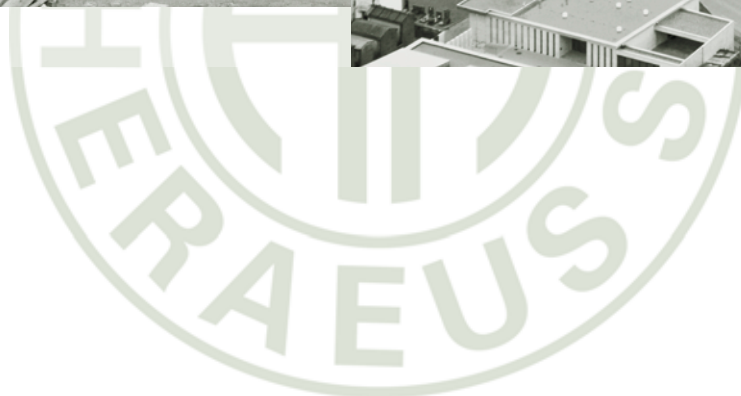
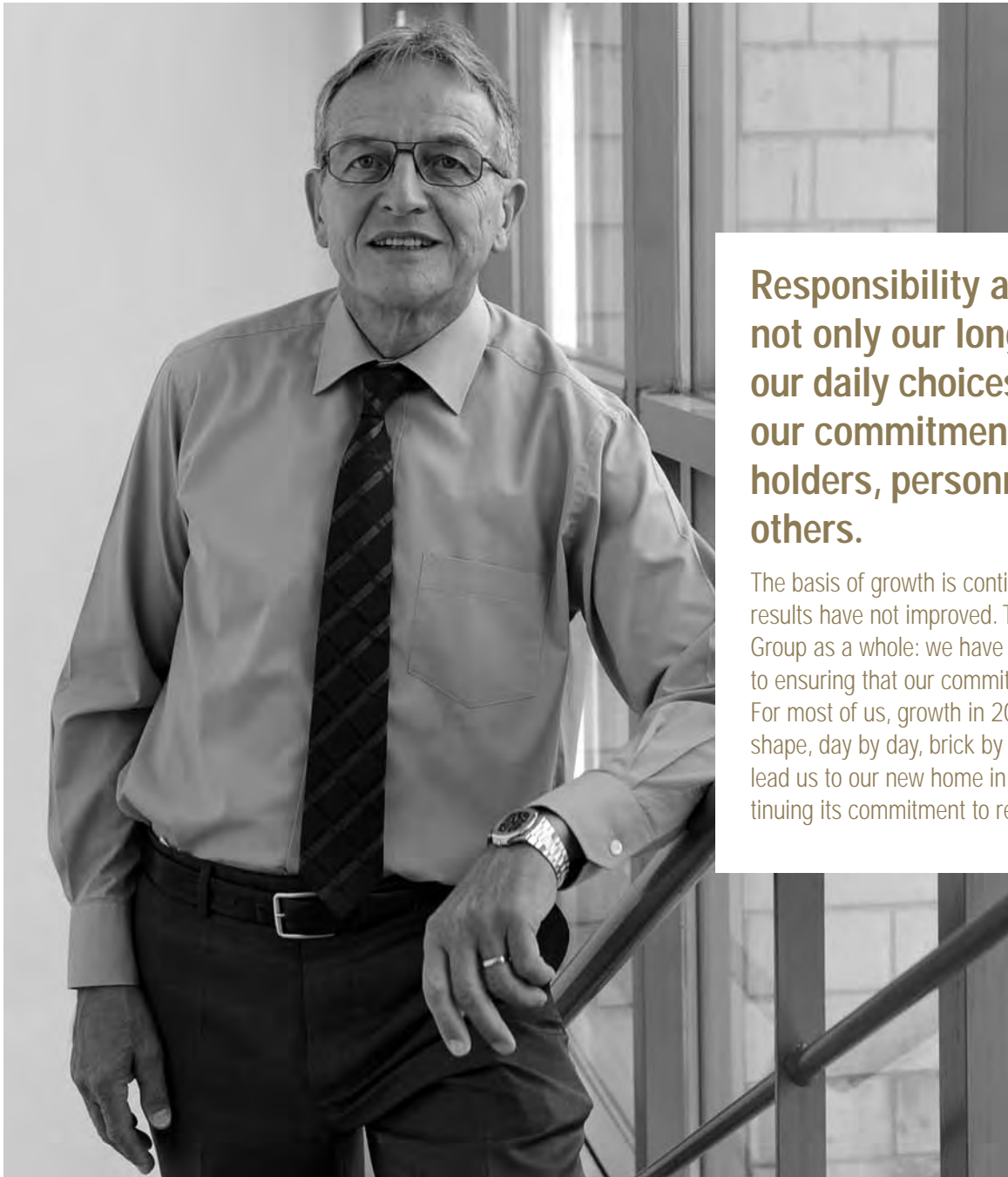


