



Due diligence report for the financial year 2021/2022

in relation to RJC COP and RJC CoC

The Responsible Jewellery Council (RJC) with its standards COP (Code of Practices) and CoC (Chain of Custody) concerning the global supply chain for gold, platinum group of metals, silver, diamonds and coloured gemstones stands for a sustainable, responsible, ethical business practice and transparent supply chains. The mining operators, smelting and refining facilities, diamond distributors, cutters and polishers, metal refineries, jewel manufacturers and retailing organisations committed to the initiative undertake to prevent corruption, money laundering and the financing of conflicts and terrorism. They ensure healthy and safe working conditions. In addition, participants naturally desire to conserve natural resources and safeguard human rights.

The standards for companies involved in the supply chain for precious metals include public reporting concerning due diligence in the style of the OECD Due Diligence Guidance ("Guidelines for compliance with due diligence to promote responsible supply chains for minerals from conflict affected and high-risk areas").

Company management systems

Supply chain policy

In view of its responsibility, the Bauer-Walser AG complies with the due diligence requirements and achieves this through a number of measures. These include:

- no procurement of materials from conflict or high-risk areas
- alignment of economic and social activities to generally accepted ethical and humanitarian principles
- prevention of crimes in connection with the extraction, transportation or trading of precious metals and materials containing precious metals

Detailed information on the policy of Bauer-Walser AG with regard to the supply chain for gold, silver and the platinum group of metals is available under downloads at www.bauer-walser.net.

Management structure and areas of responsibility

The setting-up of internal management structures for a system for due diligence, controls and transparency regarding the supply chain (including tracking / identification of other participants) has been established and also the definition of the associated areas of responsibility. The due diligence process is written down in a corresponding company document and the respective employees are listed.

Internal control system

This system is reviewed annually and adjusted as required. The core elements are:

- Identification of the supplier and origin of the material through access to international data
- Precious metal accounts

Records system and identification of the origin of the material

An enterprise resource planning (ERP) system enables the collection and provision of information concerning transactions at any time.

This applies to recycling material received and also to fine metals used in the production department.

Determination and assessment of risks in the supply chain

The checking of risks in the supply chain is made according to the OECD due diligence guidance in the respectively valid form, i.e. materials and suppliers are monitored to ensure that they do not contribute to conflicts or other negative effects such as insufficient security, widespread violence, human rights violations, infringements of national law or international law, either directly or indirectly (e.g. through the financing of parties / money laundering).

If risks or infringements are identified, measures are required to avoid or mitigate the risks. Depending on the assessment of the risk and success of possibly defined measures, business relations can be suspended or ended.

Observance of the supply chain policy of Bauer-Walser AG is binding for our business partners. The policy is communicated by letter or can be viewed on our website.

The checking of new customers was made according to the introduced and proven process "Compliance rules of BW-AG for the purpose of checking new customers or existing customers".

Fine gold/silver is in principle only procured according to the "Regulations for gold, silver and platinum group metals (PGM) for the manufacture of semi-finished products" by Bauer-Walser AG from metal refineries (directly or indirectly via a German bank), which are certified to the RMI (formerly cfsi) / LBMA / RJC-CoC standard.

In the reporting period, no red flag warning signs were determined and correspondingly no measures to mitigate or avoid risks were required.

System improvements

The Bauer-Walser AG company maintains a continual improvement process according to the DIN EN ISO 9001:2015 standard which includes all company processes and meets all requirements for certification.

Summary of audit reports

A summary of audit results of the Bauer-Walser AG is available from:
Responsible Jewellery Council - Chain of Custody

Applicable documents:

- Annex 1 to due diligence report 2021/2022 COP 7



Annex 1 to the
due diligence report for 2021/2022
COP 7

COP 7: DUE DILIGENCE

In connection with the supply chain for gold, silver and platinum metals, the Bauer-Walser AG company has issued the following guidelines for itself and its subsidiaries:

- BW-AG compliance and ethics guideline
- BW-AG policy regarding conflict materials
- BW-AG policy for the supply chain of gold (Au), silver (Ag) and platinum group metals (PGM)
- due diligence risk assessment of suppliers and customers
- regulations for acceptance of materials from metal refineries
- regulations for gold, silver and PGM used in the manufacture of semi-finished products
- VA SG1 standard for the acceptance of materials from metal refineries

These guidelines are communicated and can be viewed by each employee in the QM folder. These documents are partly available to the public and can be viewed on the website.

