

London Platinum and Palladium Market – Responsible Platinum/Palladium Guidance Summary Audit Report (ISO19011:2011)

BASF Corporation

Assessment:

Iselin, NJ - 25 Middlesex Turnpike, Iselin, NJ 08830

Seneca, SC - 554 Engelhard Dr, Seneca, SC 29678

Katja Gehne

Head of Responsible Sourcing of PGM/Battery Minerals

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Prepared by:

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ASSESSMENT INFORMATION	
Refiner Name:	BASF Corporation - Seneca
Refiner Location:	554 Engelhard Dr, Seneca, SC 29678
Refiner Contact Person	Katja Gehne Head of Responsible Sourcing of PGM/Battery Minerals
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Email:	katja.gehne@basf.com
Phone:	+49 173 3099546
Lead auditor and audit team members	Ambar Valles – Lead Auditor Catherine Hansen – Team Auditor
Dates and places where the onsite assessment activities were conducted	Onsite: July 8, 2021; Seneca, SC, USA

LPPM Refiner Assessment Report
Refiner Background:
<p>BASF Corporation’s Seneca refinery was established in 1985 for precious group metal (PGM) catalyst refining and manufacturing. Ten to twenty percent of business at Seneca is closed loop, meaning that the site receives spent catalysts from customers where metal is retrieved to be re-used in the production of new catalysts. A larger part of the business is in automotive catalysts where catalytic converters are scrapped, sampled, and refined. The metal, after settlement is typically sold to BASF for conversion into precious metal chemicals for use in fresh catalyst production. The Seneca refinery site receives off-spec, obsolete or excess material from several BASF affiliate companies who produce fresh catalyst and we receive spent process catalyst from other BASF affiliates operating industrial facilities. Three sites specifically collect material for refining at Seneca, including Converse, Lincoln Park (closed in 2019), and Cinderford (BASF Metals Recycling Limited). Per management, Seneca is the only site with refining capabilities (location of an electric arc furnace, top blown rotary converter, atomizer), assays are conducted in BASF’s laboratory located in Rome, Italy and Union, New Jersey. When BASF receives refining material that falls outside the capabilities in Seneca, material is sent to outside smelting or refining parties (OSRs) Umicore (Umicore Ag & Co Kg, Umicore Precious Metals NJ LLC) or Heraeus (Heraeus Deutschland GmbH & Co. KG, Heraeus Incorporated, Heraeus Precious Metals North America). Final product is transported directly to BASF’s PGM Vault located in Union, New Jersey.</p> <p>BASF Corporation follows ISO 9001 quality management requirements on current responsible sourcing practices, policies, and procedures and the Assay laboratories are certified ISO17025. The audit team observed use of SAP software for business operations and recordkeeping; management provided an overview on use of the system during the audit. Management reported they are working on complementing these existing systems to further align with LPPM responsible sourcing requirements.</p>
Assessment objectives:

The objectives of the assessment were to evaluate the conformity of BASF Corporation's management system procedures, processes, and practices with the London Platinum and Palladium (LPPM) Responsible Platinum/Palladium Guidance. The assessment included management from BASF Corporation's Iselin, New Jersey headquarters location and Seneca, South Carolina refinery location. Materials in scope were platinum and palladium bearing scrap (secondary) material received at the Seneca Refinery.

The criteria used to evaluate the subject matter consisted of the relevant information contained within the LPPM's Third Party Audit Guidance (V1, 15.10.2018) and in accordance with the ISO 19011:2011 International Standard approach.

Assessment scope:

<i>Refiner location(s) included in the assessment scope</i>	BASF Corporation – Seneca, SC (554 Engelhard Dr, Seneca, SC 29678)
<i>Assessment Period</i>	02/01/2019 - 03/31/2020

Assessment methodology:

The Assessment team evaluated the existence and implementation of systems at the Refiner, that addressed areas covered by the LPPM Responsible Platinum/Palladium Guidance. Each area of the LPPM Responsible Platinum/Palladium Guidance was verified by documentation review and management/employee interviews. Onsite observation was conducted at a later date, on July 8th, 2021, due to COVID-19.

The evidence of compliance that was reviewed included:

- **Document Review:** Supply Chain Policy, internal procedures related to supply chain due diligence, material controls and transparency, responsible sourcing checklist, risk assessment matrix, management and employee training records, know your counterparty files, and material transaction files.

