

Summary	
Refiner Name:	BASF Corporation - Seneca
Refiner Location:	554 Engelhard Dr, Seneca, SC 29678
Assessment Type:	ISAE 3000 Reasonable Assurance Engagement
Material in Scope:	Platinum and Palladium
Assessed timeframe:	January 1, 2021 - December 31, 2021
Implementing Firm:	SCS Global Services 2000 Powell St. #600, Emeryville, CA 94608

### Independent Practitioner's Assurance Report

To the Management of BASF Corporation - Seneca

We were engaged to perform a reasonable assurance engagement on the Refiner's Compliance Report prepared by BASF Corporation - Seneca, (the "Refiner") as defined in the Compliance Report for the period 1 January 2021 – 31 December 2021 (the "Refiner's Compliance Report").

### Management's Responsibility for the Refiner's Compliance Report

The management of the Refiner are responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the London Platinum & Palladium Market "LPPM" 's London Platinum/Palladium Guidance (Version 3 – March 2021) (the Guidance). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the Refiner as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner's Compliance Report. The responsibility includes designing, implementing, and maintaining systems and processes relevant to the proper preparation and presentation of the Refiner's Compliance Report, which is free of material misstatements.

### Assurance Firm's Independence and Quality Control

SCS Global Services complies with independence, quality control, and competency requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. SCS Global Services maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting our engagement, SCS Global Services confirms the company satisfies the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

## **Practitioner's Responsibility**

Our responsibility is to express a conclusion on the Refiner's Compliance Report based on our work performed. Within the scope of our engagement we did not perform an assessment on external sources of information or expert opinions, referred to in the Refiner's Compliance Report.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB and the supplementary guidance set out in the LPPM Sourcing Programme – Third Party Audit Guidance (version 3, March 2021).

This Audit Guidance requires that we plan and perform the assurance engagement to obtain reasonable assurance whether the Refiner's Compliance Report, prepared by the Refiner BASF Corporation - Seneca for the period 1 January 2021 – 31 December 2021, in all material aspects, describes fairly the activities undertaken during the period 1 January 2021 – 31 December 2021 to demonstrate compliance, and management's overall conclusion contained therein is in accordance with the requirements of the Guidance.

The procedures selected depend on the practitioner's judgement. This includes the assessment of the risks of material misstatements of the Refiner's Compliance Report with regard to the Guidance. Within the scope of our work we performed amongst others the following procedures:

- Interviews with management in charge of the preparation of the Refiner's Compliance Report;
- Interviews with management and employees of departments in charge of purchasing, supplier contracts, shipping/receiving, material management, and refinery operations;
- Review of material transaction Line-Item Summary (LIS) and document review;
- Review of relevant corporate procedures and documents describing the Refiner's management systems, due diligence and risk management approach towards a responsible supply chain;
- Onsite visit of the Refiner's location in Seneca, South Carolina to review relevant systems, processes and controls, including a process walkthrough from supplier selection to materials receipt and lot processing;
- Evaluation of the consistency of the statements provided in the Refiner's Compliance Report with the findings obtained during the engagement.

## **Inherent Limitations**

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used

by the Refiner to comply with the Guidance may differ. It is important to read the Refiner's supply chain policy available on the Refiner's [website](#).

## **Conclusion**

In our opinion, the Refiner's Compliance Report, prepared by BASF Corporation - Seneca, for the period 1 January 2021 – 31 December 2021, in all material aspects, describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is in accordance with the Guidance.

## **Emphasis of Matter**

Without modifying our conclusion, we draw attention to the description of Step 2 in the Company's Compliance Report and areas of continual improvement identified during the assurance engagement. First, due to COVID-19, on-site visits were not feasible during the audit period, however, will resume in 2022. Second, the Company's Responsible Sourcing Minerals (RSM) team continues to update AML/KYC files for new and existing counterparties; review cadences will be assigned in compliance with national laws. Lastly, the RSM team will continue screening existing suppliers to allocate risk levels across the Company's supply chain and identify where enhanced due diligence is necessary.

Since the Report issued by the Company contains the disclosure of these continual improvement areas, we could issue an unmodified assurance report – as detailed in the Conclusion below.

## **Restriction on Use and Distribution**

We issue this report on the basis of the engagement agreed with BASF Corporation - Seneca. The assessment has been performed for purposes of BASF Corporation - Seneca and is solely intended to inform BASF Corporation - Seneca about the results of the engagement. The report is not intended for any third parties to base any (financial) decision thereon. We do not assume any responsibility towards third parties.

