



Precious to us

2016 Sustainability Report

Letter to our stakeholders

We work constantly and enthusiastically with our stakeholders to maximise the sustainability of our company and of our industry.

For all of us, the respect of human rights, protection of the environment, ethical procedures and transparency, in addition to compliance with all rules and laws, are as precious as the metals we process.

This is why we have decided to summarise our approach to corporate social responsibility with the concept “Precious to us”, symbolising our dedication to daily operations and the enthusiasm with which we have prepared this Report.

This concept represents our Company’s five commitments to you. Five shared commitments through which we fulfil our pledge to be a responsible company. Five commitments that are the basis of this Report. Our Group’s new ownership structure will maintain this approach. We prepared this Report according to the latest sustainability guidelines issued by the GRI (Global Reporting Initiative), the foremost international standard for sustainability reporting. In addition, this year’s Report describes the Group’s actions with regard to the Ten Principles of the United Nations Global Compact concerning human rights, labour, environment, and anti-corruption: an initiative that we continue to support.

These additional steps confirm our continuous

commitment to sustainability as well as our intention to make this Report an even more effective platform for sharing the work and results achieved during the year.

Enjoy the read!

Christoph Wild

Co-CEO Argor-Heraeus SA

A handwritten signature in dark ink, appearing to read 'Wild', with a stylized flourish at the end.

Dr. Wilfried Hörner

Co-CEO Argor-Heraeus SA

A handwritten signature in dark ink, appearing to read 'Hörner', with a stylized flourish at the end.

Precious to us

The metal we process and the attention we give our stakeholders are precious. Our devotion to being a successful company, which allows us to assume long-term responsibilities, is precious. Above all, the environment and the social and economic context influenced by our actions are precious. Therefore, "Precious to us" expresses our approach to sustainability, confirmed through five commitments.

Our commitments

*1. Involve our
stakeholders*

Page 8

*2. Work for a
transparent
and responsible
chain*

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*3. Contribute
to local
development*

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*4. Protect the
environment*

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*5. Grow with
our employees*

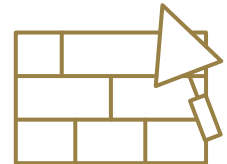
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Argor-Heraeus

www.argor.com

FORMED IN 1951

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Headquarters
Mendrisio,
Canton Ticino, Switzerland

SHAREHOLDERS

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Until March 2017

- Heraeus
- Commerzbank
- Austrian Mint
- Management

From April 2017

- 100% Heraeus

THE GROUP

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4 branches

- Switzerland
- Italy
- Germany
- Chile

GOVERNANCE AT 3 LEVELS

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- Executive
- Managerial
- Operative

OPERATIONS

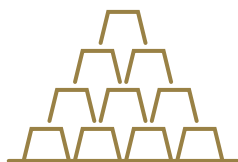
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- Precious metal refining
- Smelted and minted products
- Semi-finished products for the high-end jewellery and watch industry
- Financial and accessory services

PRODUCTION CAPACITY

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Gold refining
up to 1,300 tonnes/year

CUSTOMERS IN ALMOST 50 COUNTRIES WORLDWIDE

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- Banks
- Mines, Formalised artisanal and small-scale mining (ASM) communities
- Professionals in the high-end jewellery and watch industry

1. Involve our stakeholders

Our stakeholders are an essential part of our way of thinking and acting. They are involved proactively in our operations, with transparency, sharing, and mutual trust

OUR APPROACH

→ **Analysis and prioritisation:** an evaluation conducted with our management for our first Sustainability Report in 2010 identified our most important stakeholders. The list is reviewed and updated periodically.

→ **Involvement and dialogue:** we interact regularly with all of our stakeholders by means of numerous activities and on many occasions.

→ **Proactive monitoring:** we listen carefully to the opinions and suggestions of our stakeholders.

→ **Sustainability Report:** this platform for dialogue with our stakeholders is essential for sharing results achieved and measures implemented.



Precious to us

We have created a round table with some of our most important stakeholders to discuss a series of joint measures aimed at increasing our industry’s sustainability and transparency.

A tangible commitment to involve our stakeholders

Stakeholder	Key subjects of interest	Main activities
Shareholders	→ Economic performance → Distribution of added value → Reputation → Ethics and integrity	→ Shareholders Meeting → Continuous collaboration and periodic targeted communication → Annual Report, Sustainability Report, video on sustainability, website, sustainability infographics → Celebrations and book for Company's 65th year of operations
Management	→ Economic performance → Reputation → Conditions of use → Health and safety → Education and training → Ethics and integrity	→ Personnel policy and incentives → Monthly meetings of executives, middle management, administration; workshops → Technical and professional training → Annual Report, Sustainability Report, video on sustainability, website, sustainability infographics, code of conduct → Celebrations and book for Company's 65th year of operations
Employees	→ Ethics and integrity → Reputation → Conditions of use → Health and safety → Education and training → Efficiency and performance	→ Personnel policy and incentives → Periodic newsletter → Technical and professional training → Sports and recreation group → Annual Report, Sustainability Report, video on sustainability, website, sustainability infographics, code of conduct → Sustainable mobility programme → Member – FocusMEM Ticino – HR Ticino – ICT Ticino – Swiss company for safety at the workplace (SSSL)
Customers and suppliers	→ Quality of products and service → Reputation → Compliance → Ethics and integrity → Responsibility and transparency of suppliers → Supply practices	→ Compliance procedures → Targeted personalised information → Commercial activities, targeted visits, trade fairs → Sustainability Report, sustainability infographics, website → Supplier assessment procedures → Celebrations and book for Company's 65th year of operations
NGOs	→ Ethics and integrity → Compliance → Responsibility and transparency of suppliers → Certification of commitment	→ Support to local non-profit associations → Assessment of involvement in non-profit projects linked to fair trade → Seminars → Sustainability Report, sustainability infographics, video on sustainability, website

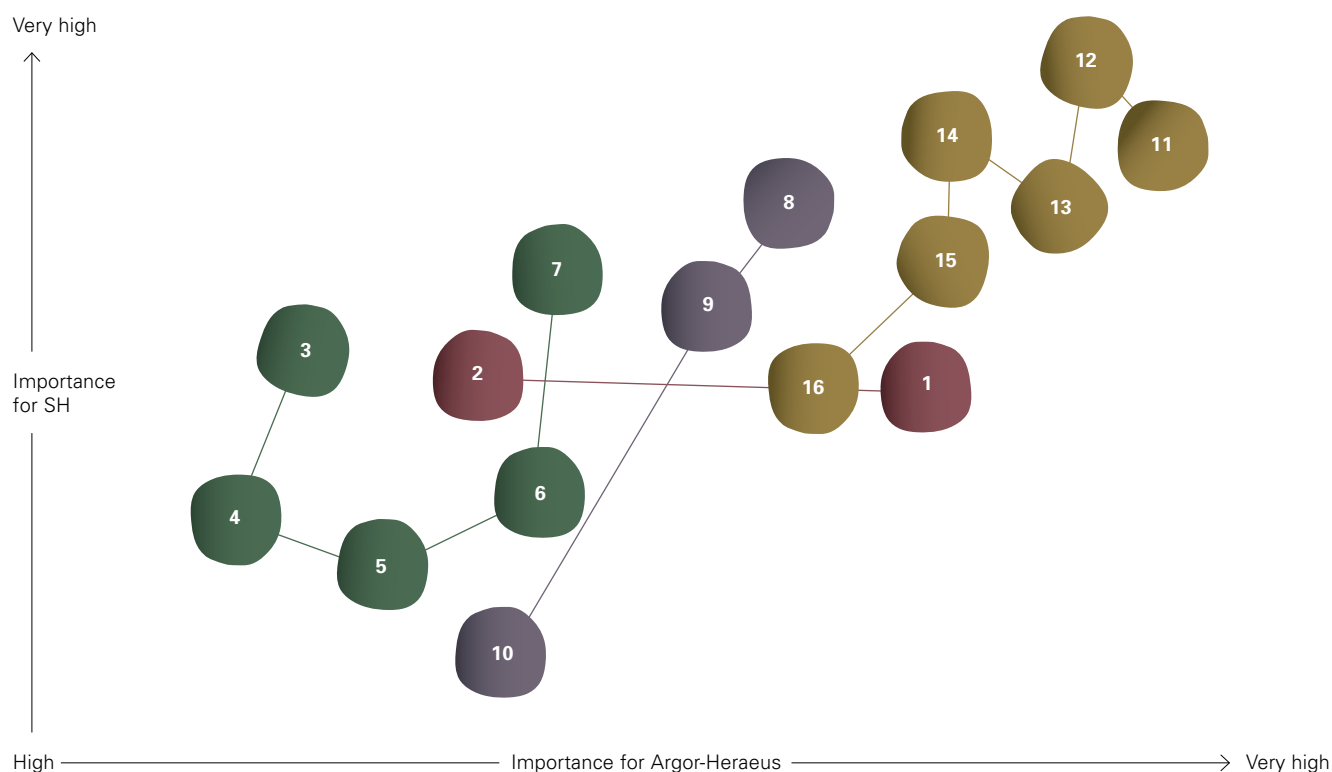
Stakeholder	Key subjects of interest	Main activities
Mass media	→ Ethics and integrity → Supply practices → Relations with institutions → Use	→ Press and media relations office activities → Website media area, Sustainability Report, video on sustainability, sustainability infographics
Industry associations	→ Economic performance → Ethics and integrity → Collaboration on key projects	→ Member of various associations and initiatives: – European Chemicals Agency (ECHA) – Ticino Industries Association (AITI) – Swiss Precious Metal Industry Association (ASFCMP) – Ticino Watch Industry Association (ATIO) – Ticino Canton Chamber of Commerce (Cc-Ti) – CME Group Inc. – Dubai Multi Commodities Centre (DMCC) – Infosuisse – London Bullion Market Association (LBMA) – London Platinum and Palladium Market (LPPM) – Precious Metals & Rhenium Consortium (EPMF) – Responsible Jewellery Council (RJC), – Swiss Better Gold Association (SBGA, founding member) – UN Global Compact → Continuous collaboration with principal associations governing the precious metals sector → Sustainability Report, video on sustainability, sustainability infographics, website → Celebrations and book for Company's 65th year of operations
Institutions	→ Payment of taxes → Observance of rules → Environmental impact → Employment and safety → Ethics and integrity	→ Continuous collaboration and periodic targeted communication → Sustainability Report, video on sustainability, sustainability infographics, website → Visits to Company by politicians and representatives of institutions → SUPSI Award for best engineering diploma → Sustainable mobility programme → Celebrations and book for Company's 65th year of operations
Public services	→ Employee safety → Collaboration on safety → Environmental impact	→ Regular exercises during the year → Continuous collaboration and periodic targeted communication → Sustainability Report, video on sustainability, sustainability infographics, website
Competitors	→ Economic performance → Ethics and integrity → Partnerships on matters concerning the industry	→ Participation in workshops → Participation in ASFCMP platform

Priorities

SHARED TOPICS AND CONCERNS

When classifying our stakeholders, we identified the economic, environmental, and social aspects that are most important to them, based on the GRI standards used to prepare this Report.

These aspects were then grouped and mapped based on their importance for the Company and for our stakeholders, and form the basis of the topics dealt with in this Report. The qualitative importance of these aspects is constantly monitored in dialogues with our stakeholders.



Economic aspects

- 1 – Economic value generated and distributed
- 2 – Supply practices

Environmental aspects

- 3 – Materials used
- 4 – Energy consumption
- 5 – Water consumption
- 6 – Exhaust and waste
- 7 – Emissions

Social aspects

- 8 – Employee health and safety
- 9 – Employment
- 10 – Training and education

Mixed aspects

- 11 – Ethics and integrity
- 12 – Compliance
- 13 – Respect of human rights
- 14 – Responsibility and transparency of suppliers
- 15 – Relations with stakeholders
- 16 – Certification of our commitment

The evolution of our commitment

1. Five commitments to our stakeholders

Over the years, Argor's commitment to sustainability has become increasingly complex and multifaceted. Therefore, we have decided to summarise it in 5 clear commitments to all of our stakeholders: 1) involve our stakeholders, 2) work for a transparent and responsible chain, 3) contribute to local development, 4) protect the environment, and 5) grow with our employees.

2. Formal adoption of international reporting standards

Our new Sustainability Report has been prepared based on guidelines of the GRI (GRI Standards, core option), the foremost sustainability reporting standards. This is because we want our Report to improve every year and provide our stakeholders with increasingly precise information.

3. At the top of industry organisations

In 2016, Dr. Wilfried H. Hörner, our Co-CEO, became President of the Responsible Jewellery Council, one of the most important and influential associations in the precious metals industry. Our membership in the Council confirms our collaboration with our stakeholders to make the industry more and more responsible.

4. Working with experts

We are planning to form a board of experts in the field of sustainability to support and advise us in our constant efforts to improve, year after year.



