

## Due diligence report for the financial year 2022/2023

### concerning RJC COP and RJC CoC

The Responsible Jewellery Council (RJC) with its established standards – the COP (Code of Practices) and CoC (Chain of Custody) – stands for sustainable, responsible and ethical business practices and transparent global supply chains for gold, platinum group metals (PGM), silver, diamonds and coloured gemstones. The mine operators, smelters, diamond traders, cutters and polishers, metal refineries, jewellery manufacturers and retailers committed to the initiative undertake to prevent corruption, money laundering and the financing of conflict and terrorism. They ensure healthy and safe working conditions. The parties committed to the initiative also want to conserve natural resources and protect human rights.

Reporting on due diligence in accordance with the OECD Due Diligence Guidance is one of the standards with which companies involved in the supply chain for precious metals have to comply<sup>1</sup>.

#### Enterprise management systems

- Supply chain policy

Bauer-Walser AG takes its responsibility very seriously and complies with due diligence requirements, which is ensured through the implementation of various measures. These measures include, among others:

- **No procurement of materials from conflict and high-risk areas:**  
We ensure that no materials are sourced from regions affected by conflicts or high risks.
- **Alignment of economic and social activity with ethical principles:**  
Our corporate and social activities are governed by generally accepted ethical and humanitarian principles.
- **Prevention of criminal activities in connection with precious metals:**  
We are actively committed to preventing crime in connection with the extraction, transportation or trade of precious metals and materials containing precious metals.
- **Stringent implementation of the "know your counterparty" principle for all transactions involving precious metals:**  
We place great importance on having extensive knowledge about our business partners and implement strict measures to ensure that all transactions involving precious metals are conducted transparently and in accordance with the highest standards.
- **No acceptance of primary gold/silver/PGM (mining material):**  
As part of our supply chain policy, we do not accept materials from primary sources and are committed to sustainable sourcing of recycled or certified precious metals.

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<sup>1</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

- **Identification and assessment of risks in the supply chain**

Risks in the supply chain are assessed in accordance with the currently valid version of the OECD Due Diligence Guidance; i.e. materials and suppliers are monitored to ensure that they do not contribute to conflicts or the negative effects thereof – such as a lack of security, widespread violence, violations of human rights, violations of national and international law – either directly or indirectly (e.g. through financing of parties involved / money laundering).

If risks/violations are identified, measures must be taken to avoid or contain the risk. Depending on the risk assessment and the success of any defined measures, business relationships may be suspended or terminated.

Our business partners are required to comply with Bauer-Walser AG's supply chain policy. This policy is communicated directly to them by letter or is accessible at our website.

New customers are checked in accordance with the established proven procedure: "BW AG compliance rules for checking new customers / existing customers".

In accordance with Bauer-Walser AG's "Regulations related to gold, silver and PGM for the production of precious metal alloys", in principle the fine gold/silver used to manufacture precious metal alloys is only purchased (directly or indirectly via a German bank) from metal refineries that are certified in accordance with the RMI (formerly cfsi) / LBMA / RJC-CoC standard.

The checks in the reporting period did not identify any red flags; accordingly, no risk mitigation or avoidance measures were necessary.

Further detailed information on Bauer-Walser AG's supply chain policy with regard to gold, silver and platinum group metals can be found in the download area of our website at [www.bauer-walser.net](http://www.bauer-walser.net) and in other relevant documents listed at the end of this document.

- **Management structure and responsibilities**

The company has introduced internal management structures to ensure that a comprehensive system is in place to implement due diligence, controls and transparency along the supply chain. This includes measures such as tracking and identifying all parties involved. Clear responsibilities have been defined, and the corresponding measures are listed in an internal company document. The due diligence process is set out in a document, and responsibilities are assigned to the relevant employees.

- **Internal control system**

The established system is subject to an annual review to ensure that it constantly fulfils current requirements. Adjustments are made where necessary to maintain its effectiveness and relevance. The core elements of this system include:

- **Identification of the supplier and the origin of the material:**

For this purpose, international data are used in order to gain comprehensive and precise knowledge about the origins of the materials supplied.

- **Precious metal accounts:**

An essential core element is the transparent tracking and monitoring of precious metal accounts.

- **Record-keeping system and identification of material origin**

The use of an Enterprise Resource Planning (ERP) system enables us to collect and make available all information from any transaction. This comprehensive data collection includes data on both the recycled material we received and the fine metals used in production.

- **System improvement**

Bauer-Walser AG is committed to implementing a continuous improvement process in accordance with DIN EN ISO 9001:2015, which covers all company processes and meets all of the requirements for certification.

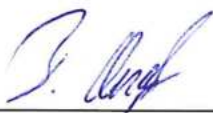
- **Summary audit reports**

The summary audit reports of Bauer-Walser AG are available at:  
Responsible Jewellery Council - Chain of Custody.

- **Other applicable documents:**

- Annex 1 to Due Diligence Report 2022/2023 COP 7
- compliance rules for checking new and existing customers (Compliance-Regeln BW-AG zu Prüfung Neukunden-Bestandskunden)
- Due diligence risk assessment of suppliers and customers

Keltern, 18.04.2024



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Bernd Augenstein and Timo Müller (Management Bauer-Walser AG)

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Annex 1 to  
Due Diligence Report for 2022/2023  
COP 7

## General information

Bauer-Walser AG has issued the following guidelines with regard to the supply chain for gold, silver and platinum group metals for itself and its subsidiaries:

- compliance rules for checking new and existing customers (Compliance-Regeln BW-AG zu Prüfung Neukunden-Bestandskunden)
- BW-AG compliance and ethics guideline
- BW-AG policy regarding conflict materials
- BW-AG policy for the supply chain of Au, Ag and PGM
- Due diligence risk assessment of suppliers and customers
- Regulations for the acceptance of materials from metal refineries
- Regulations for gold, silver and PGM used in the manufacture of semi-finished products
- VA SG standard for the acceptance of materials from metal refineries

These guidelines are communicated and can be viewed by all employees in the quality management folder. Some of the documents are publicly accessible and can be viewed at the website.