We refer to the fact that the Refiner's Compliance Report subject to our assurance engagement comprises the Annex "List of countries of origin of platinum/palladium" and the treatment of the Refiner. According to the LPPM Responsible Platinum/Palladium Guidance (version 3, March 2021) and LPPM Responsible Sourcing Programme – Third Party Audit Guidance (version 3, March 2021), this Annex detailing the countries of origin of platinum/palladium has to be submitted to the LPPM only and does not need to be disclosed publicly.



23 May, 2022  
SCS Global Services

A handwritten signature in black ink, appearing to read 'Nicole Muñoz', is positioned above the typed name.

Nicole Muñoz, Vice President – ECS  
nmunoz@scsglobalservices.com

# 2021 Refiner Compliance Report on due diligence activities for BASF's Platinum/Palladium supply chain

Table 1: Refiner's details	
Refiner's name	BASF Corporation
Location	554 Engelhard Dr, Seneca, SC 29678, United States
Reporting period	01.01.2021 to 31.12.2021
Date of Report	April 2022
Senior Management responsible for this report	Timothy Ingle, Senior Vice President Precious and Base Metals Services

BASF is one of the leading recyclers of secondary Platinum/Palladium material (e.g., spent automotive catalysts). We recognize that the social and environmental benefits of our catalyst recycling business must be balanced against the risk that accepting, handling, and processing Platinum/Palladium in secondary material could contribute to or result in socially and environmentally adverse impacts. Through our management processes we seek to address such risks.

## BASF evaluation

Step 1: Establish strong company management systems
<p>1. Has the refiner adopted a company policy regarding due diligence for supply chains of Platinum and Palladium?</p> <p><i>Compliance Statement with Requirement</i></p> <p>BASF has adopted a policy regarding due diligence for supply chains of Precious Metals.</p> <p><i>Comments and Demonstration of Compliance</i></p> <p>In April 2021 we established our approach to responsible sourcing of Platinum and Palladium to be consistent with the 'OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas' (OECD Guidance) and the LPPM Responsible Sourcing Guidance (LPPM RPPG). Our Responsible Platinum/Palladium Sourcing Policy is publicly available on our Homepage (<a href="#">About Us   BASF Catalysts</a>).</p> <p>With this policy, we set our expectations to commercial counterparties that Platinum/Palladium sourced by BASF originates from legal and responsible sources, that Platinum/Palladium materials are not associated with crimes, armed conflicts, serious human rights, or environmental abuses and that they will not be used for money laundering, financing terrorism, tax evasion, fraud, or any other crime.</p> <p>Besides our Responsible Platinum/Palladium Sourcing Policy, BASF is obliged to comply with EU, US and UK anti-money laundering regulations. The responsible sourcing procedures we have adopted are complementary to our pre-existing anti-bribery and anti-money laundering procedures and are designed to ensure the integrity of Platinum/Palladium material sourced.</p>
<p>2. Has the refiner set up an internal management structure to support supply chain due diligence?</p> <p><i>Compliance Statement with Requirement</i></p> <p>BASF has set up an internal management structure to support supply chain due diligence.</p>

*Comments and Demonstration of Compliance*

An internal management system based on ISO 9001's document control has been set up to define the governance, roles and responsibilities, communication, and senior management review as per the adopted policy. The management system includes guidelines, processes and standardised forms for risk identification, client onboarding, monitoring of supplier and analysis of incoming materials and trainings. To maintain overall compliance with mandatory requirements, we focus on continuous improvement for all relevant processes and procedures.

Due diligence activities are actively supported by BASF's senior management, including BASF's Senior Vice President and Vice President Precious and Base Metals Services, and implemented by the Responsible Minerals Officer (Head of Responsible Sourcing of Minerals), Global Supply Chain Manager (CCM), Global Sales Director (G-CCM/R) and Global Procurement Manager (CCM). Other BASF's functions such as Credit (CCM) also support our due diligence efforts.

The assigned Responsible Minerals Officer designs, supervises and reviews the Platinum/Palladium supply chain due diligence process based on the Policy and LPPM Responsible Pt/Pd Sourcing Guidance. The Responsible Minerals Officer has a direct reporting line to senior management and ensures effective implementation of LPPM Responsible Pt/Pd Sourcing requirements.

3. Has the refiner established a strong internal system of due diligence, controls, and transparency over the supply chains of Palladium and Platinum, including traceability and identification of other supply chain actors?

*Compliance Statement with Requirement*

BASF has established a strong internal system of due diligence, controls, and transparency over the supply chains of Palladium and Platinum, including traceability and identification of other supply chain actors.