ARGOR-HERAEUS

The golden link



Letter from the CEO



Responsibility and growth. At Argor-Heraeus, these two words represent not only our long-term goals, but also the basic principles that guide our daily choices. With this second Sustainability Report, we wish to share our commitment with everyone who contributes to our work: stakeholders, personnel, business partners, institutions, the public, and many others.

The basis of growth is continuity, which we ensure in this Report by maintaining all of the indicators used last year, even where results have not improved. This new edition of the Report has been prepared with greater involvement of the Argor-Heraeus Group as a whole: we have extended the Report to the Group's affiliates and to people who devote a large portion of their time to ensuring that our commitment to responsibility is maintained. For most of us, growth in 2011 meant seeing the construction site for our new and larger headquarters in Mendrisio take shape, day by day, brick by brick. Therefore, reading this Report will be like following the path, from foundation to roof, that will lead us to our new home in late 2012. An important achievement that will give Argor-Heraeus even more solid bases for continuing its commitment to responsible growth.

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Guide to the report



This edition of the Sustainability Report includes other members of the Argor-Heraeus Group, because responsibility is a value shared by all.

Continuity is the key word in business as well as in reporting: for this reason, we have maintained all of last year's indicators as well as the 3-year horizon.

We have also adopted a responsible approach to planning and managing the construction site for expanding our Mendrisio headquarters, as demonstrated by the numbers, photos, events, and stories contained in this Report.

Perimeter. Starting with this second edition of the Sustainability Report, we have decided to extend reporting (where possible) to our wholly-owned affiliates Argor-Heraeus Deutschland and Argor-Heraeus Italia. To ensure comparability with the previous edition, data from affiliates have not been consolidated with data from the Swiss parent. Given that the great majority of our personnel and operations are concentrated in Mendrisio, indicators for the other Group companies are a subset of the total (the others being insignificant). Likewise, figures and graphs do not include the portion of costs generated by construction for expansion of the Swiss headquarters. Information on the impact of works is provided below and includes photos.

Value of contents. We have maintained the same parameters used in the first edition to provide maximum comparability of Reports, and have also expanded reporting by adding indicators that provide an even more precise description of the Group's economic, environmental, and social impact. The selection of these additional indicators was based on principles of completeness, significance, and measurability.

Structure. This report consists of two macrosections: the first provides a profile of the Group and describes its history, operations, organisation, and relations with groups of stakeholders. The second section presents the Group's economic, social, and environmental results in the reference period. Special attention is given to the Mendrisio headquarters expansion site, which is described in the Report with photos of its progress and with various qualitative

and quantitative information regarding the sustainable approach with which the design was conceived and executed. Interviews with managers are presented in the sections concerning economic, environmental, and social responsibility with the aim of providing a more personal view, linked to Argor-Heraeus Group's day-to-day commitment to sustainability.

Reporting. This document is organised by subject matter (for example: water consumption, use of chemicals, etc.) and maintains a constant structure for each so that the reader may quickly identify key information and data.



