

Table 1: Refiner's details

Name:	Chimet S.p.A.
Location:	Via dei laghi 31/33 – 52041 Loc. Badia al Pino Civitella in val di Chiana (AR) ITALY
Reporting year-end:	31/12/2022
Date of Report:	08/03/2023
Senior management responsible for this Report:	Luca Benvenuti, CEO
<p>In 1976 Chimet inaugurated its first production site in Badia al Pino, followed in the 80s by the inauguration of a second production site in Vicinaggio, both in the province of Arezzo, showing the bond that has always existed between these business activities and this territory. Chimet has its core business in the activity of refining and recovery precious metals.</p> <p>Recognising that risks of significant adverse impacts which may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas, and recognising the responsibility to respect human rights and not contribute to conflict, Chimet commits to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing activities.</p> <p>Since 2003 Chimet is certified ISO 14001 in order to evaluate, report, and improve its environmental performance and environmental responsibilities of its suppliers.</p> <p>Moreover, Chimet has implemented in its management system the RJC COP Guidelines obtaining certification in 2018.</p> <p>This Report outlines how Chimet has complied with requirements of the LPPM Responsible Platinum and Palladium Guidance.</p>	

Chimet evaluation

Table 2: summary of activities undertaken to demonstrate compliance

1. ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS

Compliance Statement with Requirement:

Chimet has partially complied with Step 1: establish strong company management systems.

1.1. Has the Refiner adopted a company policy regarding Due Diligence for supply chains of Precious Metals (Platinum/Palladium)?

Chimet has adopted since 2012 a company Policy which is consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and a Sustainability Policy for minimizing the impact of activities on the environment and conduct business in a socially responsible and ethical manner.

The supply chain Due Diligence Policy (AP_004) is reviewed annually by senior manager and updated when circumstances require, in order to establish a management system useful for ensure that no source of raw materials for the production of pure precious metals is involved in conflicts, money laundering, human rights abuses, terrorist financing.

Chimet performs due diligence over his counterparties using a risk based approach before doing any business and ongoing monitoring of the relationship in order to assess the risk of contribution to conflict,

money laundering, terrorist financing, serious human rights abuse, to address environmental and sustainability responsibilities and implement a strategy to respond to identified risk.

In order to further reinforce its own due diligence process, Chimet S.p.A. formalized a system in which all the due diligence documents are traced with the relative deadlines of submission and reception. Regarding ESG topics, Chimet S.p.A. has set up a system for monitoring and maintaining the ISO 14001 and EMAS certifications, and has drafted its first Sustainability Report -although not published yet- concerning its 2022 performances. The Report has been structured following the GRI Standards (GRI-Referenced).

Chimet has also launched a Sustainability Policy, addressing different ESG topics and the guiding principles Chimet is committed to. Both this policy and the supply chain Due Diligence Policy are published in Chimet website ([Chimet](#)).

1.2. Has the Refiner set up an internal management structure to support supply chain Due Diligence?

Chimet set up an internal management system in order to collect all the KYC documentation, as requested by the LPPM Guidance (v.3). During 2022 the company has updated its own Responsible Sourcing Procedure as regards the definitions, the responsibilities of risk assessment, qualification of counterparties and management of any cases of zero- tolerance. New version of the KYC questionnaires were issued to improve clarity, understanding by counterparties and risk management.

These documents, put in place in March 2022, have been shared with new suppliers, and will be shared with counterparts previously assessed upon the requalification process.

However, some areas of improvement should be noted; despite the efforts that have been made in the recent years to strengthen the internal management structure to support the supply chain due diligence, the tools deployed on this extent (the counterparties database) shall improve.

In particular, further improvement of the database currently in place is recommended in order to ensure more accuracy and consistency, and enhancing its usability in support to the team involved in the KYC procedures.

Chimet has defined roles and responsibilities for the management of the supply chain Due Diligence process and qualification of the counterparties that deliver raw materials for precious metals recovery in order to ensure responsible sourcing. The nominated Compliance Officer has the right competence and knowledge to manage the entire process and to report to the general management.

Personnel involved in the supply chain process is periodically trained by the assigned people responsible for the implementation of due diligence. During 2022 the employees that have been trained on supply chain due diligence Policy, procedures and registration forms to be applied, were 15, around 40% of white-collar employees. Chimet has planned to enforce a prompt training program to involve more personnel.

For all transactions in precious metals, payments have been made through official banking channels.