*Comments and Demonstration of Compliance*

BASF's management system comprises of an initial screening of all counterparties through a site visit carried out by our commercial or procurement team and a desk-based review of company documents. Through this review we identify the nature of the business, type of materials sourced, origin of materials, and counterparty's supply chain risk management systems. Based on this initial screening, we decide whether the respective counterparty is allowed to deliver material to our facilities.

Each delivery is reviewed for consistency, given a unique lot number, and accompanied by information about the supplier, the country of origin of the material as well as country of incorporation of the supplier. Currently the tracking of country of origin for high-risk suppliers is conducted manually. We are working towards optimizing the process to be digitalized in our IT systems. Our ERP system allows for easy tracking and traceability of each lot. Furthermore, we have implemented a system of checks and controls (i.e., 4-eyes principle, software assisted plausibility checks etc.).

Our employees involved in the Palladium/Platinum supply chain receive regular (yearly) or ad-hoc (new hire) trainings based on a training program developed by CCM's Responsible Sourcing of Minerals Team. The trainings are given by the head of department and tracked locally.

4. Has the refiner strengthened company engagement with Platinum and Palladium supplying counterparties, and where possible, assist Palladium and Platinum supplying counterparties in building due diligence capabilities?

*Compliance Statement with Requirement*

BASF has strengthened company engagement with Platinum/Palladium supplying counterparties, and where possible, assisted supplying counterparties in building due diligence capabilities.

*Comments and Demonstration of Compliance*

We are actively communicating our Responsible Platinum/Palladium Sourcing Policy to our commercial counterparties and internal relevant staff. Furthermore, we address our Expectations on Responsible Sourcing Practices to commercial counterparties providing services or processing to Platinum/Palladium bearing material.

In April 2021, our relevant counterparties were actively informed about BASF's Responsible Platinum/Palladium Sourcing Policy and Expectations to promote BASF's certification according to the LPPM RPPG.

All new commercial counterparties receive our Responsible Platinum/Palladium Sourcing Policy as well as the Expectations on responsible sourcing practices of commercial counterparties providing or processing Platinum/Palladium bearing material. These documents are supplemented by BASF's Supplier Code of Conduct.

Since mid-2021 we have engaged in several due diligence discussions with our suppliers, sharing our idea of Responsible Sourcing practices and exchanging on best practices.

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

*Compliance Statement with Requirement*

BASF has established a company-wide communication mechanism to promote broad based employee participation and risk identification to management.

*Comments and Demonstration of Compliance*

Any employee, counterparty or external stakeholder may express concerns relating to BASF's Platinum/Palladium supply chain by contacting BASF's compliance hotline ([Code of Conduct \(basf.com\)](https://www.basf.com/codeofconduct)). As part of our annual trainings, employees are encouraged and trained to participate in our overall goal to identify risks in our supply chain.

In 2021 no issue, problem, or concern regarding the supply chain of Platinum/Palladium was addressed via BASF's compliance hotline.

**Step 2: Identify and assess risks in the supply chain**

1. Does the refiner have a process to identify risks in the supply chain?

*Compliance Statement with Requirement*

BASF fully complies with step 2: Identify and assess risks in the supply chain

*Comments and Demonstration of Compliance*

BASF has sophisticated processes in place to identify risks in the supply chain. We have defined a list of Conflict-Affected and High-Risk Countries (CAHRAs) based on Responsible Minerals Initiative (RMI), EU CAHRA List (under Regulation (EU) 2017/821) and Responsible Minerals Assurance Process (RMAP) recommendations, complemented by a list of Increased Risk Countries (IRCs) and Known Risk Countries (KRCs). The list is updated in a yearly cadence or ad-hoc if deemed necessary. Starting from the CAHRA list, every counterparty is subject to an initial screening, consisting of a series of AML and KYC checks as well as on-site visits by a representative of our commercial team. The on-site visit includes a multitude of technical and economic checks as well as queries for relevant due diligence parameters.

For every commercial counterparty, we will identify the risk profile (low, medium, high) according to our risk matrix. All counterparties of which the material and/or provenance cannot be classified low-risk, will undergo closer scrutiny. Depending on our assessment, a counterparty based in, sources from or material transits through a CAHRA or KRC or might be in violation of risks outlined in the OECD Guidance Annex 2, is classified high-risk. Such rating will resolve in enhanced due diligence measures, including AML scrutiny on companies in the supply chain related to CAHRAs and further verification of the company's management practices, including on-site visits by a representative of the Responsible Sourcing of Minerals Team. Due to Covid-19, no on-site visits were conducted in 2021. For 2022 we will expect to resume to our regular process of on-site visits.

Following a risk-based approach, we have implemented an ongoing review of KYC Dossiers through periodic re-assessment of suppliers with frequency depending on the risk level (1 – 5 years depending on risk rating).