- **The following interviews were conducted with management:**

Head of Responsible Sourcing of PGM/Battery Minerals
 Manager of Sustainability in Procurement of Mining Materials
 Global Supply Chain Manager, CCM
 Supply Chain Manager, Seneca
 Global Sales Director, PM Refining and Chemicals, G-CCM/R
 BASF Credit Department
 U.S. and U.K. AML Compliance Officers
 Distribution Manager, Seneca
 Site Director, Seneca

- **The following interviews with employees were conducted:**

Commercial North America Support & Settlements Manager for CCM/R, Seneca
 Distribution Warehouse Manager, Seneca
 Supply Chain Co-op, Seneca
 Lab Technicians, Seneca
 Materials Handler, Seneca

▪ **The following areas of the facility were visited during the tour:**

Receiving Department
Inventory Warehouse
Wet Material Prep area
Dry Material Prep area
Assay Laboratories (2)
Material Processing areas
Vault

- **Country of Origin Annex:** In addition to Seneca, Country of Origin (COO) Annexes were collected for Converse (USA), Lincoln Park (USA), and Cinderford (UK) which are sites that send material to Seneca for refining.

Statement of the confidential nature of the contents:

All the data contained in the Management Report, as well as all information obtained during the performance of the assessment, is private and confidential between the auditing body, the Refiner, and LPPM. SCS Global Services' Professional Services Agreement (PSA) and BASFs Non-Disclosure Agreement (NDA) were acknowledged during the pre-audit phase.

Any significant or inherent limitations or areas not covered that were within the assessment scope:

Limitations within the assessment scope included:

- Due to COVID-19, the audit team conducted onsite assessment activities after the virtual assessment.
- Changes in the scope of transactions were reported by management during the audit; this included an additional site (Lincoln Park) and Line Item Summary (LIS), as well as an update to the original LIS that was based on "settlement date" versus "received date" of material. During the audit, management provided the LIS for the additional site (Lincoln Park) and corrected the LIS to reflect transactions within the audit period, however these discrepancies affect the sample methodology established during the pre-audit assessment; the following points were observed:
 - In the updated LIS, the auditors identified 3 new countries in scope (Spain, Sweden, Canary Islands (Spanish territory))
 - 22 "new" customers added; in this case "new" means not disclosed in the previous LIS
 - Overall increase in total number of transactions in scope for the audit period
- The auditee drafted a Step 5 report that was reviewed and found conformant by the auditors, management will publish the report on BASFs website by their next assessment that will align to ISAE 3000.

Assessment criteria:

The SCS Global Services assessment team took into account all relevant objective evidence provided by the Refiner. Relevant evidence was either qualitative or quantitative in as far as it is appropriate and sufficient to support the auditor conclusions. Appropriate evidence is evidence that is relevant and reliable. Sufficient evidence refers to the amount of evidence provided to allow the auditor or assessment team to reach a conclusion.

Any actual or potential gaps in the Refiner's systems in regard to the LPPM requirements are rated in accordance with the level of risk each presents to the credibility and integrity of the LPPM Responsible Platinum/Palladium Programme for the responsible sourcing of Platinum/Palladium-bearing materials.

Assessment Conclusions

OVERALL ASSESSMENT CONCLUSION	Compliant	Low	Medium	High	Zero Tolerance
Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:	✓				

ASSESSMENT CONCLUSIONS BY CATEGORY

Refer to the LPPM Third-Party Audit Guidance, Appendix 1 to determine the level of conformance for each sub-category ¹.

				Non Compliance – risk level			
	CATEGORY	SUBCATEGORY	Compliant	Low	Medium	High	Zero Tolerance
A	General Information						
B		1.1:	x				
		1.2	x				

	Step 1: Establish strong Refiner management systems	1.3	x				
		1.4	x				
		1.5	x				
C	Step 2: Identify and assess risk in the supply chain	2.1	x				
		2.2	x				
		2.3	x				
D	Step 3: Design and implement a management strategy to respond to identified risks	3.1	x				
		3.2	x				
	Step 4: Arrange for an independent third-party audit of the supply chain due diligence		x				
E		4.1					
F	Step 5: Report on supply chain due diligence	5.1	x				

¹ LPPM Responsible Platinum/Palladium Programme-Third Party Audit Guidance. Appendix 1: Definitions of Non-compliances. Pg.19&20.