GRI Standards
www.globalreporting.org



Responsible Jewellery Council
www.responsiblejewellery.com

2. Work for a transparent and responsible chain

We play a leading role in facing our industry's greatest challenge: guaranteeing that all parties in the chain act responsibly toward the society and the environment.

OUR APPROACH

- **Principles, policies, and company procedures:** these tell us how to make the right decisions in every situation, in order to ensure that we work only with transparent and responsible partners.
 - **Rules and standards:** we are certified by the most prestigious national and international organisations, with constant auditing of our chain management system by internal and external experts.
 - **Collaborations:** we constantly dialogue and collaborate with other players in the industry to make it more sustainable. By creating "win-win" situations, we stimulate responsible conduct by our partners.
 - **Continuous improvement:** we continuously improve our management system by analysing events and any critical issues that may occur, both externally and internally.
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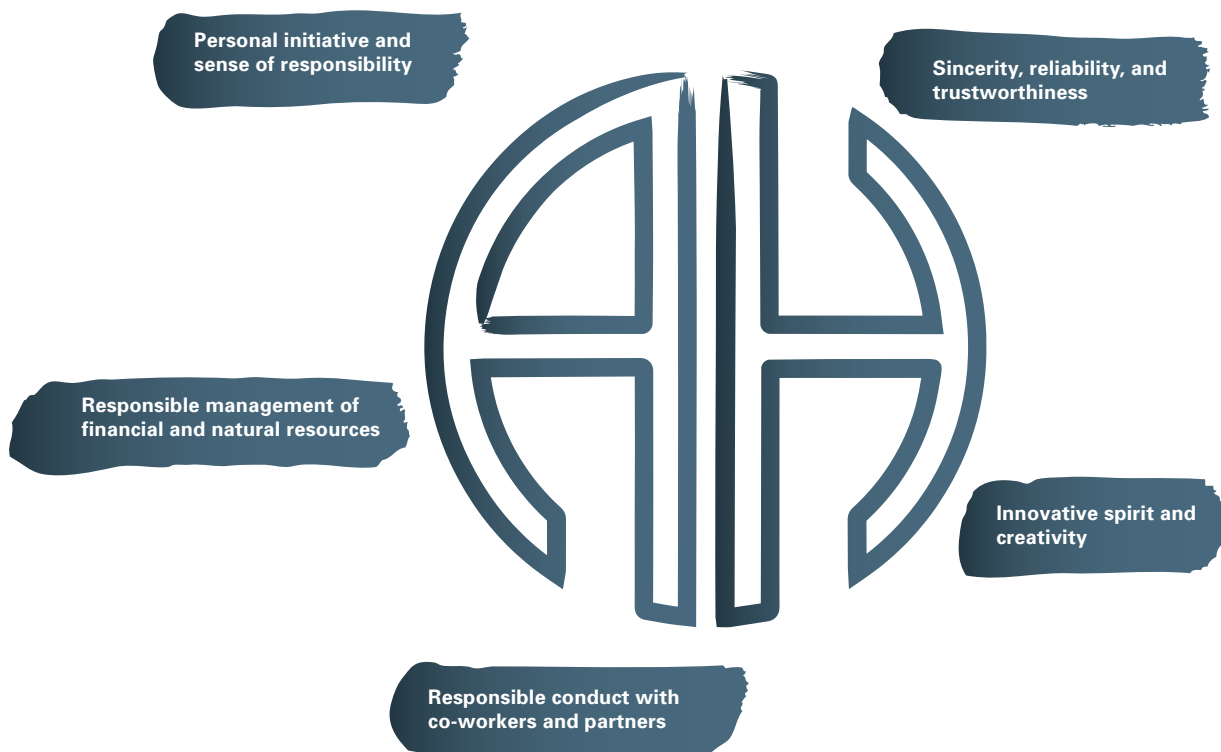


Precious to us

In 2016, we launched an important collaboration with the United Nations Industrial Development Organization (UNIDO). The goal: reduce the use of mercury in artisanal and small-scale mining operations. A concrete effort to promote sustainability on the chain and help these players to strengthen their social and market position. The collaboration began with two projects, one in Mongolia and one in the Philippines. The third project will be in Burkina Faso.

Principles, policies and company procedures

OUR VALUES EXPRESS OUR PHILOSOPHY AND
ARE THE FOUNDATION OF ALL OF OUR PROCEDURES



RULES AND PROCEDURES THAT GUIDE OUR DAILY WORK

These are regularly updated, publicly available, and provided to all employees. Workshops on policies are conducted on a regular basis.

Tools	Main areas of concern
Code of conduct	→ Assure fair competition → Fight corruption → Fight money laundering and financing of terrorism → No activity in violation of regulations of domestic, international, or supranational organisations → Prevent conflicts of interest → Create and maintain safe and correct working conditions → Prevent discrimination → Protect the environment → Protect company assets → Relations with the media
Policy of compliance and ethics	→ Maintain high standards of ethical conduct → Comply with all applicable laws → Transparency in all transactions → Relations only with persons and companies that comply with all laws and ethical principles → Supplies of materials only from parties that comply with international standards and accepted environmental practices
Supply chain due diligence policy	→ No relations with any parties linked to violations of human rights → No relations with any partners that may be linked to parties that violate human rights → No relations with any armed non-state actors → No relations with any partners that may be linked to armed non-state actors → Zero tolerance of corruption and/or lack of transparency to gain any sort of advantage → Active effort to prevent or unmask money laundering and/or financing of terrorist groups in activities linked to our industry
Human rights policy	→ Prohibition of child labour → Prohibition of forced labour → No discrimination → Freedom of association and protection of right to organise → Safety at the workplace → Human rights in the supply chain → Mandatory due diligence in human rights



Code of conduct
www.argor.com



Policy of compliance and ethics
www.argor.com



Supply chain due diligence policy
www.argor.com



Human rights policy
www.argor.com

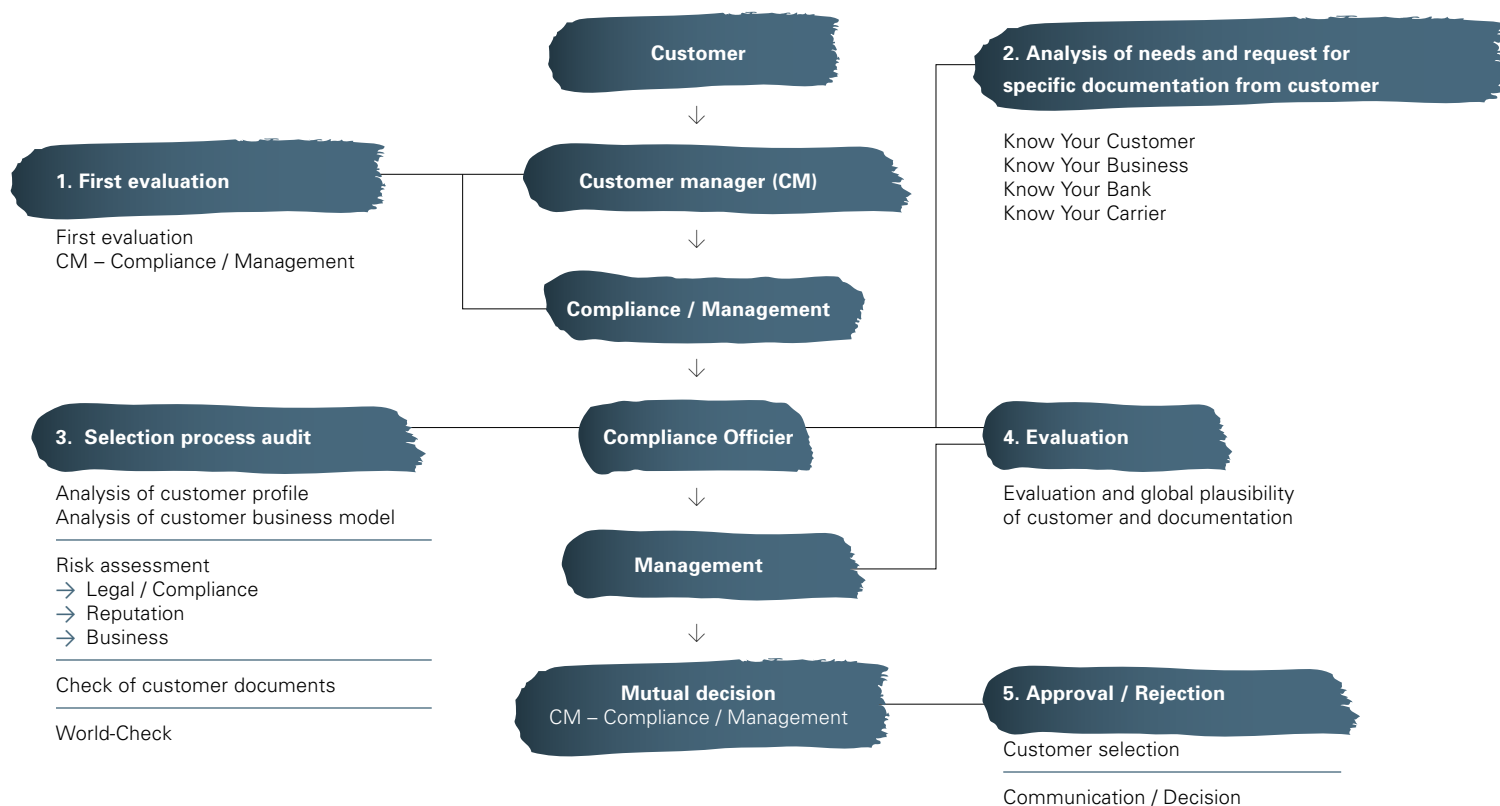
KNOW YOUR... PROCEDURES FOR 100% OF OUR BUSINESS PARTNERS

We implement a series of procedures called “Know your... customer, customer’s customer, business, bank, carrier” to ensure that all of our partners on the chain apply the highest standards of economic, environmental, and social sustainability.

The evaluated criteria include, for example: absence of cases of corruption, respect of human rights, absence of child labour and forced labour, respect of local communities, and impact on society and the environment.

These procedures, applied to 100% of the partners of the entire Group, are continuously assessed internally and externally, and are certified by top industry organisations. If there is any doubt, the business relation does not begin or is interrupted.

Likewise, all of our facilities and activities are subject to equally strict checks and assessments with regard to the above-mentioned areas of concern.



Rules, standards, and collaborations

WE WORK IN A COMPLEX, CHALLENGING INDUSTRY. RULES AND STANDARDS HELP US NAVIGATE SAFELY.

GLOBAL COLLABORATION

We go beyond compliance with all domestic and international laws: we work with supranational bodies, governments, and industry associations to jointly develop a chain that is more sustainable for everyone, from mine to final consumer.

PROMOTING AWARENESS ON THE ENTIRE CHAIN

We promote the awareness of all players on the chain, so that they may fully understand the importance of ethical principles and sustainability. When possible, we try to stimulate our partners to act ethically by explaining the benefits and value that this will generate.

PLAYERS ON THE PRECIOUS METALS MARKET



SUPRANATIONAL BODIES

OECD Organization for Economic Co-operation and Development
FATF Financial Action Task Force



DOMESTIC LAWS

US Law Dodd-Frank Act
Swiss law FINMA / Anti money-laundering law
Precious metals control law
Acts and ordinances on precious metals and money laundering



PROFESSIONAL ASSOCIATIONS

RJC Responsible Jewellery Council
LBMA London Bullion Market Association
WGC World Gold Council
EICC/GeSI Electronic Industry Citizenship Coalition / Global e-Sustainability Initiative

Accreditations and recognitions

GUARANTEE QUALITY AND TRANSPARENCY TO OUR STAKEHOLDERS

We want to ensure all of our stakeholders that the metal that enters and exits our plants is sustainable and transparent, fully compliant with the highest ethical and quality standards. This commitment is supported by accreditations and certifications by the industry's most important organisations.

OUR EXPERTISE AT THE INDUSTRY'S SERVICE

We work with the industry's foremost bodies, providing our expertise to define the quality and sustainability criteria that govern the industry itself. For example, we are one of the world's 5 referees for checking the quality standards of members on the LBMA Good Delivery list.



A CONCRETE COMMITMENT OVER THE YEARS

1952

Melter & Assayer Licence

1961

LBMA Associate Member

LBMA Good Delivery gold

1974

COMEX Recognised operator for gold

1982

TOCOM Recognised operator for gold and silver

1992

LBMA Good Delivery silver

1999

COMEX Recognised operator for platinum and palladium

2001

LME Silver

2004

LBMA Referee

FINMA Authorisation

SAS Accreditation ISO 17025

2005

DMMC Recognised operator

RJC Member

2009

LPPM Good Delivery platinum and palladium

2011

ISO 9001

RJC Code of Practices

2012

LBMA Full member

LBMA RGG

D&B Rating certificate

2013

SBGA Founding member

2014

RJC Chain of Custody

ISO 14001

OHSAS 18001

2015

LRD Recertification

LBMA RGG Recertification

Integrated safety quality and environment system
Recertification

2016

COMEX Recognised operator for silver

**GLOBAL COMPACT:
NOT JUST A QUESTION OF PRINCIPLES**

We have enacted the 10 principles of the Global Compact, the United Nations initiative promoting corporate sustainability in the areas of human rights, labour, environment, and anti-corruption. We have been active in these areas for years with regard to the company, industry, and chain. Our Sustainability Report describes what we have accomplished every year.