We have been based in Canton Ticino for over 60 years, with worldwide operations. Our motto: local heart, global head.

In 2004, we launched an internationalisation process that led to the creation of affiliates in Germany and Italy and to the opening of an office in Chile.

25 kg is the weight of the cornerstone, laid in 2011, for expansion of our headquarters.

Our history

1951

Argor SA is formed in Chiasso, Switzerland.

1973

UBS acquires 100% of the Company.

1986

UBS and Heraeus Group (Germany) form a joint venture, creating Argor-Heraeus SA.

1988

The new headquarters in Mendrisio, Switzerland is inaugurated.

1999

Heraeus and Management acquire 100%; entrance of Commerzbank International.

2002

Münze Österreich enters the shareholder structure.

2004

An office is opened in Chile; Argor-Heraeus Deutschland is formed.

2005

Argor-Aljba is formed in Mendrisio, Switzerland.

2006

Argor-Heraeus Italia is formed.

2010

Approval and expansion of Mendrisio, Switzerland facility.

2013

The official inauguration of the new, expanded, and reorganised headquarters is scheduled to take place.

Our shareholders



Partners who firmly believed in our industrial plan, from a non-speculative point of view, are the key to the Group's long-term growth.

Know-how, solidity, global presence. Shareholders such as Heraeus Group, Commerzbank, and Münze Österreich allow a small group like Argor-Heraeus to be a world leader in its sector.

Management participation in the share capital ensures constant alignment of shareholder interests, visions, and values with those of the Company.

Heraeus, a German multinational with 13,000 employees, 121 locations throughout the world and over 5,900 patents and licenses, has operated in the precious metals and hi-tech sector for 160 years. Its shareholding provides important synergies at the industrial level and in terms of research and development thanks to over 400 dedicated R&D personnel in 25 development centres. In addition to precious metals, its fields of activity include biomaterials, medical/dental/pharmaceutical products, and quartz technologies. In 2011, Heraeus generated turnover of Euro 4.8 billion and revenues of Euro 21.3 billion in precious metals trading.

Commerzbank, is a large private German bank with almost 60,000 employees, more than 14 million private customers, and a million business customers worldwide. Since entering the capital of Argor-Heraeus in 1999, the bank has contributed to the Group's growth with its expertise and services. Commerzbank also supports our global operations thanks to its presence in 52 countries.

Münze Österreich, the Austrian Mint, with over 800 years of experience, is one of the world's most important mints. Its core business is the production of Euro coins for the Austrian Republic, intended for circulation, as well as coins in other currencies for other countries and a wide range of collector's coins and medals. 100% controlled by the National Bank, it currently has over 200 employees and produces about 450 million pieces per year. Its shareholding provides the Group well-established marketing and commercial know-how, with specific reference to creating synergies in distribution channels.

The Group

ARGOR-HERAEUS SA

ARGOR-HERAEUS Deutschland 100%

ARGOR-HERAEUS Italia 100%

ARGOR-ALJBA 50%

Argor-Heraeus SA is the heart of the Group, with 90% of its employees and almost all of its production.

A global market demands international presence. We are close to our customers (even physically) thanks to our affiliates in Italy and Germany and our office in Chile.

Thanks to its development and production of DLC (*Diamond-like-coating*), Argor-Aljba quickly earned an important position not only in our Group, but in the entire sector as well.

Argor-Heraeus Deutschland 100%

Since 2004, Argor-Heraeus has been present in Germany thanks to its Pforzheim affiliate in Baden-Württemberg. The reference point for the German market, the affiliate provides precious metal refining, assaying, trading, and logistics services.

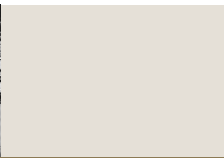
Argor-Heraeus Italia 100%

Created in 2006 to provide Italian goldsmiths the same services as those offered by the parent company by means of shared technological know-how, the Group's Italian affiliate collects, analyses, refines, and trades in precious metals. It also markets semi-finished products such as profiles, hammered tubes, form profiles, strips, washers, and semi-processed materials in a wide range of alloys and precious metals.