1.3. Has the Refiner established a strong internal system of Due Diligence, controls and transparency over Precious Metals (Platinum/Palladium) supply chains, including traceability and identification of other supply chain actors?

Chimet has implemented specific procedures about production and traceability. Specific documents such: type of precious metal received (Mined /Recycled), weight and assay (declared and processed), reference to the precious metal supplying counterparty due diligence file, date of arrival at the refinery and date of finalization of the refining process, are collected and maintained and all transactional details are stored before processing any precious metals bearing material.

All supply chain documentation records are stored for ten years.

Each incoming lot is identified by univocal number and registered in accountability system. Specific controls such as conformity to transport of goods and wastes applicable national and international regulations, weight check, deleterious element, radioactivity level, regarding received materials are carried out before processing incoming material as outlined in internal guidelines.

Regular training of our employees ensures that our guidelines are followed; any form of non-conformance is unacceptable and reported to the Compliance Officer and senior management. No such escalation was necessary during the reporting period.

All payments are made and received through official banking channel.

Chimet cooperates with government authorities by providing full access to records and information as appropriate.

In 2022 no issue arised for which it was necessary to cooperate with authorities.

1.4. Has the Refiner strengthened company engagement with precious metal supplying counterparties and, where possible, assisted platinum/palladium-supplying counterparties in building due diligence capacities?

Chimet believes in and builds long term relationship based on trust and mutual recognition.

On "KYC forms", Chimet asks its counterparties to commit to their compliance with Chimet's Precious Metals Supply Chain Policy and Sustainability Policy.

Currently, no business relationship with Artisanal Miners are established, where possible Chimet is ready to assist and encourage counterparties to improve responsible sourcing practices and environmental responsibilities.

Business relationship are established only with counterparties that supply recycled platinum and palladium bearing material.

1.5. Has the Refiner established a company-wide communication mechanism to promote broad employee participation and risk identification to management?

Chimet puts in place an e-mail address allowing any employee, supply chain actor, or stakeholder to voice concerns over precious metals supply chain or any newly identified risk: quality@chimet.com.

Employee have available a mailbox that can be used anonymously by them.

All grievances are managed by Compliance officer that, after assessment, communicates the resolutions to stakeholders.

During 2022 no grievances has been received.

2. IDENTIFY AND ASSESS RISK IN THE SUPPLY CHAIN

Compliance Statement with Requirement:

Chimet fully complied with Step 2: identify and assess risks in the supply chain.

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

Chimet performs appropriate due diligence on a risk based approach over counterparties before doing any business and ongoing monitoring of the relationship in order to assess the risk of contribution to conflict, money laundering, terrorist financing and serious human rights abuse and implement a strategy to respond to identified risk.

Specific internal procedures describes the system for assessing risk among precious metals supplying counterparties according to the LPPM Responsible Platinum and Palladium Guidance.

During 2022, as already mentioned in section 1.2, Chimet has updated its own Responsible Sourcing procedure. The updated procedure provides for strengthen its risk assessment system explicitly defining and formalizing all the criteria considered in the risk analysis. Chimet formalize the risk evaluation associated with each counterparty.

2.2. Does the Refiner assess risks in light of the standards of their supply chain Due Diligence system?

Each precious metals supplier's risk is assessed according to the qualification process in which the presence or suspected presence of red flag is identified. In case the presence of red flag can be excluded, the counterparty is considered at low risk and a validity level is assigned to each counterpart: industrial, manufacturing, commercial counterparties qualifications are reviewed every 5 years, cash for gold stores qualifications are reviewed every 3 years, mines counterparties are assessed more strictly and are evaluated by the Senior Management every year.

Two Italian counterparties supplying recycled material were suspended during 2022 due to high risk identified on alleged anti-money laundering issues, involving some beneficial owners. In one case the high risk assessment was confirmed by enhanced due diligence and transaction set to be closed.

In the other case, after enhanced due diligence, senior management, considering the good faith efforts and the approval of a Risk mitigation plan, readmitted the counterparty to transactions.

2.3. Does the Refiner report risk assessment to designated Senior Management?

Senior management retains ultimate responsibility of the supply chain.

Annually, the Management Review is held to evaluate supply chain compliance, to carefully select or confirm Compliance Officer as well as to sensibly identify the necessary means to perform the duty.