**GLOBAL REPORTING INITIATIVE:
FOR CONSISTENTLY SOLID REPORTING**

Starting with this edition, our Sustainability Report has been prepared according to GRI guidelines (GRI Standards, core option). GRI guidelines are the reference point for sustainability reporting and are adopted by thousands of organisations throughout the world.



GRI Standards
www.globalreporting.org



Global Compact
www.unglobalcompact.org

The evolution of our commitment

1. Updating to ISO 9001 and ISO 14001

ISO 9001 and ISO 14001 are the standards most often utilised for Management Systems for Quality (ISO 9001) and environment (ISO 14001). We will update to the new regulations in 2017. This will include the mapping of all risks to the continuity of our operations and the definition of measures to be taken to minimise such risks.

2. RJC recertification

In 2017, recertification is scheduled for 1) RJC Chain of Custody and 2) RJC Code of Practices. These certifications confirm our responsible practices with regard to extraction and sale on the chain and define responsible practices in terms of ethics and the safeguarding of human, social, and environmental rights.

3. Guidelines and principles to promote dialogue

By adopting GRI guidelines for the preparation of our Report and by enacting the 10 principles of the Global Compact, we intend not only to improve our Sustainability Report, but also to make the Report an increasingly effective platform for dialogue with our stakeholders.



RJC Chain of Custody

www.responsiblejewellery.com



RJC Code of Practices

www.responsiblejewellery.com



Standard ISO

www.iso.org

3. Contribute to local development

We began over 65 years ago in Canton Ticino, Switzerland, where we have grown and put down deep roots. This is why we have always made sure that our growth contributes to local development.

OUR APPROACH

- **Employment policies** designed to guarantee the creation of jobs and the preservation of safe and correct conditions.
- **Supplier selection policies** that give priority to local or Swiss suppliers of products and accessory services. This applies to the parent company as well as to international branches.
- **Guidelines for sponsoring** that promote the funding of activities specifically linked to the development of local talent.



70% ARE SWISS COMPANIES

Suppliers of products and accessory services



59% TO EMPLOYEES

Distribution of added value

Precious to us

In April 2016, as part of our multi-year collaboration with SUPSI, we presented the 6th edition of the Argor-Heraeus Award (3,000 Swiss francs) for the best diploma by a student in the Master of Science in Engineering course. We are very proud of this Award, which promotes the development of technical skills and of talented young people in our area.

Distribution of added value

SUCCESS AS A SUSTAINABILITY DRIVER

We know that sustainability is meaningful only in a long-term perspective. Therefore, positive annual results are indispensable for building an increasingly efficient mechanism that minimises impact and generates value for society.

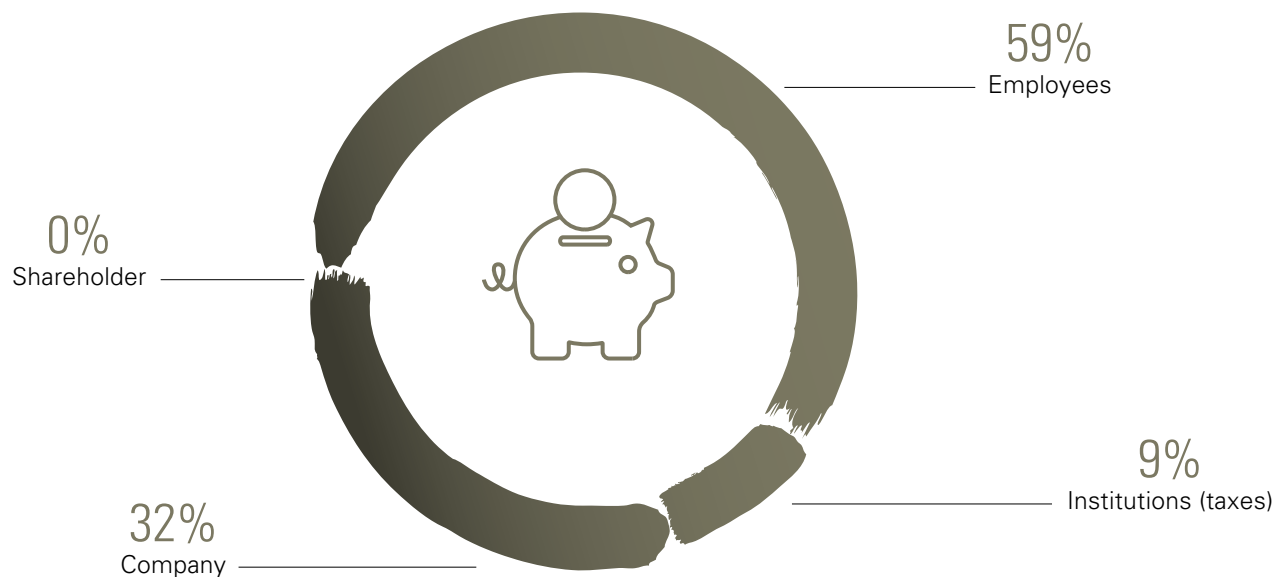
VALUE IS NOT LIMITED TO ANNUAL RESULTS

The redistribution of added value to various stakeholders, both internal and external, allows us to assess the total economic value that we generate for the territory.

OVER HALF OF ADDED VALUE GOES TO EMPLOYEES

We redistributed almost 60% of the added value generated in 2016 to our employees. Almost one-third of added value was reinvested internally for future growth, whereas there was no redistribution to shareholders due to the sale of our shares during the year. 10% of added value was used to pay taxes.

DISTRIBUTION OF ADDED VALUE IN 2016 (%)



40% OF OUR EMPLOYEES LIVE IN CANTON TICINO

A company contributes to the growth of its territory by promoting the hiring of young people and through the employment of local workers. We have been recognised as a training company by the Canton since 1978; 4 apprentices worked with us in 2016.

Almost 40% of our employees live in Ticino. This is a significant figure, considering our proximity to the Italian border and the industrial nature of our operations. This figure rises to 80% if we include the Company's management.

A CONTRIBUTION TO THE COMMUNITY

Every year, we evaluate numerous requests to sponsor or support a variety of initiatives, and proactively support selected local projects. Among the initiatives supported in 2016 were:

- **SUPSI** – Annual award to the best Master in Engineering diploma.
- **European Youth Parliament at Laax** – An annual event promoting cultural exchange among young people, organised by a team of young people from all over Switzerland. Thanks to our collaboration, one of our young employees was able to participate in the Parliament's works and, in particular, in the opening ceremony attended by Didier Burkhalter, the Swiss Minister of Foreign Affairs.
- **Memorial Gander in Chiasso** – An important gymnastics competition held every two years.

In addition to these initiatives, we support a number of local non-profit associations in the culture, sports, and social fields.



Argor-Heraeus SUPSI award
www.argor.com

Suppliers of accessory services and products

WE BELIEVE IN LONG-TERM RELATIONS

Naturally, it is essential that our suppliers guarantee the highest possible quality. But we give equal weight to developing long-term relations with suppliers that share our values of reliability and transparency.

70% OF EXPENDITURES TO SWISS SUPPLIERS

In 2016, we completed re-engineering work, in which many local suppliers participated. This year, 33% of expenditures for supplies went to companies in Ticino and 37% to suppliers in the rest of Switzerland.

DISTRIBUTION OF EXPENDITURES FOR SUPPLIERS OF ACCESSORY PRODUCTS AND SERVICES IN 2016 (%)



The evolution of our commitment

1. A renewed investment in Mendrisio

We have been based in Mendrisio since 1988, and in 2013 we doubled our presence by building a new facility. In 2016, we completed re-engineering work on the facility we inaugurated in the late 1980s, confirming once again our strategy of growth rooted in the territory.

2. 150 years of service to the territory

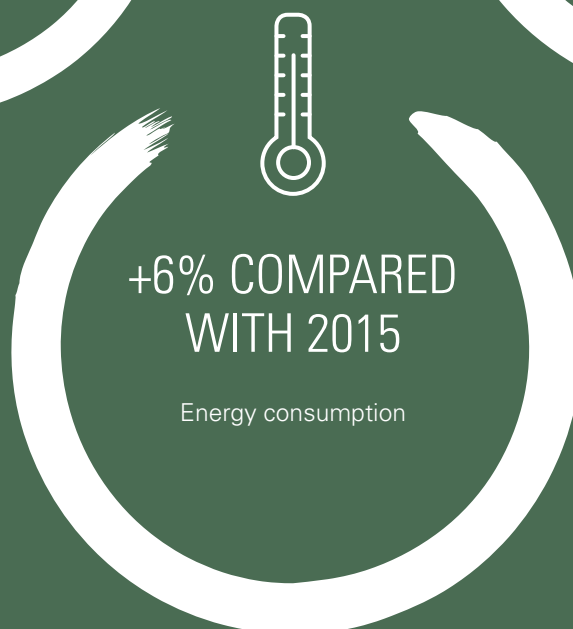
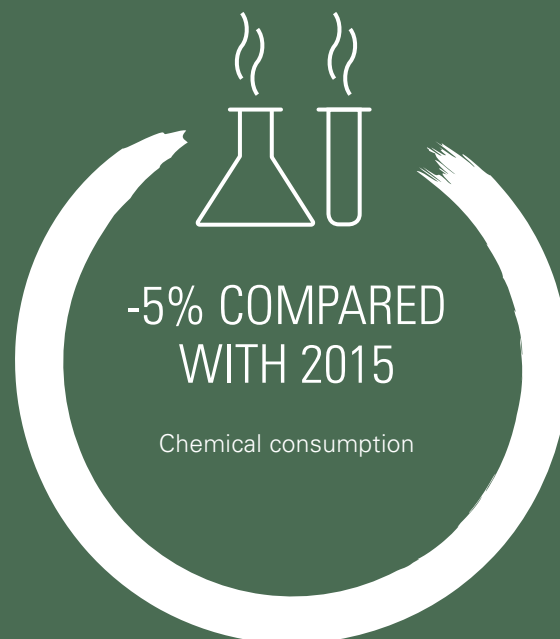
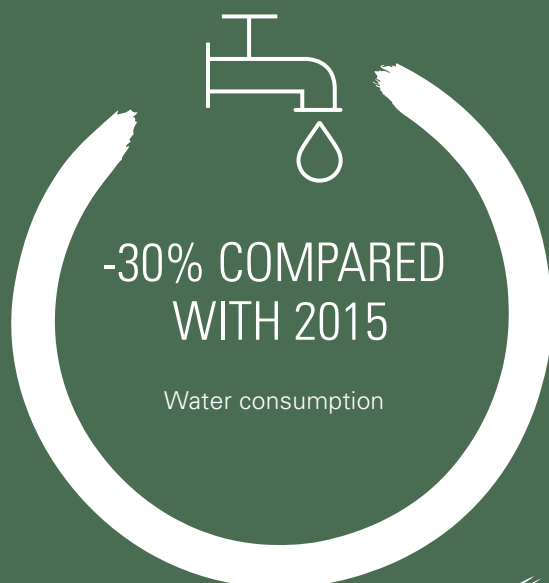
We proudly support selected initiatives in our territory. For example, in 2017, in addition to our customary activities, we will support the Municipal Fire Brigade of Mendrisio (the town in which our Parent Company is based) in the celebration of their 150th anniversary. We have worked with the Fire Brigade for many years, and send them our very best wishes for a happy birthday!

4. Protect the environment

Like every industrial company, ours has an inevitable impact in terms of natural resource consumptions and emissions. We work constantly not only to minimise the impact of our operations on the environment, but also to make our partners more aware of this issue.

OUR APPROACH

- **Constant monitoring** of consumptions and emissions.
 - **Strict self-imposed limits:** even though our classification as a chemical company requires very strict monitoring and very low legal limits, we try to self-impose even stricter limits.
 - **Collaboration with authorised bodies** to find shared measures aimed at reducing our impact.
 - **State-of-the-art technologies** that comply with the latest energy criteria and allow highly sophisticated monitoring.
 - **Explicit commitments** to institutions to reduce impacts.
 - **External audits and certifications** to assess our impacts and management approaches.
 - **Increased awareness** of our business partners by means of collaborations that stimulate them to act responsibly toward the environment.
-



Precious to us

We are implementing the “lean management” system made famous by Toyota. The key objective of this investment is to have leaner production and processes that reduce waste in all areas – from production to administration. The implementation of this management system will generate savings of materials and natural resources and will also ensure a safer workplace.

