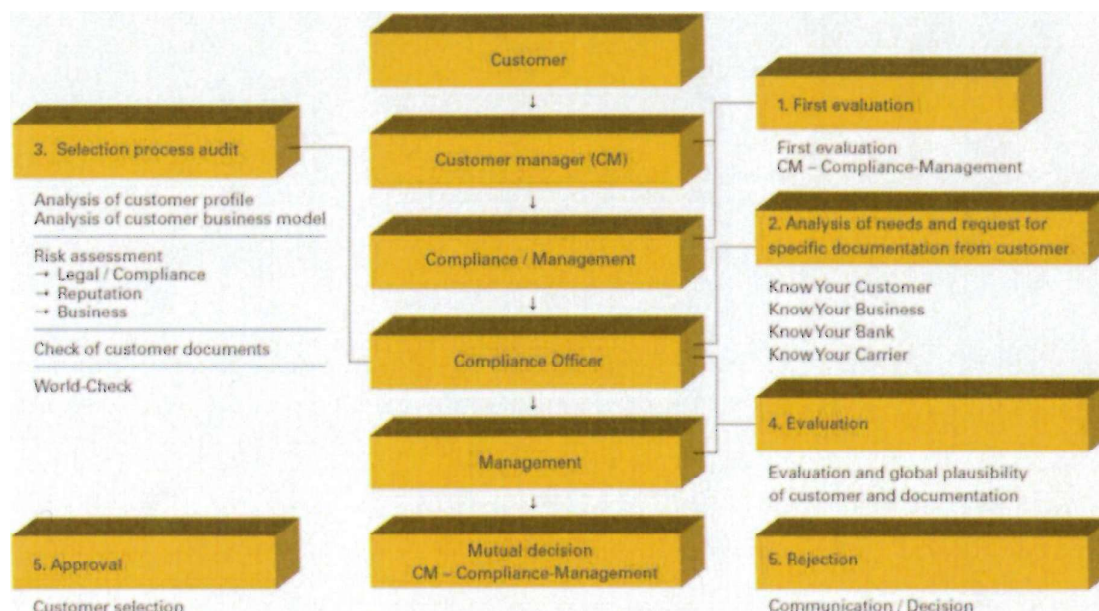
The management of the due diligence process is clearly defined. The Compliance Officer is assigned with the right competence and knowledge to take responsibility for the implementation of the supply chain due diligence processes and to report to the general management.

## Choksi Heraeus LBMA Compliance Report 2023-24

For the efficient implementation of the CMS at CHPL, 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.

Reporting channels and accountability for control and decision-making:



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 general management.

The general management and its associated boards both locally (Risk Committee) and on Group level (Sourcing Committee) review major decisions. At the same time the 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, Heraeus and CHPL conducts internal training to all the relevant employees on Anti-Money Laundering, Responsible Sourcing, and other pertinent topics.

Regarding the Annual Training 2023, the concern departments have participated, and the focus was on the following topics:

1. Anti-Money Laundering Legislation: current and new requirements.
2. Responsible sourcing: Requirements and implementation of the LBMA Responsible Silver Guidance.
3. Experience of CHPL regarding the supply chain
4. Compliance requirements on the Heraeus, Germany Group level as well as on CHPL.

## Choksi Heraeus LBMA Compliance Report 2023-24

In the year 2023-2023 we trained in sum 8 employees for CHPL (100 % of assigned employees). 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 2023/2024 no breaches of the internal due diligence processes triggering internal sanctions have been noted.

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

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 robust '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 materials, especially Silver. 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 2023/24.

CHPL 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.

CHPL's 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 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 the shareholder and controlling person
- 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, ESG factors and other relevant criteria as per the LBMA and other relevant standards

New suppliers must sign our "CODE OF CONDUCT MATERIAL QUESTIONNAIRE FOR PRECIOUS METAL SUPPLIERS OF CHPL"<sup>2</sup> before we are entering into a new business relationship or provide their own Code of Conduct covering the same messages as ours. We further sharpened-up our documentation requirements in our updated business partner check SOP (Doc# BPC-BPM/ CHPL-SOP/01) and have addressed that for the rating of new or existing customers. The

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<sup>2</sup> Not relevant for so called loop business: origin: Choksi-Heraeus – business partner – Choksi Heraeus (often used for e. g. catalyst cycles)  
Refiners Compliance Report FY 2023/2024  
LBMA - Choksi Heraeus Pvt. Ltd.

## Choksi Heraeus LBMA Compliance Report 2023-24

Material Questionnaire is thereby fully aligned with the LBMA Questionnaires.

We are renewing our due diligence checks for all our suppliers in one, two- or three-years intervals based on the risk assessment we conducted in our KYC workflow and the results are archived in a database. We maintain many long-standing relationships with most of our supplying partners which are typically industry heavy weight organizations with similar due diligence requirements as CHPL.

As per the above summary, we have 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.

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 the following information/documents:

- Type of the material received
- Weight and assay
- Shipping and transportation documents
- A unique reference number assigned to each input and output order
- Date of arrival and date of assay finalization.

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. All transactions are monitored within the ERP-System.

CHPL organizes regular training for the employees involved in the process to make sure the guidelines are followed and respected.

Any form of non-conformity is unacceptable and must be reported to the Compliance Officer, which proceeds with internal clarifications, 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.

#### 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 GLYCOL 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 to be from high-risk areas.