To ensure due diligence in our supply chain, we implement an internal control system, which is described in detail in the document compliance rules for checking new and existing customers (Compliance-Regeln BW-AG zu Prüfung Neukunden-Bestandskunden). The compliance representative is responsible for monitoring compliance with due diligence in the supply chain.

Bauer-Walser AG has introduced a control system that ensures transparency in our supply chain. The system includes the precise identification of suppliers, including their economic beneficiaries, and the exact determination of the origin of our gold, silver and platinum group metals.

The complaints procedure for external stakeholders is available at the Bauer-Walser AG website: [www.bauer-walser.net/download](http://www.bauer-walser.net/download). For any enquiries regarding this mechanism, please contact the compliance representative.

## Identification and assessment of risks in the supply chain

We check that our suppliers are fulfilling the due diligence obligations in accordance with a clearly defined process which is set out in detail in the document „ compliance rules for checking new and existing customers (Compliance-Regeln BW-AG zu Prüfung Neukunden-Bestandskunden). This process involves, among other things:

- **Obtaining information via the Creditreform compliance system:**  
The use of this system which is approved by the German Federal Financial Supervisory Authority (BaFin) ensures compliance with the EU Regulations 2580/2001 and 881/2002 for combating terrorism. Further details can be found in the detailed description of the process in the aforementioned document.
- **Prohibited lists**  
In the course of obtaining a credit report via the Creditreform system, the economic beneficiaries are also checked against the lists of sanctioned parties: "World checklist PEP" and "World checklist" (sanctions, embargo).

- **Check for conflict-affected and high-risk areas (CAHRAs):**

The due diligence process is based on the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas". This process covers the entire supply chain, from the extraction site to the end consumer. It includes all steps, i.e. the extraction, transportation, transshipment, trading, processing, smelting, refining and alloying, production and the sale of the end product.

In 2022, Bauer-Walser AG conducted a comprehensive review of all its fine metal suppliers with regard to compliance with the due diligence requirements. The following information was obtained:

- A credit report from the Crefo system
- Identification of the economic beneficiaries
- A compliance check
- A check against prohibited lists
- A check for a connection with conflict and high-risk areas.

Bauer-Walser AG has decided to repeat this regular review process every three years. The next review cycle is therefore planned for 2025. We also check the existing certifications for fine gold and silver according to RMI, LBMA and RJC annually. Additionally, new suppliers of fine metals are subject to an immediate check. Since the last review period, two new fine gold suppliers have been acquired; they were reviewed as described above. This ensures that future business partners also meet the high due diligence standards of Bauer-Walser AG.

**We did not identify any risks during the review.**

In addition we receive precious metals from our recycling business. These are not materials with any connection to a conflict or primary gold, but are precious metals that are already in circulation. Before accepting this material, we clarify the following questions, among others:

- Are the qualities of the material specified by the customer plausible?
- Are the quantities supplied by the customer plausible?
- What is the origin of the material?
- Does the material supplied fit in with the customer's business model?
- Does the material have any unusual characteristics?

**This ongoing check of new customers in the recycling sector did not reveal any identifiable risks.**

**Every year, all active existing customers are checked again via the Crefo system (monitoring). No irregularities or risks were identified during this check either.**

The subsidiaries,

- **Geschwister Scheytt GmbH**
- **Hanauer Schmuckhalbzeug GmbH**
- **R. Götze Gold- und Silberscheideanstalt GmbH & Co. KG and**
- **ARS AUREA Edelmetall & Schmuck Handelsgesellschaft mbH,**

report their recycling and precious metal customers to Bauer-Walser AG on an ongoing basis. These customers are also checked via the Crefo system.

The information obtained about them complies with the guidelines set out in the document compliance rules for checking new and existing customers (Compliance-Regeln BW-AG zu Prüfung Neukunden-Bestandskunden).

The customer structure of these subsidiaries can be classified as low-risk. The majority of the customers are small-scale businesses, goldsmiths and artists. In addition, only a few of the them have weight accounts, which are accounts with low volumes.

The comparatively low turnover and material volumes and the non-suspicious materials submitted to the refinery facilitate inspection of the customers. The customer documents at the subsidiaries meet all compliance requirements. These documents are updated as soon as the customer's circumstances change.

**Carl Schaefer Gold- und Silberscheideanstalt GmbH** has been a subsidiary of Bauer-Walser AG since October 1, 2021. The Carl Schaefer company focuses more on the recycling of precious metal scrap. For this reason, Bauer-Walser AG attaches great importance to checking that the customers of the Carl Schaefer company meet the specified compliance requirements.

In the middle of 2022, the top 50 metal scrap customers were checked via the Crefo system. This comprehensive check included the determination of beneficial owners, a check against the prohibited lists and a check to rule out connections to conflict and high-risk areas. **No risks were identified in the course of this check.**

Since the 2022/2023 financial year, the Carl Schaefer company has continuously registered its new metal scrap customers with Bauer-Walser AG for this check. The inspection of other active existing customers is carried out subsequently when metal scrap is delivered to the refinery to ensure that all deliveries are risk-free.