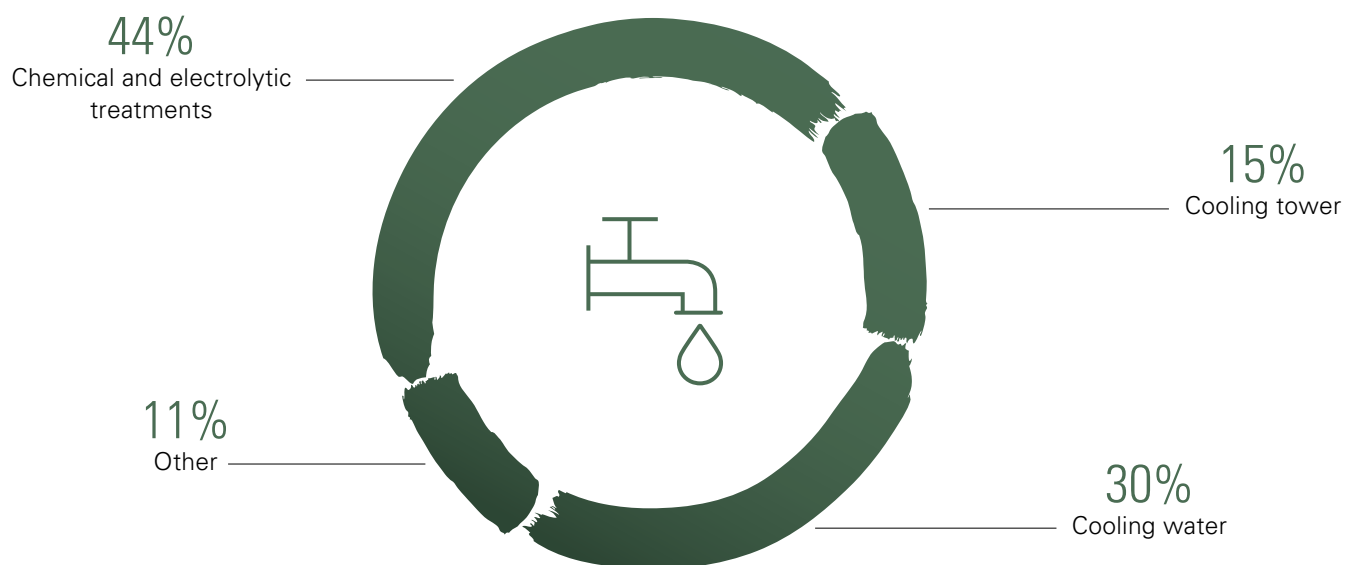
Water consumption

WATER PLAYS AN ESSENTIAL ROLE IN OUR PRODUCTION PROCESSES

100% of our water comes from the town aqueduct, and is used for:

- **Chemical and electrolytic reactions** needed for precious metal refining.
- **Cooling of machines:** our machines need a constant flow of cooling water in order to work efficiently.

USES OF WATER IN 2016 (%)



2016 HAD THE LOWEST WATER CONSUMPTION SINCE WE BEGAN PUBLISHING OUR SUSTAINABILITY REPORT: 46,751 M³

The sharp drop in consumption (-20,187 m³ compared with 2015) was possible thanks to years of constant commitment. Specifically, as part of the re-engineering process carried out from 2014 to 2016, we installed new, closed-circuit cooling systems that provide significant savings, the benefits of which we are now noting. To a lesser extent, a different production mix and the resolution of a few technical problems also contributed to lower water consumption.

OUR AFFILIATE ARGOR-ALJBA REDUCED CONSUMPTION BY 65%

Compared to the Mendrisio headquarters, our affiliates consume significantly less water (less than 7%). In 2016, Argor-Aljba continued to reduce its water consumption, with extremely positive results (-65% compared with 2015). This was made possible by some new, high-performance machines.

TOTAL WATER CONSUMPTION (m³)



TOTAL WATER CONSUMPTION BY AFFILIATES IN 2016 (m³)



Chemical consumption

**CHEMICALS MUST BE USED TO OBTAIN
EXTREMELY FINE PRECIOUS METALS.**

We use 4 main types of chemicals:

- **Hydrochloric acid:** essential for gold refining.
- **Nitric acid:** needed for silver refining.
- **Caustic soda:** used to neutralise exhausted solutions.
- **Other chemicals:** used to refine platinum and palladium and for other production processes.

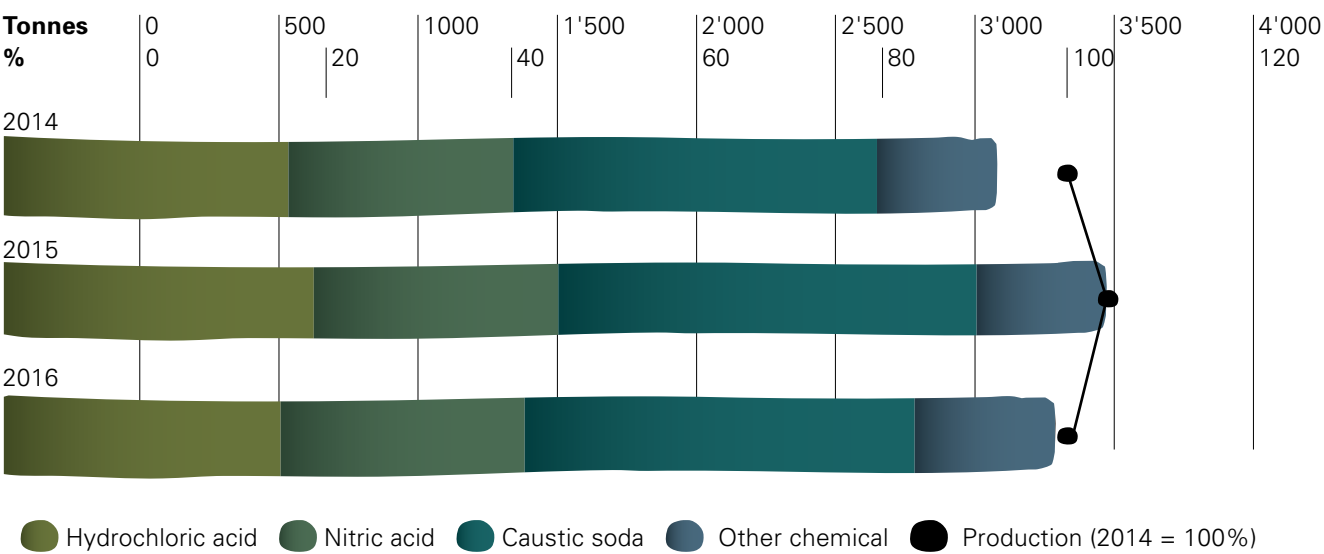
CHEMICALS USED IN 2016 (%)



WE REDUCED CHEMICAL CONSUMPTION
BY 5% IN 2016

In 2016, we consumed a total of 3,269,368 kilograms of chemicals (-168,059 kg less than in 2015). The reduction in chemical consumption in 2016 is mainly attributable to slightly lower production during the year.

CHEMICAL CONSUMPTION (TONNES) AND PRODUCTION (%)



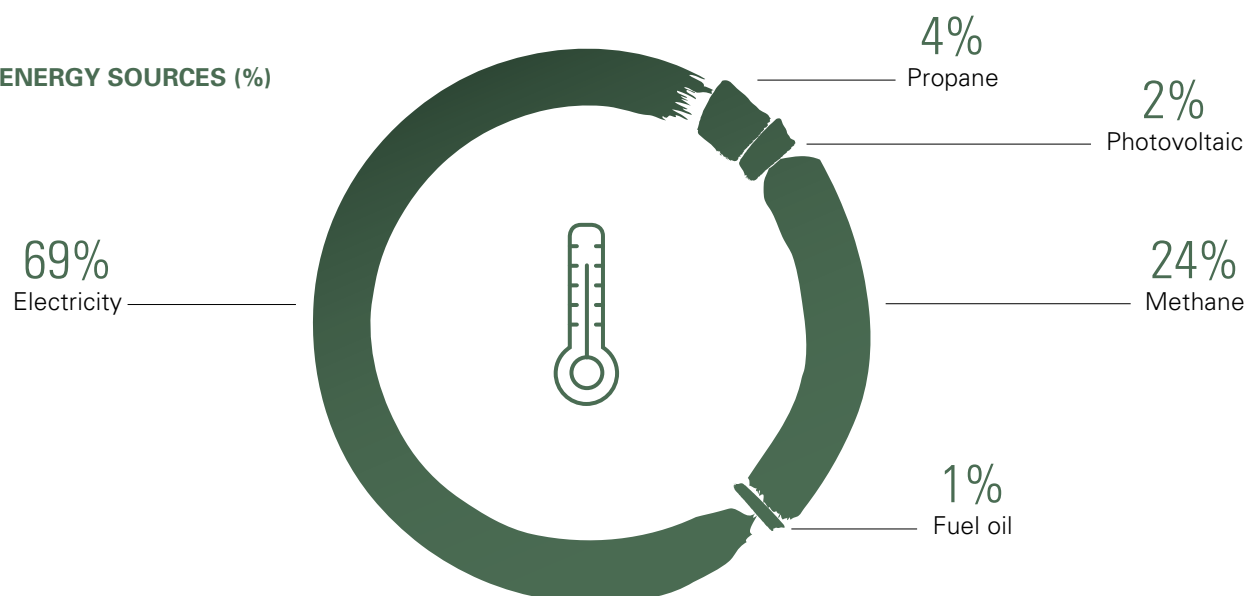
Energy consumption

THE ENERGY WE USE COMES FROM DIFFERENT SOURCES AND IS NEEDED FOR PRODUCTION PROCESSES AND TO HEAT OUR ROOMS.

How do we use different energy sources?

- **Electricity:** indispensable for running our plants and facilities.
- **Methane and fuel oil:** these are used mainly to heat our facilities and, therefore, their consumption is strongly influenced by the climate.
- **Propane:** this is used for protective flames during the smelting and casting of gold and silver.
- **Photovoltaic:** over 1,000 solar panels are used to generate part of the energy used for processes in our new facility.

2016 ENERGY SOURCES (%)



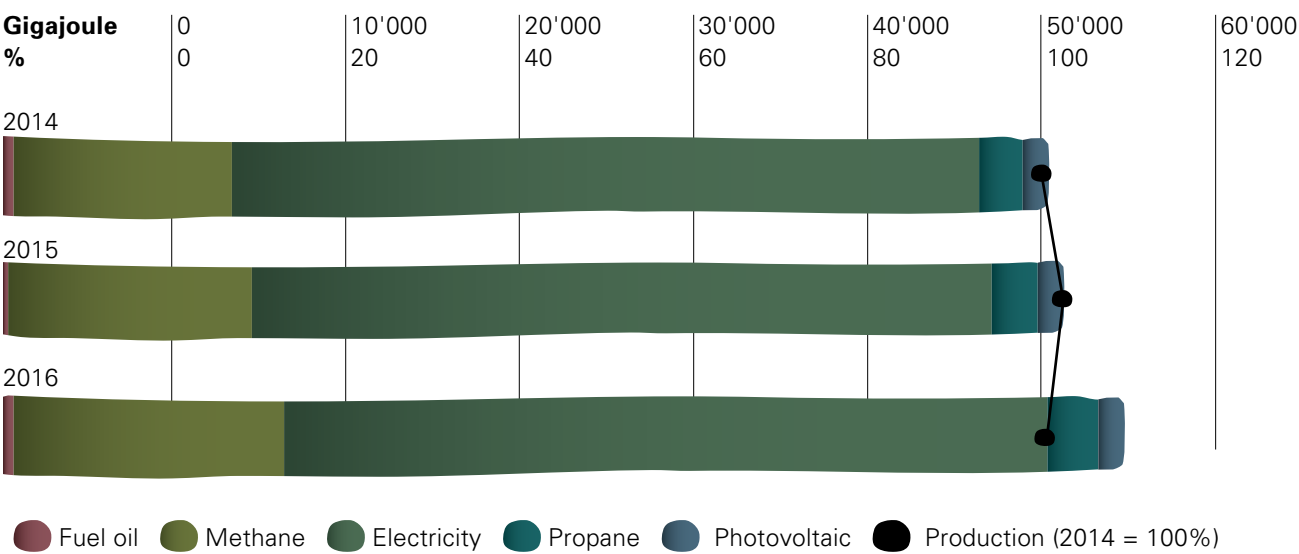
ENERGY CONSUMPTION INCREASED BY 6% IN 2016

Our total energy consumption in 2016 was 54,207 Gigajoules, 2,902 more than in 2015. This increase was attributable in part to larger heated areas (new chemical department and new foundry). The relative weight of the different energy sources used was practically unchanged from 2015.

FUEL OIL AND METHANE: AN INCREASE DUE TO MAINTENANCE WORK AND INFRASTRUCTURE UPGRADES

An increase in fuel oil consumption (as a replacement source) was required for heating during periods of maintenance work on the main plant. A new ventilation system in the new chemical department, providing more efficient ventilation in workplaces, required higher methane consumption. This higher consumption was also due to a few technical problems which were subsequently eliminated.