Argor-Aljba 50%

This joint-venture was formed in 2004 by Argor-Heraeus SA and a Russian partner to develop an innovative technology for coating tools, mechanical components and watch parts. The coating, which contains over 80% diamond, provides exceptional hardness and greatly extends the life of treated parts. Argor-Aljba and its team of specialists and researchers help customers choose the best hi-tech coating solution from a very wide range of applications.

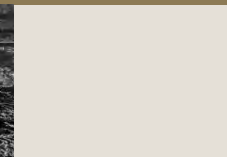
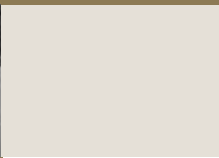
Corporate governance



Argor-Heraeus is based on 3 profit centres: bank products and mining (refining and foundry), industrial products (mechanics and semi-finished products), and precious metal services (trading, laboratory, and other services) in addition to finance, control and compliance, personnel, and IT services.

But this lean structure is not linked to an equally lean control system. For our Company, governance is a fundamental tool for guaranteeing responsible conduct toward all stakeholders, internal and external, as well as for making our business sustainable over the long term.

Numerous governance bodies operate at different levels, defined as executive, managerial, and operative, with control activities extended to all Group companies.



Executive Governance

The highest level of governance is represented by the Shareholders Meeting and by the Board of Directors. In addition, a four-member Board of Directors Delegation supports Company management. A Risk Audit Committee, composed of specialists who assess and control risks deriving from the Company's activities and strategies, is appointed within the Board of Directors.

Managerial Governance

At the managerial level, the allocation of resources among the profit centres is determined by the Internal Credit Committee, consisting of top management and the directors of each area. Control over actual use of these resources as instructed by the Credit Committee is assigned to an internal Credit Office, assisted by outside consultants.

The Compliance Office supervises compliance with regulations, international guidelines for the industry, and all internal rules. This office plays an important role in the complex Due Diligence process for potential customers (detailed in the section regarding our customers). The Personnel Committee is the reference for employees, who also have the right to refer directly to Management if necessary.

Operative Governance

The technical office of each profit centre is responsible for checking that centre's operative quality. In addition, a control body with a full-time Supervisor for safety at the workplace, a quality-control laboratory for metals and an Environmental Protection Supervisor operates in all Company areas.

Our operations

Refining

- gold
- silver
- platinum
- palladium

Transformation into finished products

- bank ingots (cast and minted)
- Kinebar®
- Iridor® products
- coins and medals

Alloys and semi-finished products for the watch and jewellery industry

Precious Metal Services

Diamond-Like-Coatings dialong® and dianoir®



Au⁷⁹

Gold

Approximately 80% of the gold extracted each year is used in the jewellery industry thanks to its brilliance, resistance to oxidation, and ductility. Because it is very soft, it is never used in a pure state, but is melted with other metals such as copper, silver, or platinum. The purity of the alloy is measured in carats (24k = pure gold; 18k = 75% gold; 12k = 50% gold).

Thanks to its high value, gold remains a valuable investment in many forms (ingots, coins, etc.) and, because it can be manipulated to create layers or wires only a few microns thick, it is utilised in the electronics, aerospace, pharmaceutical, and glass industries, in medicine and orthodontics, and even in haut-cuisine.



Ag⁴⁷

Silver

While the main use of silver has traditionally been in the jewellery sector, its principal use is now industrial: new technologies take advantage of this metal's unique properties to manufacture everything from cell phones to solar panels.

Silver is the best conductor of electricity and heat, it resists corrosion and oxidation, and is also antimicrobial. CDs and DVDs, plasma and LED screens, and RFID labels are just a few examples of everyday objects that contain silver.