Assessment plan:

The virtual assessment was composed of four (4) parts:

1. Opening meeting;
2. Review of objective evidence by means of observation, documentation and interviews;
3. Evaluation of the evidence presented to determine compliance with LPPM requirements;
4. Closing meeting.

Various time zones were taken into consideration during this virtual assessment (PST/EST/CET) due to the location of the audit team, Refiner, and Refiner's point of contact; for clarity, the audit plan below is noted in PST where the lead auditor is based.

Virtual Assessment

Day 1 – December 7, 2020

7:30 – 9:00 PST: Opening meeting with facility management to review the purpose, scope and methodology of the assessment and clarify required documentation

9:00 – 11:20 PST: Interviews with key management and document review for Step 1: Establishing Strong Refiner Management Systems

11:30 – 12:30 PST: Interviews with key management and document review for Step 2: Identifying and Assessing Risk in the Supply Chain

13:30 – 15:30 PST: Auditor document review (offline)

15:30 – 16:00 PST: Auditor Conclusions

Day 2 - December 8, 2020

7:30 – 9:00 PST: Interviews with key management and document review for Step 3: Designing and Implementing a management strategy to respond to identified risks.

9:00 – 11:00 PST: Interviews with key management and document review for Step 1 (CONTINUED)

11:00 – 12:30 PST: Employee interviews

13:30 – 15:30 PST: Auditor document review (offline)

15:30 – 16:00 PST: Auditor Conclusions

Day 3 – December 9, 2020

7:30 – 12:00 PST: Interviews with key management and document review for Step 2 (CONTINUED)

12:30 – 14:30 PST: Auditor document review and commence report writing (offline)

Day 4 – December 10, 2020

7:30 – 8:30 PST: Transaction review started; kick-off meeting with relevant management members

8:30 – 12:30 PST and 13:00 – 16:00 PST: Auditor transaction review (offline)

Day 5 – December 14, 2020

9:30 – 10:30 PST: Closing Meeting; review of findings

Onsite Assessment

Day 1 – July 8, 2021

8:30 – 9:30 EST: Opening meeting with facility management to review the purpose, scope and methodology of the assessment.

9:30 – 11:00 EST: Review of Corrective Action Plan and progress made on continual improvement items

11:00 – 13:00 EST: Tour of facility (Seneca)

13:30 – 14:30 EST: Quality Management review

14:30 – 15:30 EST: Closing meeting

List of attendees of opening and closing meeting

Virtual Assessment

Opening meeting attendees

BASF Corporation:

- Manager of Sustainability in Procurement of Mining Materials
- Global Supply Chain Manager, CCM
- Global Sales Director, PM Refining and Chemicals, G-CCM/R

SCS:

- Lead Auditor
- Team Auditor
- Shadow Auditor

Closing meeting attendees:

BASF Corporation:

- Manager of Sustainability in Procurement of Mining Materials
- Global Supply Chain Manager, CCM
- Site Controller, Seneca
- BASF Credit Department

SCS:

- Lead Auditor
- Team Auditor
- Shadow Auditor

Onsite Assessment

Opening meeting attendees

BASF Corporation:

- Head of Responsible Sourcing of PGM/Battery Minerals
- Manager of Sustainability in Procurement of Mining Materials
- Global Supply Chain Manager, CCM
- North American Supply Chain Manager
- Distribution Manager, Seneca
- Site Director, Seneca
- Supply Chain Co-op

SCS:

- Auditor

Closing meeting attendees:

BASF Corporation:

- Manager of Sustainability in Procurement of Mining Materials
- Global Supply Chain Manager, CCM
- North American Supply Chain Manager
- Distribution Manager, Seneca
- Site Director, Seneca
- Supply Chain Co-op

SCS:

- Auditor

Refiner feedback

None.

The Auditors confirm that:

- ✓ The information provided by the Refiner is true and accurate to the best knowledge of the Auditor(s) preparing this report.
- ✓ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous.
- ✓ The Auditor(s) have acted in a manner deemed ethical, truthful, accurate professional, independent and objective.

✓ The Auditor(s) are properly qualified to carry out the assessment at this Refiner's facility.

Auditing Body: SCS Global Services

Signature: *Ambar Valles*

Date: 01/29/2021 [UPDATED: 07/14/21]