2016 ENERGY CONSUMPTION (GIGAJOULE)



THE TOTAL ENERGY CONSUMED BY OUR AFFILIATES IS SLIGHTLY MORE THAN 5% OF CONSUMPTION BY OUR PARENT COMPANY.

Consumption by our Italian and German affiliates is practically unchanged. Argor-Aljba had a significant increase in energy volumes used as a result of higher production.

2016 ENERGY CONSUMPTION BY AFFILIATES (GIGAJOULE)

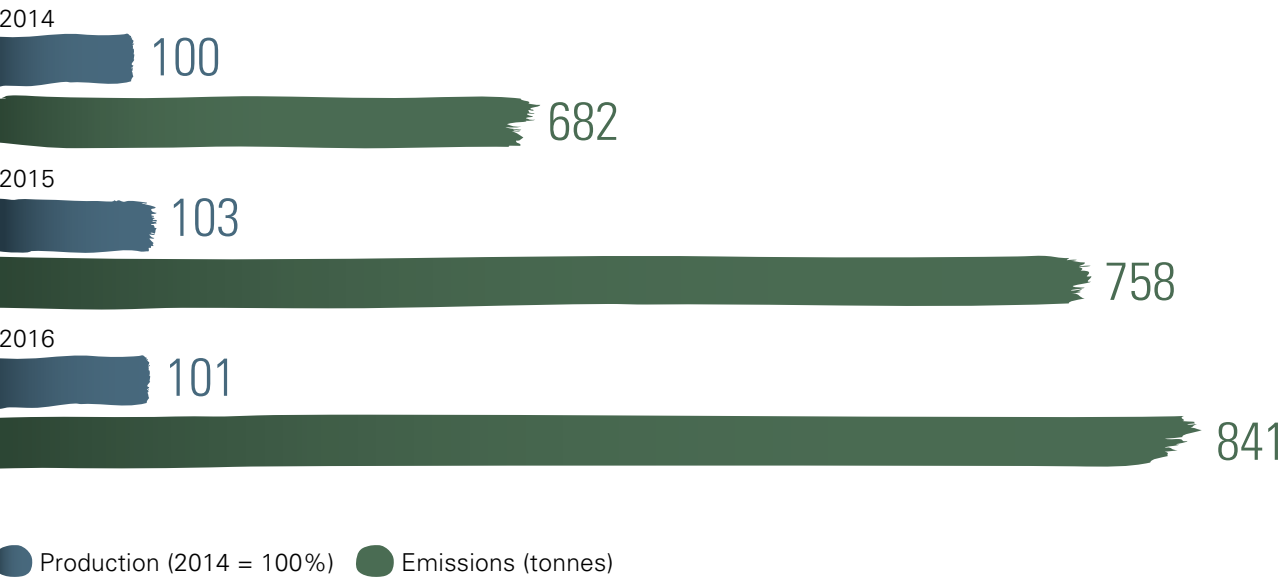


Emissions

THE FOSSIL FUELS WE USE FOR OUR PROCESSES AND TO HEAT OUR BUILDINGS EMIT CO₂ INTO THE ATMOSPHERE.

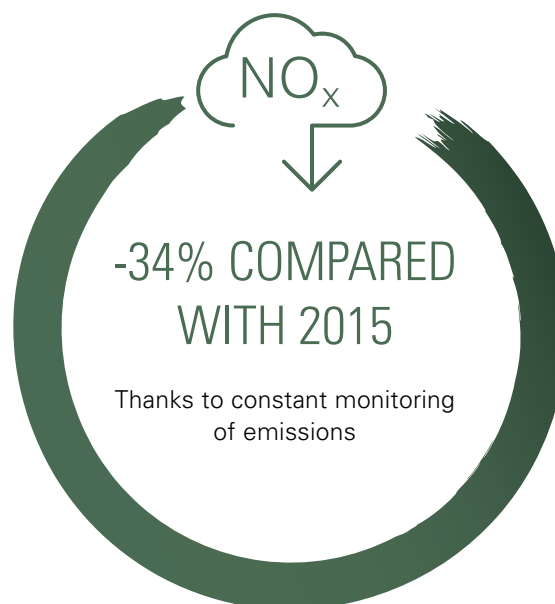
Consumption increased 11% in 2016 due to greater use of fuels to heat our buildings. This was needed due to periods of maintenance and to technical problems with our gas-operated boilers, which forced us to use them less.

CO₂ EMISSIONS (TONNES) AND PRODUCTION (%)

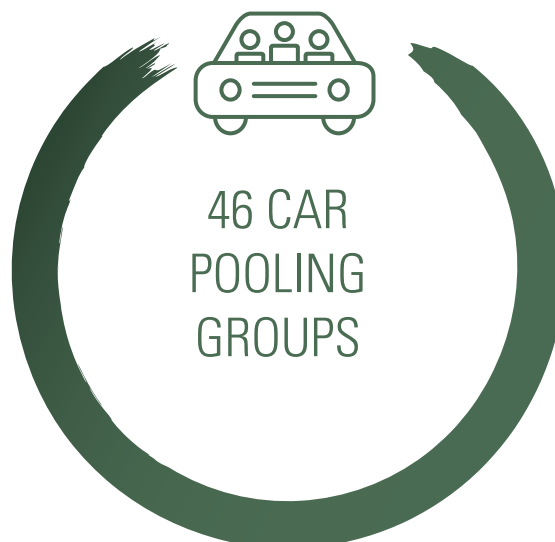


NITROUS OXIDE EMISSIONS: A DOWNWARD TREND

The use of nitric acid in metal refining processes generates nitrous oxide into the atmosphere. Thanks to constant monitoring of emissions (in collaboration with the Canton) and to improved refining procedures, we have significantly reduced our emissions (-34% compared with 2015).

**OUR COMMITMENT TO REDUCING EMISSIONS DOES NOT STOP AT THE END OF THE WORK SHIFT: CAR POOLING, PUBLIC TRANSPORTATION AND SLOW MOBILITY**

Our mobility programme tries to motivate employees to use alternate means that reduce or optimise the use of cars. In 2016, we had 46 car pooling groups and subsidised 50% of the company's Arcobaleno public transportation pass for 22 employees (made possible in part by the parking tax paid by employees who drive alone to work).



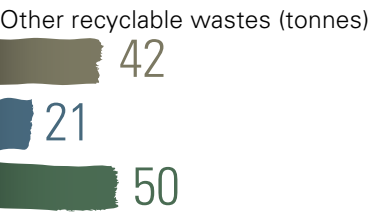
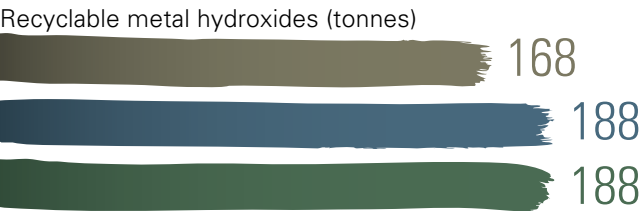
Osservatorio ambientale della Svizzera italiana
www.oasi.ti.ch

Waste and scrap

THE WASTE WE GENERATE MAY BE DIRECTLY LINKED TO PRODUCTION OR BE COLLATERAL TO IT

Special wastes are defined by the Federal Department of Environment, Transport, Energy and Communications (DATEC) and require specific disposal procedures. At our company, these wastes are linked to production and include, for example, base metals separated from precious metals in the refining process (recyclable metal hydroxides), oils, and exhausted chemical solutions. They are all disposed of in conformity to strict procedures defined by law

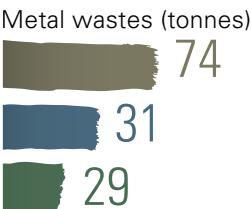
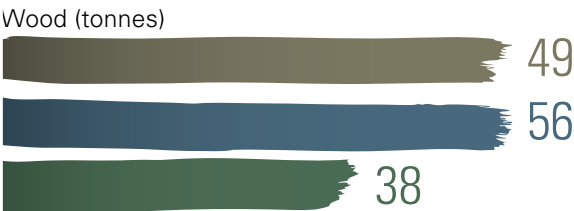
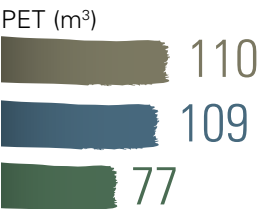
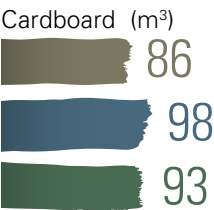
SPECIAL WASTES



2014 2015 2016

Generic wastes are mainly linked to daily operations and to packagings for materials, such as cardboard, PET, wood, ferrous waste, and solid urban waste. There has been a significant reduction in the disposal of all of these wastes due to the completion of our re-engineering project (2014-16).

GENERIC WASTES



2014 2015 2016

The evolution of our commitment

1. From waste to reusable

We have launched a major project that will let us transform one of the waste products from our operations into a 100% reusable product.

2. Promoting energy efficiency

We have received funding from ProKilowatt, an independent body for public tenders in the energy efficiency sector, that subsidises projects promoting energy efficiency (otherwise not profitable). Thanks to this project, we will be able to produce precious metals by means of even more efficient processes.

3. Cooperation with the Confederation to reduce CO₂

We have stipulated an agreement with the Confederation to reduce CO₂ emissions from 2013 to 2020.

4. Monitoring of nitrous oxide emissions

On our own initiative and in agreement with the Canton, we installed new detectors for even better monitoring of our nitrous oxide emissions in the area surrounding our headquarters. The initial data confirm that our impact is negligible compared to that generated by local traffic.

5. Heat recovery

We have installed and commissioned a heat recovery system in the finished products foundry that lets us heat rooms with hot air from the environment and from the smelting furnaces.

6. Even less noise

We have carried out noise abatement work in our first building to further reduce our noise emissions.



ProKilowatt
www.bfeadmin.ch



Energy Agency of the Swiss Private Sector
enaw.ch

5. Grow with our employees

Our employees are the lifeblood of our Company, and it is thanks to them that Argor can improve and grow. We offer everyone quality working conditions, ensure safety at the workplace, and provide opportunities for continuous training.

OUR APPROACH

- **Clear rules for everyone:** by means of our principles, personnel rules, and code of conduct, we ensure an environment where duties and rights are shared in a context of complete transparency and respect.
 - **Constant monitoring:** we constantly monitor key indicators regarding our employees.
 - **Collaboration:** we collaborate with external bodies and institutions to guarantee constant updating of important issues.
 - **Audits and certifications:** we have OHSAS18001, ISO14001, and ISO 9001 certifications for management of safety, health, environment, and workplace quality.
-



Precious to us

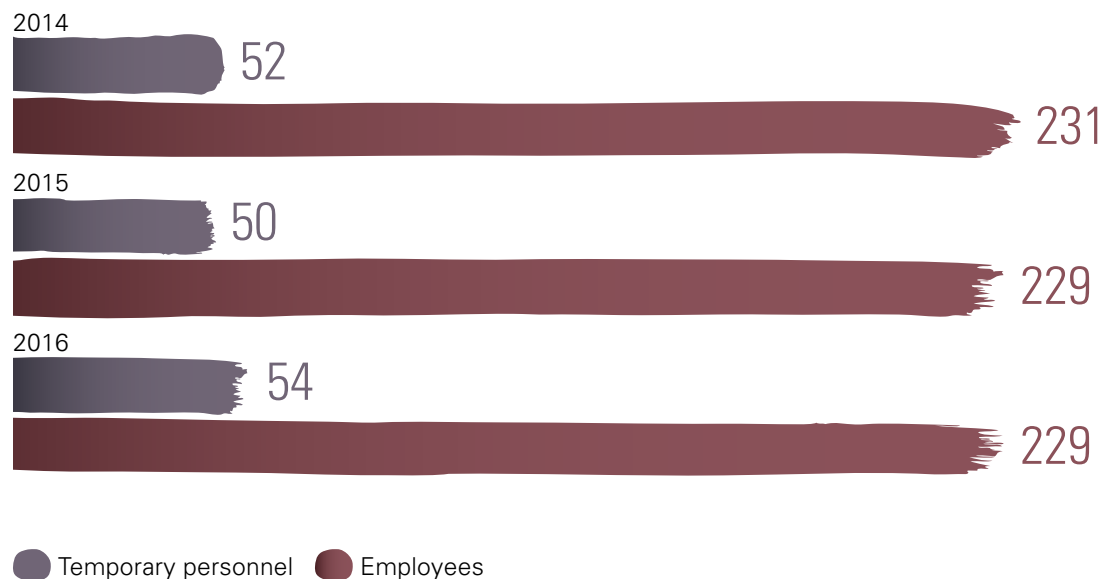
In 2016, we completed re-engineering work on the oldest part of our production facility, dating from 1988. This work took two years, involved several departments, and has had very positive effects on production processes, safety, and environmental impact. The results of this work were presented to our guests at the event celebrating Argor-Heraeus' 65th anniversary.

