

# Independent Assurance Report (Limited Assurance Engagement) on the LBMA Refiner's Compliance Report of SAXONIA Edelmetalle GmbH for reporting year 2021

To the Management of SAXONIA Edelmetalle GmbH, Halsbrücke

KPMG Cert GmbH Umweltgutachterorganisation, Cologne, ("KPMG" or "we") has been engaged with letter dated 2 December 2021 to carry out a limited assurance engagement on the LBMA Refiner's Compliance Report of SAXONIA Edelmetalle GmbH, Halsbrücke, (further "Company") for the year ended 31 December 2021. The Refiner's Compliance Report is based on the criteria described in the LBMA Responsible Silver Guidance, published by the London Bullion Market Association ("LBMA"), available at [www.lbma.org.uk](http://www.lbma.org.uk).

## **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 LBMA Responsible Silver Guidance (version 1). 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 2021 based on our work performed within a limited assurance engagement.

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) – "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (IAASB) and the guidance set out in the LBMA Responsible Sourcing Programme – Third Party Audit Guidance for ISAE 3000 Auditors.

ISAE 3000 requires that we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Refiner's Compliance Report has not been prepared, in all material respects, in accordance with the LBMA Responsible Silver Guidance. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. 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 LBMA Responsible Sourcing Guidance;
- Reviewing a selection of Silver 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, nothing has come to our attention that causes us to believe that the Refiner's Compliance Report of SAXONIA Edelmetalle GmbH for the period from 1 January to 31 December 2021 has not been prepared, in all material respects, in accordance with the requirements of the LBMA Responsible Silver Guidance.

## **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's Refiner's Compliance Report. Accordingly, our report shall not be used by any other person or for any other purpose.

We have provided the services described above on behalf of SAXONIA Edelmetalle GmbH. We have carried out our engagement on the basis of the General Engagement Terms included in our engagement agreement dated 2 December 2021. 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, 31 March 2022

KPMG Cert GmbH  
Umweltgutachterorganisation

Signiert von  
Roland Gerd Krause  
am 31.03.2022

Krause  
Managing Director

Signiert von  
Mara Erika Zimen  
am 31.03.2022

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## **Appendix**

Refiner's Compliance Report



Appendix

Refiner's Compliance Report





## Refiner's Silver Compliance Report 2021

The LBMA has developed the Responsible Sourcing Programme and the Responsible Silver Guidance (RSG) for Good Delivery Refiners such as SAXONIA Edelmetalle GmbH. The RSG 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 LBMA Responsible Silver Guidance.

### Refiner's details

Refiner's name	SAXONIA Edelmetalle GmbH
Location	Erzstrasse 9, 09633 Halsbrücke, Germany
Reporting year	01.01.2021 – 31.12.2021
Senior Management responsible for this report	Thoralf Schlutzkus Managing Director

SAXONIA Edelmetalle GmbH is continuing the tradition of mining and processing precious metals, which has existed in the Freiberg region since the beginning of the 17th century. Today, the company is an established partner to 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.

## **Step 1: Establish strong Company management systems**

### 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 Silver.**

#### 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 Silver 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 laws, the OECD Guideline as well as the LBMA Responsible Silver Guidelines. The Supply chain Due Diligence policy is published (in German and English) on the SAXONIA homepage <https://saxonia.de/compliance/>

The policy is signed off 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 establish the requirements needed 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 controlling of incoming materials. In addition, the internal management system defines governance roles and responsibilities, internal audit, trainings, communications for the SAXONIA group. The Compliance Officer has been assigned to manage and monitor supply chain due diligence at SAXIONA Edelmetalle and to manage the KYC process for the entire SAXONIA Group. The Compliance Officer reports directly to the managing director of SAXONIA Edelmetalle GmbH and ultimately to the managing directors of SAXONIA Holding GmbH as well. To strengthen the KYC-process and continuous monitoring of suppliers the position "client onboarding function" (COF) was created in the Compliance Department based at SAXONIA Holding GmbH. SAXONIA aims to achieve continuous improvement through the management system and its processes.



**3. Established a strong internal system of due diligence, controls and transparency over Silver 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 receiving process. Precious metals bearing materials delivered for refining, must be accompanied by a completed form. The form is filled out by the supplier, the form requires the supplier to include the supplier name, date of delivery, weight of material delivered, the type of material, the material composition (expected) and the material's origin. The information provided is reviewed for consistency. The specific lot is given a unique reference number and the information is entered in the ERP-System. The supplier receives confirmation of receipt, which shows the unique reference number for the specific lot. This number is used for any communication concerning the lot.

Training:

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

Payments should be conducted only through official banking channels:

SAXONIA does not engage in cash-transactions.

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

Compliance Statement with Requirement:

SAXONIA has strengthened company engagement with silver 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 requires that these suppliers commit in writing to understanding and adhering to the SAXONIA Supply Chain Policy. All new suppliers, the Supply Chain Policy is sent along with the KYC-Forms prior to beginning the business relationship. New Clients confirm the acceptance and adherence to the Supply Chain Policy by signing the KYC-Forms. For delivery of material Clients has to fill a form and also confirm by signing this form the acceptance and adherence of the Supply Chain Policy for this delivery. The form is available on the website.



## **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 E-Mail-Address (compliance@saxonia.de) and the personal telephone-number of the Compliance officer for internal and external stakeholders to 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.

## **Step 2: Identify and assess risk in the supply chain**

### Compliance Statement with Requirement:

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

### **1. Identify risks in the Silver 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 and precious metal by-products from mining operations based in Europe are our key business.

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 risk criteria used in the country risk assessment are based on the risks defined in the RSG Step 2 Section 1. The minimum information that is required for completing supplier due diligence are 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 precious metals containing material. Red flags that trigger 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,

\*from the Compliance tool (external database that monitors suppliers and inform 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 commencing the business relationship new suppliers are rated based on risk.

The onboarding process focuses on collecting KYC information and considering the associated risks. SAXONIA's KYC process consists of collecting 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
- \*the material's country of origin and transit countries

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

## **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 retains the 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 from the SAXONIA Group Managing Director. High Risk customers will be reviewed and approved by the Managing Director on entity and group level as well as the Group Compliance Officer on a yearly basis. The Group Compliance Officer supported by the compliance department provides a Group Internal Compliance Report on an annual basis.

<b>Step 3: Design and implement a management strategy to respond to identified risks</b>
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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, 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 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 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 will be defined by Senior Management and the Compliance Officer. The Compliance Department monitors the effectiveness of the measures and reports the status and effectiveness to the 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 2021.

The on-site audit took place in March 2022.

**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 Compliance Report for reporting year 2021 is available on our company website ([www.saxonia.de](http://www.saxonia.de)) as well as on the LBMA Good Delivery List for Silver Refiners. (<http://www.lbma.org.uk/good-delivery-list-refiners-silver-current>)

**Management conclusion**

SAXONIA has implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Silver Guidance, as explained in Step 1, for the reporting year ended 31 December 2021.

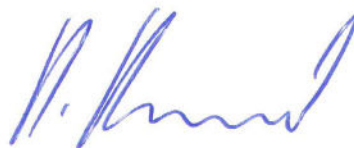
SAXONIA is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

If users of this report wish to provide any feedback to SAXONIA with respect to this report, they can contact Group Compliance on [compliance@saxonia.de](mailto:compliance@saxonia.de).

Halsbrücke, 21.03.2022



Thoralf Schlutzkus  
Managing Director  
SAXONIA Edelmetalle GmbH



Dirk Hadlich  
Group Compliance Officer  
SAXONIA Holding GmbH