## Choksi Heraeus LBMA Compliance Report 2023-24

CHPL 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 where-ever possible. On a regular basis, we conduct audits of our partners which are used to share CHPL's values and standards and to assess their alignment with the requirements stated in our supply chain guidelines, with special focus on Child labor, Human rights and ESG issues. Proposals for possible optimizations of processes and documentations are discussed and document with our partners during on-site visits and are followed up upon in future visits.

In principle, we expect all counterparties to adhere to OECD standards and submit respective assurance. Where visits are conducted by CHPL, documentation and agenda are at a minimum followed along the most recent versions of the LBMA questionnaires.

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

CHPL 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. 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 2023/24. In addition to this, CHPL did not receive grievances through the proposed reporting channels. Furthermore, we will utilizing the Heraeus group wide grievance mechanism "speakUp", publishes on the internal and external web-page <https://www.heraeus-group.com/en/corporate-responsibility/compliance/> in the following business year.

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

#### **Compliance Statement with Requirement:**

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

### Does the Refiner have a process to identify risks in the supply chain?

CHPL has put into practice an internal compliance systems and processes. The compliance team at Heraeus Headquarter 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.

## Choksi Heraeus LBMA Compliance Report 2023-24

- 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 it's 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.

We identify and assess risks in the supply chain. For every supplier, we have established a client database and allocated a risk profile 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-oriented approach.

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.

### How does the Refiner classify identified risks in light of the standards of its due diligence system?

#### **Comments and Demonstrations 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 very large 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.

The criteria for high-risk business relationships and transactions are regularly reviewed and updated, when required. These are based mainly on the LBMA Responsible Silver Guidance.

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).

Supply chain Due Diligence risk-based approach includes the risk categories based on the identification of the customer, on the origin of the material and on the country of origin. These include (non-exhaustive list): Politically Exposed Persons; nationality, domicile of the customer, banking details, 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 and ESG negative impacts including mercury use (which is not tolerated); artisanal small-scale mining; money-laundering and terrorism financing risks and others.

## Choksi Heraeus LBMA Compliance Report 2023-24

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 and LBMA. All suppliers are approved through our KYC-process, already describes, and we do not source from any high-risk country outside India.

But no such risk was identified during the reporting period.

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

CHPL undertakes the EDD (extended due diligence) 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, 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.

One of our EDD measures for high-risk customers is the on-site visit. For such a visit our main guidance regarding documentation and some help to set the agenda is the LBMA questionnaire. Visits are undertaken by experienced inhouse staff from CHPL or from Heraeus Headquarters Hanau, trained on the job over time by other experts. Results are checked via four eye principle and documented as described.

Deviations from the standard (e.g., Covid travel restrictions) are mitigated by a constant transparency note to the Sourcing Committee about outstanding visits, priorities, and the scheduled roadmap to full policy compliance.

### 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 transactions, and we have a clearly defined escalation mechanism for such cases as described in our sourcing policy.

All new high-risk suppliers must be approved by CHPL Management. However, no concerns were raised in the reporting year 2023/24.

### Step 3: Risk management

#### **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?

CHPL has devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing  
Refiners Compliance Report FY 2023/2024  
LBMA - Choksi Heraeus Pvt. Ltd.

## Choksi Heraeus LBMA Compliance Report 2023-24

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.

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. In the financial year 2023 / 2024, there were no findings identified which would require mitigation plans in future.

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.

### **Comments and Demonstration of Compliance:**

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.

Corresponding procedures are in place and are applied accordingly. In case our risk assessment identifies high risk criteria, we actively approach our supplier to receive further information. If we cannot mitigate our risk assessment, the decision of closing the business relationship could be taken. Preferably, we engage our existing partners with requests for a long-term roadmap commitment, where short-term actions are not feasible. With this approach, we ensure ongoing and productive cooperation and retain measurable next steps. A clear commitment to specified steps and goals, however, is mandatory for a continuation of business.

CHPL 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.

However, no concerns were raised in the reporting year 2023/24.

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:**

CHPL engaged the services of the assurance provider PricewaterhouseCoopers GmbH, and their independent reasonable assurance report can be viewed as soon as available on

<https://www.choksiheraeus.com/rar.pdf>

PwC has been chosen as a trusted, independent, and accredited global LBMA partner.

## Choksi Heraeus LBMA Compliance Report 2023-24

### 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.

Further information and specific details of how CHPL 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:

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

#### **Management conclusion**

#### Is the refiner in compliance with the requirements of the LBMA Responsible Silver Guidance for the reporting period?

In conclusion, CHPL's implemented management systems, procedures, processes and practices conform to the requirements of the LBMA – Responsible Silver Guidance (Version 1) as of September 2017 as explained above in Table 2, for the reporting year starting from April 1<sup>st</sup> 2023 - ending March 31<sup>st</sup> 2024.

Being a secondary extractor and refiner of precious metals from out of spent material received from various industries viz. Oil Refineries, Pharmaceutical companies, Ammonia Oxidation plants, Auto Catalyst Manufacturers, 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.

CHPL is committed to continuous improvement and that is monitored internally on a regular basis. Any potentially identified corrective action would be implemented immediately.

#### 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)



Udaipur June 18<sup>th</sup> 2024

For CHOKSI HERAEUS PVT. LTD.  
  
Kishore Choksi  
Managing Director

Kishore Choksi  
Managing director CHPL

Note:

Annex from page 14 on 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.