Composition of personnel

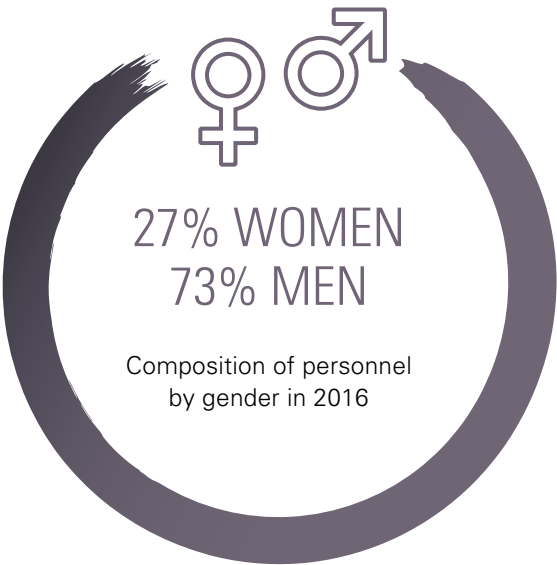
OUR GROUP HAS 344 EMPLOYEES

229 work at our Mendrisio headquarters, assisted by 54 temporary employees needed to handle the fluctuations in demand that characterise our industry. Our affiliates have 61 employees; this figure has increased for two reasons: the inauguration of our America Latina affiliate and the growth of Argor-Aljba, which has added 7 employees.

NUMBER OF EMPLOYEES AND TEMPORARY PERSONNEL



NUMBER OF EMPLOYEES AT AFFILIATES IN 2016



7% TURNOVER
Turnover is the rate at which employees leave the company compared to the total number of employees in a given time period. In 2016, the rate was 7%¹. In the same period, 19 new employees were hired at the Mendrisio headquarters.

EMPLOYEE TURNOVER RATE (%)

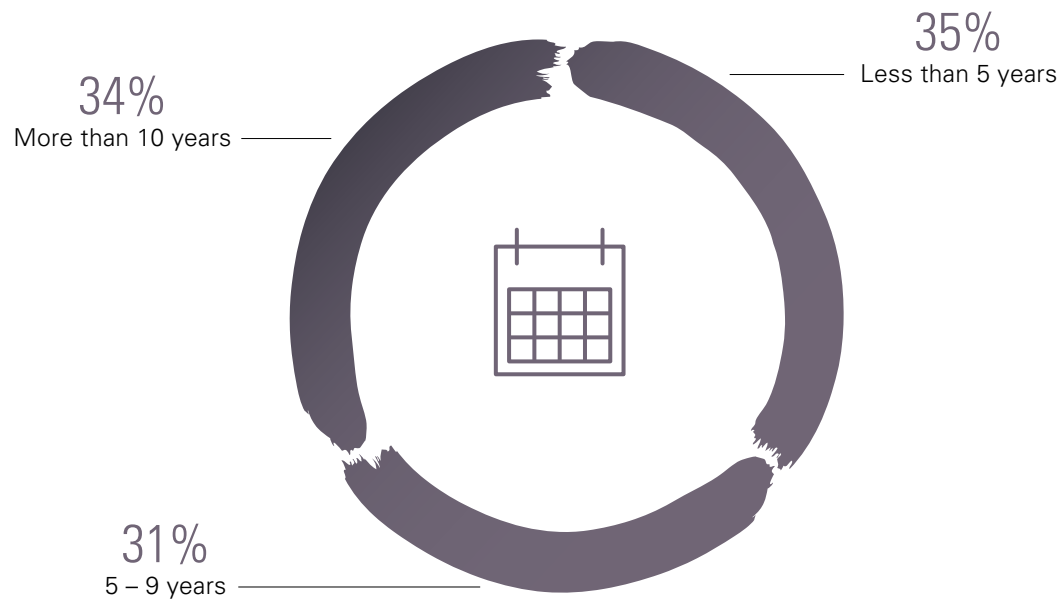


¹ In the 2015 Sustainability Report, the figure stated for 2015 was 5.7%; this figure has been corrected to 6.1%.

VERY LOYAL EMPLOYEES

Looking at the average tenure of our employees, we are proud to say that 34% have been with us for more than 10 years and 31% for 5 to 9 years. This long-term stability is essential for developing a culture based on shared values and objectives.

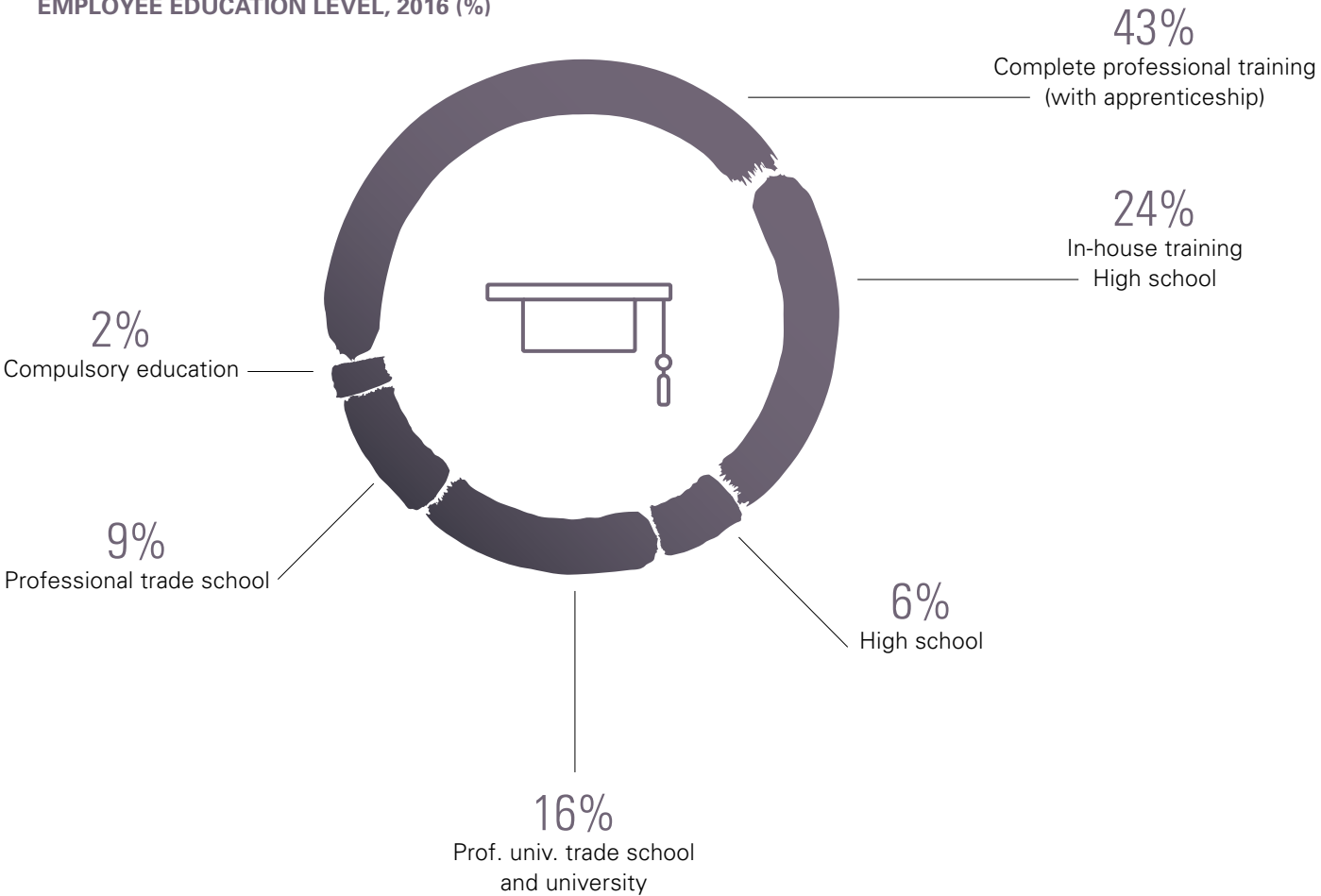
AVERAGE EMPLOYEE TENURE IN 2016



SINCE 2010, THE NUMBER OF EMPLOYEES WITH A UNIVERSITY DEGREE HAS INCREASED BY 76%

A wide array of professionals work at Argor-Heraeus: workers and technicians, engineers and economists, sworn assayers and qualified chemists, to name just a few. The profiles demanded by our industry are increasingly diversified and sophisticated.

EMPLOYEE EDUCATION LEVEL, 2016 (%)



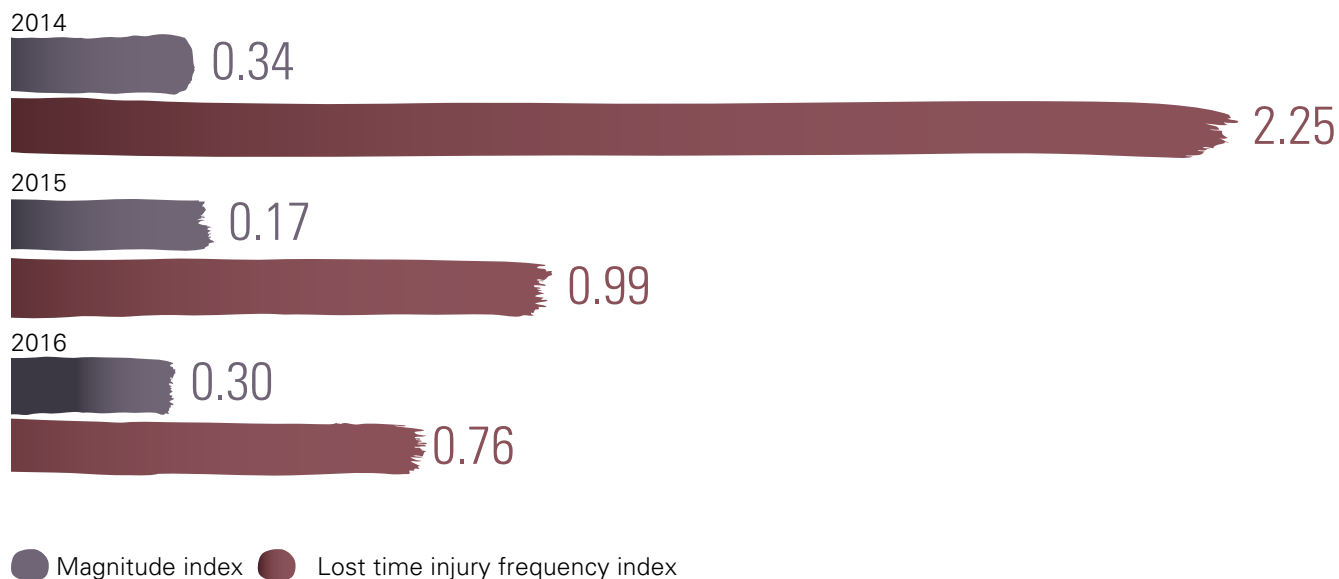
Health and safety at the workplace

0.76 ACCIDENTS FOR EVERY 100,000 HOURS WORKED

The LTIF (Lost Time Injury Frequency) Index expresses the number of accidents recorded for every 100,000 hours worked. This Index improved compared to 2015, confirming a downward trend. This result was possible due to greater awareness of hazards present in the Company and to specific training sessions concerning health and safety at the workplace. The MI (Magnitude Index) expresses the number of days lost due to accidents at the workplace every 1,000 days. This Index

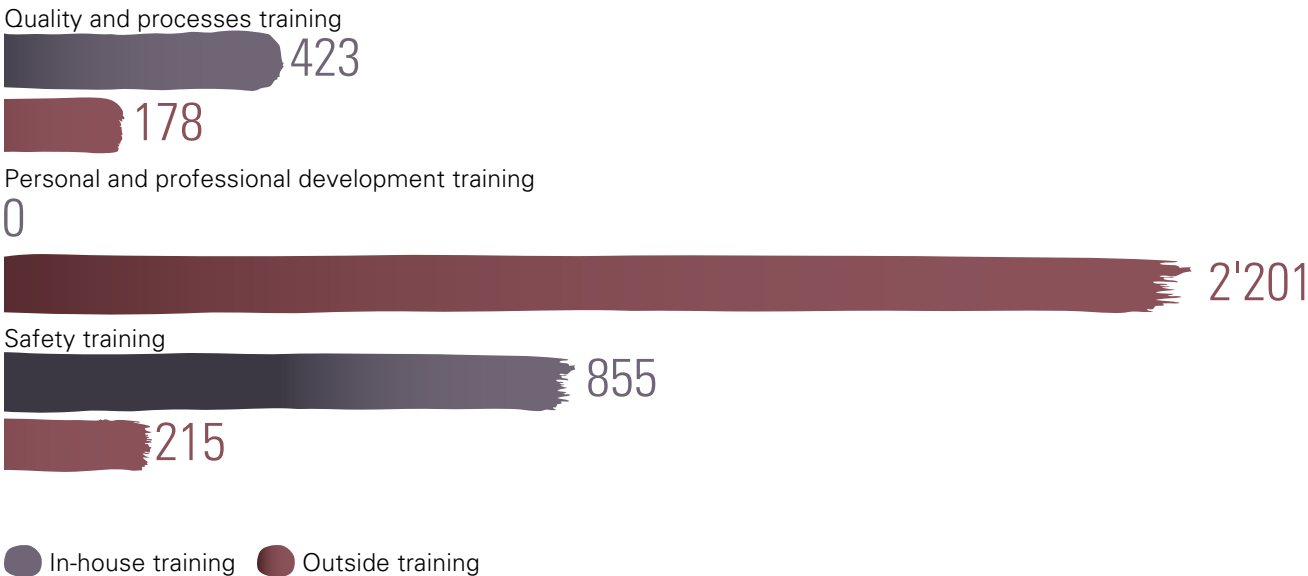
increased compared with 2015: 0.30 in 2016, returning to 2014 levels. This increase was due to an accident involving an employee's shoulder, linked to his handling of heavy objects. Physical exertion and movement is the subject of an important project that we have launched in collaboration with SUVA (the Swiss National Accident Insurance Fund).