3. DESIGN AND IMPLEMENT A MANAGEMENT STRATEGY TO RESPOND TO IDENTIFIED RISKS

Compliance Statement with Requirement:

Chimet partially complied with Step 3: Design and implement a management strategy to respond to identified risks.

3.1 Has the refiner a system to communicate report findings to designated Senior management?

Where appropriate actual and potential risks identified in the supply chain risk assessment are communicated to Senior Management according to procedure for internal communication and by specific form.

3.2 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?

Where appropriate actual and potential risks identified in the supply chain risk assessment are communicated to Senior Management according to procedure for internal communication and by specific form.

Chimet employs specialized databases in order to screen all business partners and identify risks in the supply chain. The screening allows to manage risk through a risk assessment of all counterparties. Furthermore, every transaction is monitored in acceptance operations and in case of changes or suspicious transaction an alert is reported to Compliance Officer and Senior Management to decide how to proceed and what kind of action/measures have to be taken in case of confirmed risk.

There were cases for which new suppliers were rejected before ending the due diligence and risk-assessment process because of the lack of information provided by the counterparty. In one case, information was fully provided by the counterparty, but the Refiner hadn't timely identified a criteria not met by the counterparty. It is noted that, even though the suspension was communicated to the counterparty, further transactions took place after the suspension. It is acknowledged that Chimet shall prevent in the future such inconsistencies within its management system and strengthen internal controls on this extent.

Chimet, according to the procedure, explicitly has defined and formalized how to manage cases of potential risks and red flags identified. This procedure provides for two document to manage the risk: Supply Chain Assessment Form and Risk Mitigation Plan.

Corresponding procedures are in place and are applied accordingly. In case the risk assessment identifies higher risk criteria, Chimet actively approaches the supplier to receive further information. If risk assessment can't be mitigated, the decision of closing the business relationship is taken.

Since Supply Chain due diligence is a dynamic process, Chimet periodically updates its procedure and questionnaires, and these are shared with suppliers upon the requalification process.

If during the relationship should emerge evidences that lead to higher risk assessment of one counterpart a risk mitigation plan is implemented or the transactions are suspended.

3.3. 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.

During 2022 there was one case for which it was necessary to put in place a system of risk mitigation as reported at paragraph 2.2. Although the counterparty accepted to prepare a mitigation plan, and a third-party site visit was planned and carried out in a short time frame, some areas of improvements in the approach of similar cases should be noted. For example, the Refiner shall adopt a more effective and stricter approach in order to meet all the deadlines previously agreed upon with the counterparty.

4. ARRANGE FOR AN INDEPENDENT THIRD-PARTY AUDIT OF THE SUPPLY CHAIN DUE DILIGENCE

Compliance Statement with Requirement:

Chimet has fully complied Step 4: arrange for an independent third-party audit of the supply chain due diligence.

Chimet engaged the services of the assurance provider Deloitte&Touche S.p.A., and their independent reasonable assurance report can be viewed as soon as available on www.chimet.com.

The corrective action plan provides for the review of the applicable documentation and a training cycle for all personnel concerned.

5. REPORT ON SUPPLY CHAIN DUE DILIGENCE

Compliance Statement with Requirement:

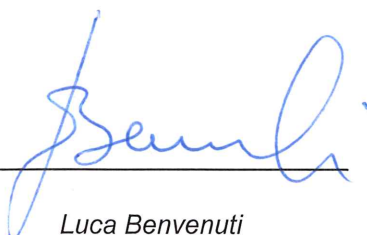
Chimet has fully complied Step 5: Report on supply chain due diligence.

Further information and specific details of how Chimet systems, procedures, process and controls have been implemented to align to specific requirements in the LPPM Responsible Platinum and Palladium Guidance have been set out in our supply chain policy, which is available on the company's website www.chimet.com.

MANAGEMENT CONCLUSION

Is the Refiner in compliance with the requirements of the LPPM Responsible Platinum and Palladium Guidance for the reporting period?

Yes, Chimet is overall in compliance with LPPM Responsible Platinum and Palladium Guidance. Chimet implemented an effective management system, procedures, processes and practices to conform to the requirements of the Guidance, as explained above in table 2, for the reporting year ending on the 31st of December 2022. In order to be fully compliant with all the steps of the Guidance (including step 1 and 3 which resulted being partially compliant), Chimet is committed to continuous improvement and corrective actions identified which will be monitored internally on a regular basis.



Luca Benvenuti

Chief Executive Officer



Giovanni Prelazzi

Compliance Officer