Pt⁷⁸

Platinum

Platinum, one of the world's most precious metals due to its rarity, owes its fame to uses in the jewellery field. Nevertheless, it is a precious metal with many industrial applications. About one fifth of the objects we use every day

contain platinum: medical devices, electrical contacts, fibre optics, laptops, just to mention a few. The silencers of millions of cars contain platinum because of its catalytic properties.

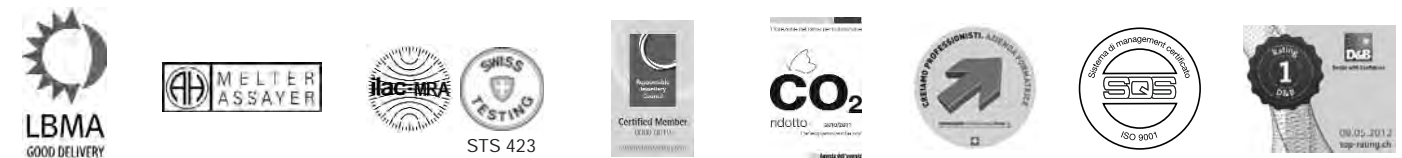
Pd⁴⁶

Palladium

This precious metal has characteristics very similar to platinum, such as hardness, high melting point, and excellent catalytic properties. As a result, it often replaces platinum due to its lower cost. It is used most often as a catalyst to

reduce harmful car emissions, in electronics, dentistry, and chemical processes. As opposed to the other three metals, pure palladium is not yet a "fashion" metal for jewellery, and is used mainly to produce white gold alloys.

Accreditations and recognitions



Being named one of the world's 5 Good Delivery Referees by the LBMA, the highest international authority for the gold and silver markets, makes us very proud and significantly increases our sense of responsibility.

With the REACH (*Registration, Evaluation, Authorisation and Restriction of Chemicals*) Rule, the European Union introduced a very important system to control chemicals and their impact on people and the environment. By means of its German affiliate, Argor-Heraeus promotes the application of these new rules to precious metals.

We obtained ISO 9001 certification in 2011, which allowed the introduction of a shared quality assurance system. A demanding but very important step toward improvement and greater transparency.

Argor-Heraeus is:

- a recognised **LBMA (London Bullion Market Association) Good Delivery Producer** and a referee for the **control of precious metals assaying quality standards** of the LBMA Good Delivery List members;
- a recognised operator on LME (London), TOCOM (Tokyo), COMEX/NYMEX (New York), DMMC (Dubai);
- holder of the Trade, **Melter and Assayer License** issued by the Swiss Central Office for Precious Metals Control;
- authorised by the **Swiss Financial Market Supervisory Authority (FINMA)** to operate as a financial broker;
- accredited by the **Swiss Accreditation Service (SAS)** as a testing laboratory for analyses of precious metal alloys;
- a certified member of the **Responsible Jewellery Council (RJC)**;
- a member of the **Association Suisse des Fabricants et Commerçants des Métaux Précieux (ASFCMP)**;
- a certified and voluntary participant in the CO₂ emissions reduction programme (**CO₂ ridotto**);
- recognised as a **Professional Training Company** by the Canton;
- **ISO 9001** certified;
- holder of the **Dun & Bradstreet** top rating certification.