MAGNITUDE INDEX / LOST TIME INJURY FREQUENCY INDEX



Training

TRAINING HOURS IN 2016



TRAINING TO FACE NEW CHALLENGES WITH MAXIMUM SAFETY AND AWARENESS

We provide 3 main types of training, either internally or with the support of outside experts:

- **Quality and processes:** training activities to guarantee that all employees are aware of processes and internal procedures.
- **Professional and personal growth:** training to increase employee expertise in areas such as: managerial and linguistic skills, IT, and much more.
- **Safety:** training to guarantee that all employees understand and apply company safety rules and practices. To achieve this, we conduct regular exercises with the Fire Brigade, Ambulance Service, and Police Force to prepare for and manage emergencies.

SAFETY TRAINING FOR NEW SHIFT SUPERVISORS

There was a significant increase in the number of hours of internally-managed training in 2016, mainly attributable to comprehensive courses in safety and related matters conducted for the new shift supervisors.

TRAINING HOURS ON SAFETY

2014



2015



2016



● In-house training ● Outside training

The evolution of our commitment

1. A 3-year investment

We are continuing our collaboration with SUVA (the Swiss National Accident Insurance Fund). In 2016, we launched a 3-year project aimed at reducing hours of absence due to non-work accidents. It concerns both the personal and professional life of our employees: ergonomics at the workplace and correct handling of weights.

Working with a physiotherapist and an ergonomist, we studied our work stations that involved the handling of weights. The project will continue over the next two years with monitoring of the measures implemented and with assessment of aspects concerning the physical and psychological health of our employees (complementarity between physical activity performed inside/outside the company, diet, shift management, etc.).

2. Safety Charter

The Charter, signed in 2017, aims to ensure full compliance with safety rules and good practices. This is not just a piece of paper: the principles it upholds are translated into a series of measures that include, for example, training courses, procedures, and rules.

3. Argor 2.0

This executive training programme focuses on developing leadership skills. By studying topics such as change, communication, teamwork, and many more, the participants acquired skills to manage the company in a new way. About 1500 hours of training sessions were conducted in 2016, and employee training programmes aimed at continuous improvement will be provided in 2017.



Safety Charter
www.charta-sicurezza.ch

About Argor-Heraeus

History



1951

Argor SA is formed in Chiasso, Switzerland

1986

UBS and Heraeus form a joint venture and create Argor-Heraeus SA

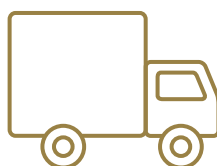


1999

Heraeus and Management acquire 100%; entrance of Commerzbank International

1988

Argor-Heraeus moves to Mendrisio, Switzerland



1973

UBS acquires 100% of the company

2002

The Austrian Mint enters the shareholder structure





2004

An office is opened in Chile;
Argor-Heraeus Deutschland and
Argor-Aljba are formed

2016

Argor-Heraeus celebrates its 65th year of
operations and publishes a book on the
Group's history. Re-engineering work
on the Mendrisio headquarters, begun in
2014, is completed.

2013

Mendrisio headquarters
is expanded

2006

Argor-Heraeus Italia
is formed

2015

Official opening of the new
Argor-Heraeus America Latina branch



Shareholders

HERAEUS

Founded in 1851, Heraeus is a private, family-run German multinational operating in numerous industries, including precious metals and high-tech. It has over 12,000 employees and more than 100 offices in 28 countries.

AUSTRIAN MINT

With over 800 years of history, the Mint, owned by the Austrian National Bank, is one of the most prestigious players in its sector. It produces an average of 450 million pieces per year.

COMMERZBANK

Founded in 1870, Commerzbank is based in Frankfurt and operates in over 50 countries. It has almost 50,000 employees at about 1,000 branches.

MANAGEMENT



Heraeus

www.heraeus.com



Commerzbank

www.commerzbank.com



Zecca austriaca

www.muenzeoesterreich.at



HERAEUS 2017

In April 2017, 100% of Argor-Heraeus's shares were purchased by Global Business Unit Heraeus Precious Metals (HPM), a member of the Heraeus Technology Group.



The Group

ARGOR-HERAEUS DEUTSCHLAND

Pforzheim, Germania

Inaugurated in 2004 in Pforzheim, in the Baden-Württemberg region, it is the reference point on the German market.

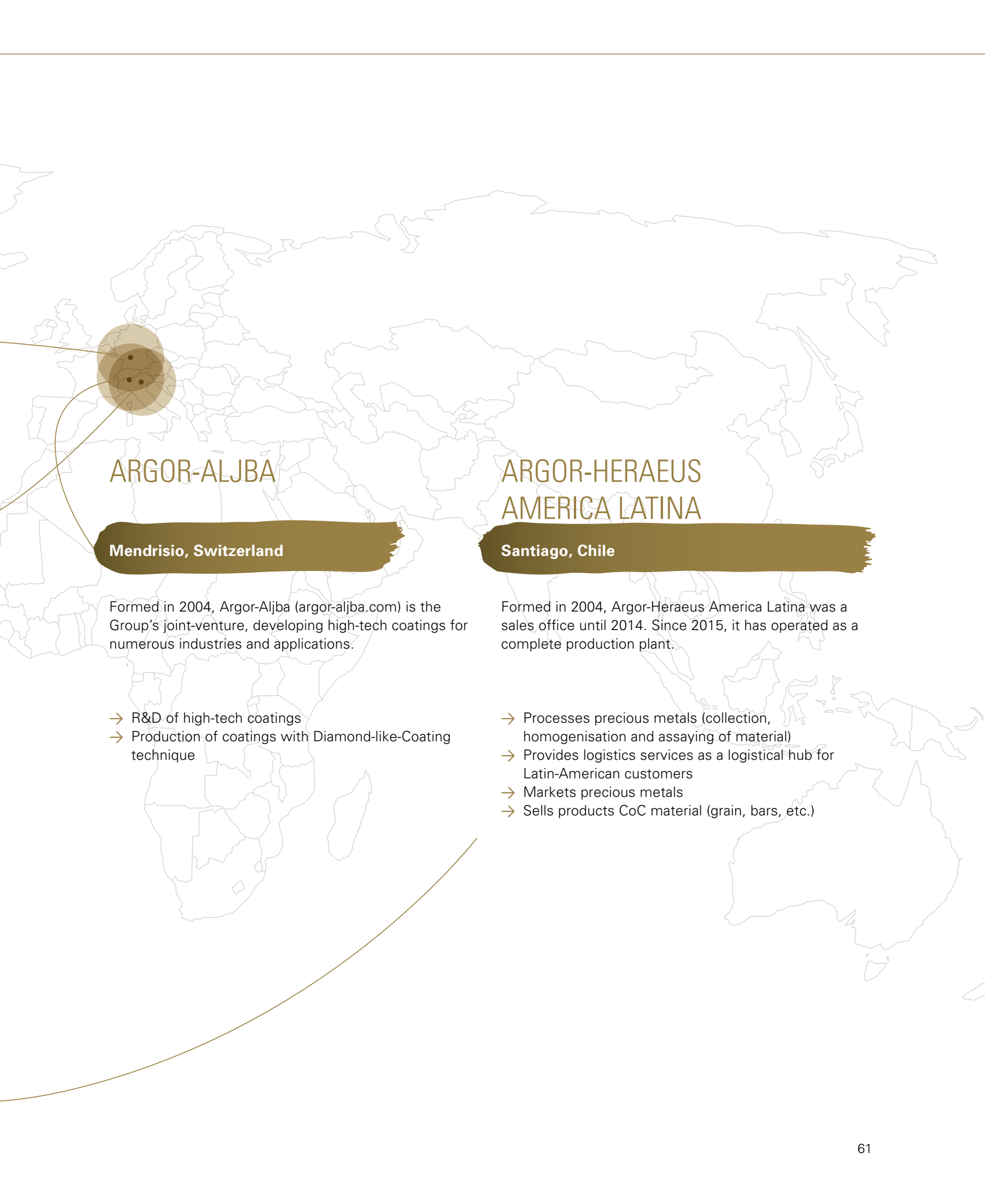
- Collect, assays, and markets precious metals
- Collects scrap metal
- Marketing and logistics
- Sells products CoC material (grain, bars, ingots, etc.)

ARGOR-HERAEUS ITALIA

Cavenago-Brianza, Italy

Inaugurated in Lombardy in 2006, operates mainly with the Italian goldsmith sector.

- Collect, assays, and markets precious metals
- Markets Swiss-made products for the high-end precious metals industry
- Sells products CoC material (grain, bars, etc.)
- Provides logistics services



ARGOR-ALJBA

Mendrisio, Switzerland

Formed in 2004, Argor-Aljba (argor-aljba.com) is the Group's joint-venture, developing high-tech coatings for numerous industries and applications.

- R&D of high-tech coatings
- Production of coatings with Diamond-like-Coating technique

ARGOR-HERAEUS AMERICA LATINA

Santiago, Chile

Formed in 2004, Argor-Heraeus America Latina was a sales office until 2014. Since 2015, it has operated as a complete production plant.

- Processes precious metals (collection, homogenisation and assaying of material)
- Provides logistics services as a logistical hub for Latin-American customers
- Markets precious metals
- Sells products CoC material (grain, bars, etc.)

Governance



Shareholders Meeting
Board of Directors
Board of Directors Delegation
Risk Audit Committee

RESPONSIBILITIES

- Definition of corporate strategy and governance
- Risk assessment
- Support of management and rest of company in daily operations



Internal Compliance Committee
Credit Committee
Credit Office
Personnel Commission

RESPONSIBILITIES

- Allocation and control of resources in profit and service centres and control of their use
- Check of correct application of guidelines, national and international regulations and internal rules
- Assessment of responsibility of potential new partners



Technical and Quality Control Offices
Quality Control Laboratory
Full-time safety, quality and environment supervisors