In order to implement due diligence in the supply chain, we have established an internal control system which is described in the document

"Compliance-Regeln_Zusammenfassung_Version 1.1_01.07.2022".

The manager responsible for monitoring due diligence in the supply chain is Oliver Bäuerle.

The Bauer-Walser AG company has introduced a control system to ensure transparency in the supply chain. This includes the identification of suppliers including their economic beneficiaries and determination of the origin of our gold, silver and platinum metals.

The complaints procedure for external stakeholders is accessible via the Bauer-Walser AG website. The employee responsible for this complaints mechanism is Oliver Bäuerle.

DETERMINATION AND ASSESSMENT OF RISKS IN THE SUPPLY CHAIN

We assess the due diligence obligations of our suppliers according to the following steps (a detailed description of the process can be viewed in the document

"Compliance-Regeln_Zusammenfassung_Version 1.1_01.07.2022"):

- Obtaining of information via the compliance system of the Creditreform organisation:
The use of this system recognised by the German Federal Financial Supervisory Authority (BaFin) ensures compliance with the EU regulations 2580/2001 and 881/2002 to combat terrorism.
- Prohibition lists
In the course of collecting a credit report via the system of the Creditreform organisation, the economic beneficiaries are also checked against the sanction lists "World checklist PEP" and "World checklist" (sanctions, embargoes).

A check is made for conflict affected and high-risk areas (CAHRA):

The due diligence is based on the "OECD guidelines for compliance with due diligence obligations to promote responsible supply chains for minerals from conflict affected and high-risk areas". In this process, the supply chain ranges from the extraction site to the end consumer, i.e. including the extraction, transportation, transfer, trade, processing, smelting, refinement and formation of alloys, manufacture and sale of the end product.

In 2022, the **Bauer-Walser AG** company checked all fine metal suppliers for compliance with the due diligence requirements. The information obtained was:

- a credit report from the Crefo system
- determination of economic beneficiaries
- a compliance check
- check against prohibition lists
- check of conflict affected and high-risk areas.

In the course of the check we did not determine any risks.

In addition, there are incoming precious metals from the recycling business. This does not concern material connected to a conflict or primary gold, but is precious metal which is already in circulation. Before acceptance of this material, the following questions are clarified:

- Are the stated material qualities of the customer plausible?
- Are the stated quantities of the customer plausible?
- Where does the submitted material originate from?
- Does the submitted material fit in with the business model of the customer?
- Does the material have any unusual characteristics?

During the ongoing inspection of new customers in the area of recycling no risks were determined.

All active existing customers are checked again once per year via the Crefo system. This check did not result in any irregularities or risks.

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. These customers are also checked via the Crefo system. The type of the obtained information is oriented to the regulations listed in the document "Compliance-Regeln_Zusammenfassung_Version 1.1_01.07.2022".

The existing customer structure of the subsidiary companies is low-risk. The customers are mainly small-scale entrepreneurs, goldsmiths and artists. There are only a few customers with weight accounts or weight accounts with an insignificant volume.

The comparably low turnover and low quantities and the unsuspecting materials submitted to the refinery enable a simplified inspection of the customer. The customer documentation at the subsidiaries correspond to the requirements of the prescribed compliance. These documents are updated as soon as the circumstances of the customer significantly change.

The **Carl Schaefer Gold- und Silberscheideanstalt GmbH** company has been a subsidiary of the Bauer-Walser AG company since 1 October 2021. The focus of the Carl Schaefer company is more on the recycling of precious metal scrap. For this reason, Bauer-Walser AG is committed to ensuring that the customer base of the Carl Schaefer company meets the requirements of the prescribed compliance regulations.

The TOP 50 customers for precious metal scrap were checked by the Crefo system. The check included the determination of the beneficial owner, examination of banned lists and also a check on conflict and high risk areas. The check did not reveal any risks.

Since the beginning of the current financial year, the Carl Schaefer company advises Bauer-Walser about new customers for precious metal scrap so that the new customers can be checked.

There is a subsequent checking of the other active established customers when goods to be refined are delivered and therefore risks related to deliveries can be excluded.