2. Does the refiner assess risks in the light of the standards of their due diligence system?

*Compliance Statement with Requirement*

BASF assesses risks in the light of the standards of our due diligence system.

*Comments and Demonstration of Compliance*

For all our commercial counterparties, including other BASF business, we are committed to assessing supply chain risks associated with the sourcing of Platinum/Palladium materials in line with our “Responsible Platinum/Palladium Sourcing Policy” and due diligence procedures. Our due diligence process includes:

- Site visit carried out by our commercial or procurement team
- Know-Your-Counterparty checks
- AML checks
- Desk-based risk assessment and risk classification of counterparties
- On-site risk assessments (for counterparties classified as high risk)

For those counterparties identified as ‘high-risk’ we carried out enhanced due diligence and, as appropriate, develop a correction plan with the counterparty.

BASF has continuously worked to optimize our due diligence system. Despite all efforts, there are still areas to improve upon. These include completing the KYSC screening of all existing suppliers in order to further avoid misinterpretation of the risk level allocated to suppliers and foster a targeted approach to potential challenges.

3. Does the refiner report risk assessment to the designated manager?

*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 Platinum/Palladium supply chain. The Responsible Minerals Officer and team assess the potential risks in line with BASF Responsible Platinum/Palladium Sourcing Policy and related management processes. If red flags, high risks, or supply chain issues are identified with new or existing commercial counterparties, the Responsible Minerals Officer will report to senior management immediately. Senior Management approves the decision to continue or terminate high risk supply chains on a yearly basis.

We have strict controls for traceability of Platinum/Palladium materials. We monitor our counterparties, and we report periodically to BASF’s senior management on the risks identified and on the performance of any risk mitigation plans that are implemented.

**Step 3: Design and implement a management system to respond to identified risks**

1. Has the refiner devised 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*

BASF has devised a strategy for risk management of identified risks.

*Comments and Demonstration of Compliance*

Based on above-described risk assessment, BASF decides on a risk mitigation strategy with an initial decision on continuing, suspending or ending trade. In case of non-plausibility of sources, no cooperation/no willingness to improve by counterparty, due diligence effort exceeds value of counterparty or risk mitigation not feasible/not acceptable there will be disengagement from the source. In case of proven or high possibility of money-laundering, terrorist financing, serious human rights abuse, support to illegitimate non-state armed groups, fraudulent misrepresentation of origin, there is disengagement, or suspension of trade under a strict risk mitigation plan. In case of doubt business should be suspended until clarity is achieved.



In case of proven or high possibility of risks involving illegitimate/non-properly trained private security forces, bribery, non- fraudulent misrepresentation of the origin or non-compliance with legally due taxes, fees, royalties, possible continuing of business under risk mitigation plan. In case of doubt, we will observe and establish risk mitigation plan.

Our ERP system is designed to prevent the acceptance of material from counterparties that have been suspended or terminated indefinitely.

2. 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.

#### *Comments and Demonstration of Compliance*

BASF's due diligence management system requires the continuous monitoring of our counterparties. If a risk management strategy or risk mitigation is undertaken, the Responsible Minerals Officer as well as Senior Management determine appropriate measures to monitor improvement on a case-by-case basis. If risk mitigation fails after 6 months implementation of risk mitigation efforts, we re-consider our risk mitigation strategy and decision. To date, our risk assessments have not identified such risks. We continue to roll out and strengthen our due diligence process across all our recycled material supply chains.

#### Step 4: Arrange for an independent third-party audit of the supply chain due diligence

##### *Compliance Statement with Requirement*

BASF has complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence. BASF engaged the services of the assurance provider SCS Global Services. The assessment was conducted following the ISAE 3000 approach for reporting year 2021.

#### Step 5: Report on supply chain due diligence

##### *Compliance Statement with Requirement*

BASF's Refiner Compliance Report for reporting year 2021 has been prepared in accordance with the LPPM Responsible Platinum Palladium Guidance Step 5. The Compliance report, the Independent Assurance Report as well as our Supply Chain Policy and Corporate Supplier Code of Conduct are available on our homepage.

#### Management Conclusion

BASF has implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Responsible Platinum Palladium Guidance for the reporting year ended 31 December 2021. This 2021 Refiner Compliance Report is the first Platinum/Palladium supply chain due diligence report published by BASF and is part of our efforts to ensure our due diligence activities comply with industry requirements. Going forward, we are committed to continually improve our public reporting on supply chain due diligence.



Dr. Katja Gehne  
Head of Responsible Minerals Office -  
Precious Metals and Battery Minerals