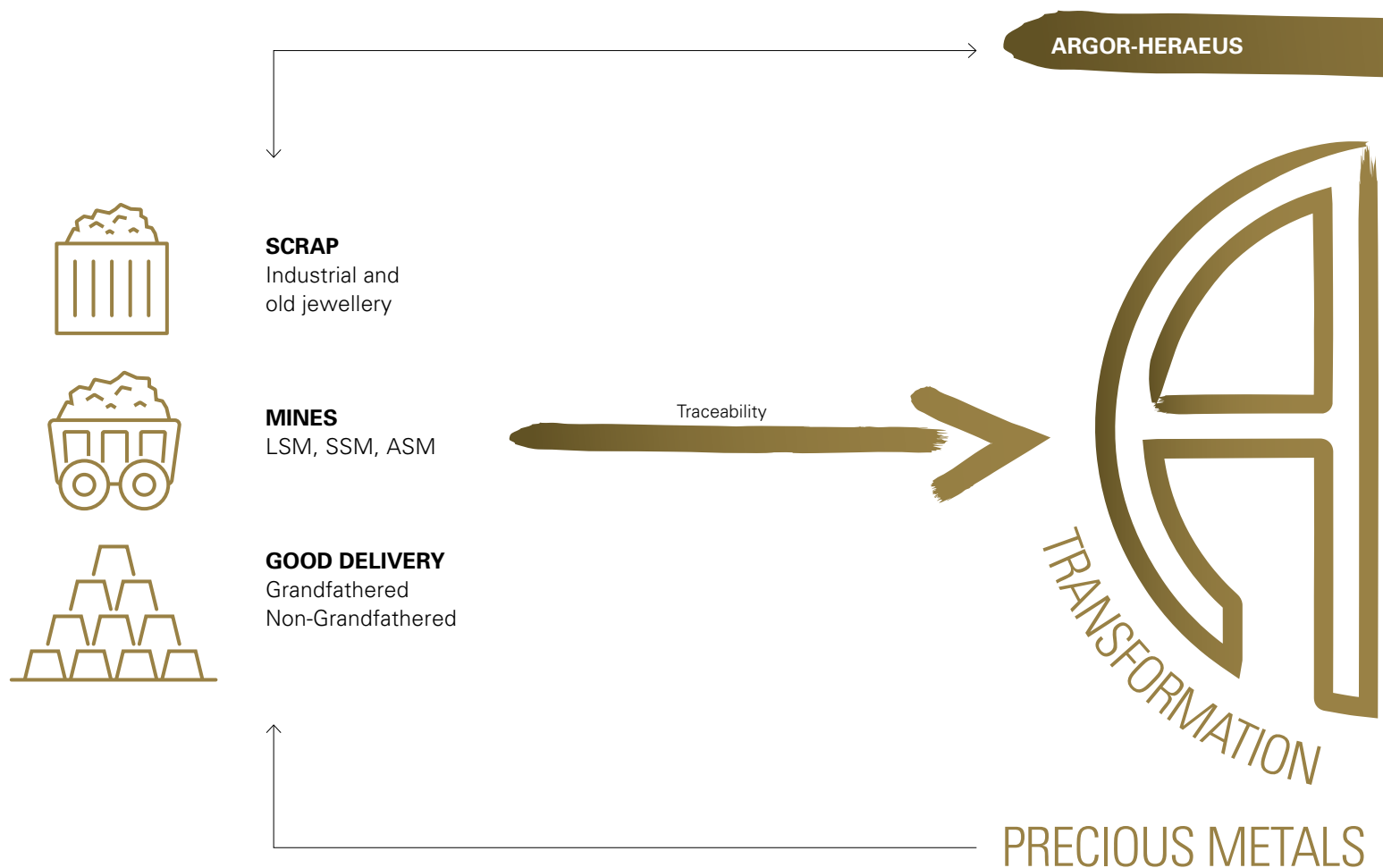
RESPONSIBILITIES

- Assessment of quality of work performed in each department
- Monitoring of quality of products and processes
- Monitoring of safety at the workplace and of the Company's environmental impact
- Quality control of precious metals

Internal and external auditors
(private bodies and government authorities)

Audits and checks of process quality management system

Operations



INCOMING MATERIAL

Precious metals (gold, silver, platinum and palladium) arrive at our plants in various forms:

- Industrial scrap and old jewellery
- Raw material from large and small mines
- Good Delivery materials, already high-quality

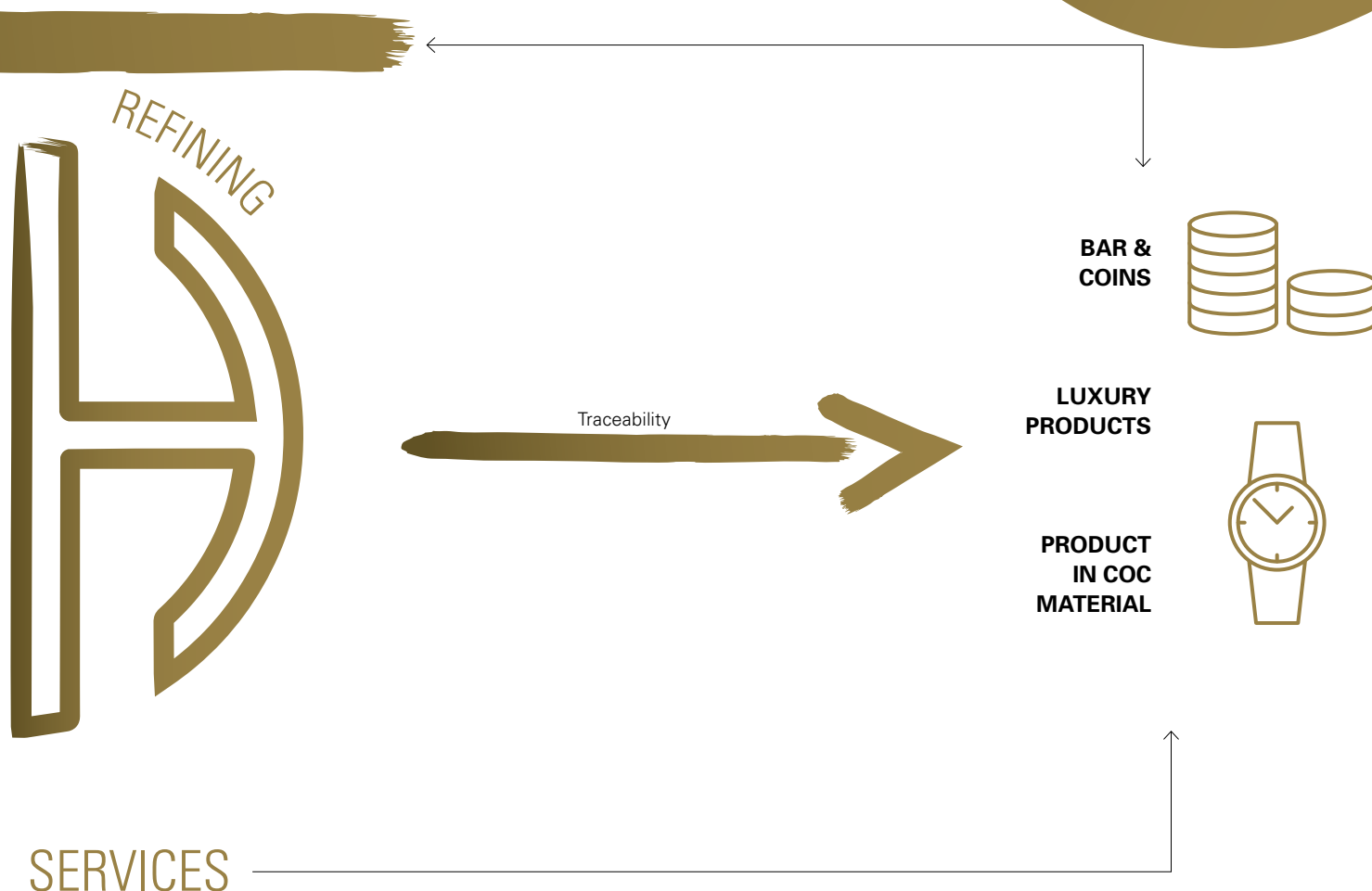
OUR SERVICES

These include:

- Refining: chemical and electrolytic refining of precious metals
- Smelted and minted products (Bars and Coins)
- Semi-finished products for the high-end jewellery and watch markets (Luxury products)
- Financial and accessory services involving physical transactions of precious metals (Precious Metals Services)

PRODUCTION CAPACITY

Gold refining: up to 1,300 T/year
Silver refining: 1,100 T/year
Smelted bars: 5-5.5 million pieces/year
Minted bars: 2.5-3 million pieces/year
Semi-finished products: 120 T of alloy



OUR CUSTOMERS

Very often, our suppliers are also our customers and retain ownership of the materials we process. Our customers do business worldwide, and are primarily:

- Banks
- Mines
- Companies in the high-end watch and jewellery industry

About this Report

Perimeter

The information contained in the section “About Argor-Heraeus” refers to the entire Group. With regard to the indicators in the first part of the Sustainability Report, the figures refer mainly to the Parent Company in Mendrisio, where most of the production takes place and the majority of employees work. Only significant indicators are reported for the branches, which this year, for the first time, includes Argor-Heraeus America Latina (official inauguration: 2015).

Reporting cycle and reference period

This Sustainability Report, prepared on an annual basis, covers the period from 1 January to 31 December 2016. The previous Sustainability Report refers to 2015.

Format

This report has been prepared in accordance with the GRI Standards: Core option.

External audit

Most of the information contained in this Sustainability Report was checked during the internal and external audits required for Argor-Heraeus certifications. Likewise, the measurement standards adopted for the reporting of data are the strictest and most often adopted worldwide. Therefore, we have decided not to subject this Sustainability Report to additional external certification audits.

For more information on this Report

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Canton Ticino | Switzerland
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info@argor.com | www.argor.com

GRI Index

GENERAL DISCLOSURES – GRI STANDARDS 102 (2016)

Number	Title	Page	Omissions / comments
ORGANIZATIONAL PROFILE			
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GRI 102-2	Activities, brands, products, and services	64-65	
GRI 102-3	Location of headquarters	6	
GRI 102-4	Location of operations	60-61	
GRI 102-5	Ownership and legal form	58-59	Swiss company limited by shares
GRI 102-6	Markets served	65	
GRI 102-7	Scale of the organization	46, 47, 64, 65	
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GRI 102-11	Precautionary Principle or approach	30	
GRI 102-12	External initiatives	10-11	
GRI 102-13	Membership of associations	10-11	
STRATEGY			
GRI 102-14	Statement from senior decision-maker	2-3	
ETHICS AND INTEGRITY			
GRI 102-16	Values, principles, standards, and norms of behavior	16-17	
GOVERNANCE			
GRI 102-18	Governance	62-63	
STAKEHOLDER ENGAGEMENT			
GRI 102-40	List of stakeholder groups	10-11	
GRI 102-41	Collective bargaining agreements		No collective bargaining agreements
GRI 102-42	Identifying and selecting stakeholders	8	
GRI 102-43	Approach to stakeholder engagement	10-12	
GRI 102-44	Key topics and concerns raised by stakeholders	10-12	
REPORTING PRACTICE			
GRI 102-45	Entities included in the consolidated financial statements		Argor-Heraeus SA / Argor-Heraeus Deutschland Argor-Heraeus Italia / Argor-Aljba
GRI 102-46	Defining report content and topic Boundaries	8, 12, 66	
GRI 102-47	List of material topics	12	
GRI 102-48	Restatements of information	-	
GRI 102-49	Changes in reporting	-	
GRI 102-50	Reporting period	66	
GRI 102-51	Date of most recent report	66	
GRI 102-52	Reporting cycle	66	
GRI 102-53	Contact point for questions regarding the report	67	
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ECONOMIC PERFORMANCE			
GRI 103	Management approach	24, 26	
GRI 201-1	Direct economic value generated and distributed	26-27	For privacy reasons we do not report our economic results
MARKET PRESENCE			
GRI 103	Management approach	24	
GRI 201-1	Proportion of senior management hired from the local community	27	
PROCUREMENT PRACTICES			
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GRI 103	Management approach	14, 16, 17	
GRI 205-1	Operations assessed for risks related to corruption	16-17	
GRI 205-2	Communication and training about anti-corruption policies and procedures	16-17	

ENVIRONMENTAL PERFORMANCE – GRI STANDARDS 300 (2016)

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MATERIALS			
GRI 103	Management approach	30, 34	
GRI 301-1	Materials used by weight or volume	34-35	For privacy reasons, we do not report about incoming metals
ENERGY			
GRI 103	Management approach	30, 36	
GRI 302-1	Energy consumption within the organization	36-38	
GRI 302-4	Reduction of energy consumption	37	
WATER			
GRI 103	Management approach	30, 32	
GRI 303-1	Water withdrawal by source	32	
EMISSIONS			
GRI 103	Management approach	30, 39	
GRI 305-1	Direct (Scope 1) GHG emissions	39-40	
GRI 305-5	Reduction of GHG emissions	39-40	
GRI 305-7	Other emissions	40	
EFFLUENTS AND WASTE			
GRI 103	Management approach	30, 41	
GRI 306-2	Waste by type and disposal method	41-42	
GRI 306-3	Significant spills		No spills
ENVIRONMENTAL COMPLIANCE			
GRI 103	Management approach	30	
GRI 307-1	Non-compliance with environmental laws and regulations		No cases
SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103	Management approach	24, 28, 30	
GRI 308-1	New suppliers that were screened using environmental criteria	18	

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Number	Title	Page	Omissions / comments
EMPLOYMENT			
GRI 103	Management approach	44	
GRI 401-1	New employee hires and employee turnover	46-47	
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103	Management approach	44	
GRI 403-2	Types of injury and rates of injury	50	
TRAINING AND EDUCATION			
GRI 103	Management approach	44, 51	
GRI 404-1	Average hours of training per year per employee	51-52	
CHILD LABOR			
GRI 103	Management approach	14	
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	17-18	
FORCED OR COMPULSORY LABOR			
GRI 103	Management approach	14	
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory	17-18	
HUMAN RIGHTS ASSESSMENT			
GRI 103	Management approach	14	
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	17-18	
SUPPLIER SOCIAL ASSESSMENT			
GRI 103	Management approach	14	
GRI 414-1	New suppliers that were screened using social criteria	17-18	
SOCIOECONOMIC COMPLIANCE			
GRI 103	Management approach	14, 24	
GRI 419-1	Non-compliance with laws and regulations in the social and economic area		No cases

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