Our stakeholders

Stakeholder	Goals	2011 Participation Instruments
Shareholders	<ul style="list-style-type: none"> Greater confidence in management Common strategy and vision Business development support Shareholder satisfaction Shareholding stability Increased industrial synergies 	<ul style="list-style-type: none"> Periodic communication in line with the shareholder's information needs (example: monthly data, newsletter) Transparent communication and continuous dialogue Annual Report Sustainability Report
Management	<ul style="list-style-type: none"> Shared growth and business strategy Long-term satisfaction and relations Commitment 	<ul style="list-style-type: none"> Personnel policy and incentives Monthly information meetings Development and sharing of crisis communication plan Annual Report Code of conduct Sustainability Report
Employees	<ul style="list-style-type: none"> Sharing of mission and vision Low turnover High satisfaction Identification and commitment Support for Company image and reputation 	<ul style="list-style-type: none"> Personnel policy and incentives Periodic information Code of conduct Code of conduct workshops Sports and recreation group Sustainability Report
Customers	<ul style="list-style-type: none"> Development of customer loyalty Commercial information (products/services) Sharing of values Being perceived as a reliable and qualified partner Know your customer policy 	<ul style="list-style-type: none"> Know your customer assessment procedures Targeted personalised information Trade fairs Commercial activities (example: targeted visits) Code of conduct Sustainability Report
Suppliers	<ul style="list-style-type: none"> Respect of the Company's quality standards Sharing of values Being perceived as a reliable and qualified partner 	<ul style="list-style-type: none"> Assessment procedures Code of conduct Sustainability Report
Competitors	<ul style="list-style-type: none"> Cooperation on shared concerns (example: safety at the workplace, environmental protection) 	<ul style="list-style-type: none"> Participation in workshops Participation in ASFCMP (<i>Association Suisse des Fabricants et Commerçants des Métaux Précieux</i>) platform



Stakeholder	Goals	2011 Partecipation Instruments
Institutions	Cooperation and support Being perceived as reliable partners Opening of a preferential information channel Being perceived as sensitive to local needs	Inauguration of site to expand Mendrisio headquarters Periodic targeted information Second edition of SUPSI Award for the best engineering diploma SUPSI open days Visit by students of Lugano Upper School Sticker for training company with 5 apprentices accepted Involvement of SUPSI to assess laying of solar panels Sustainability Report
Public Services	Being perceived as a reliable and qualified partner Collaborative spirit and relationship of mutual trust	Regular exercises during the year Periodic targeted information Continuous collaboration Sustainability Report
Industry Associations	Renown and reputation Being perceived as reliable partners Opening of a preferential information channel	AITI, Chamber of Commerce affiliation Inauguration of site to expand Mendrisio headquarters Continuous collaboration on a variety of matters with top associations regulating the precious metals sector Sustainability Report
Non-Governmental organisations (NGOs)	Support and collaborative spirit Exchange of information	Support of three local non-profit associations Assessment of involvement in non-profit projects linked to fair trade Participation in conferences Sustainability Report
Mass media	Renown and reputation Being perceived as reliable partners Opening of a preferential information channel	Involvement of the media in SUPSI open days Professional activity of press and media relations office Sustainability Report



Our approach to sustainability

We invest time and resources to have a guiding role in the definition of international rules to ensure a safer and more transparent industry. We work closely with OECD, LBMA, RJC, and WGC, the world's foremost authorities for the precious metals sector.

We work to ensure that all of our partners in the chain are as careful as we are with regard to sustainability: we gather information systematically, apply rigid selection parameters, and keep a watchful eye on the socio-political context in which our customers and suppliers operate.

Corporate values are meaningful only when shared: in 2011, we continued our project to ensure that all of our employees know and comply with our code of conduct.

No company is an island. These words, borrowed from a famous poem, perfectly express the concept that guides our approach to responsibility. Our Company, part of a global business and a chain with partners that are very similar in size and origin, cannot achieve sustainability only by looking inward. This is why our commitment starts with a constant effort to ensure that our business partners observe all international regulations and standards, that we are not involved directly or indirectly in any illegal trafficking, exploitation of labour, money laundering, etc.

Our assessment of customers and suppliers becomes increasingly effective as applicable standards and rules become more transparent and well-defined. This is why we play an active role in major international associations that govern the precious metal sector and all of its related operations.

But this attention to our partners does not lessen the principal and essential element of sustainability, i.e., that the Company as a whole and each of its employees must act responsibly. Our code of conduct provides the key principles of our work, but it is only thanks to a real sharing of values and an efficient control mechanism that Argor-Heraeus has become a stable and successful company in over sixty years of business, ready to learn from its mistakes and able to invest confidently in the future.

Distribution of added value



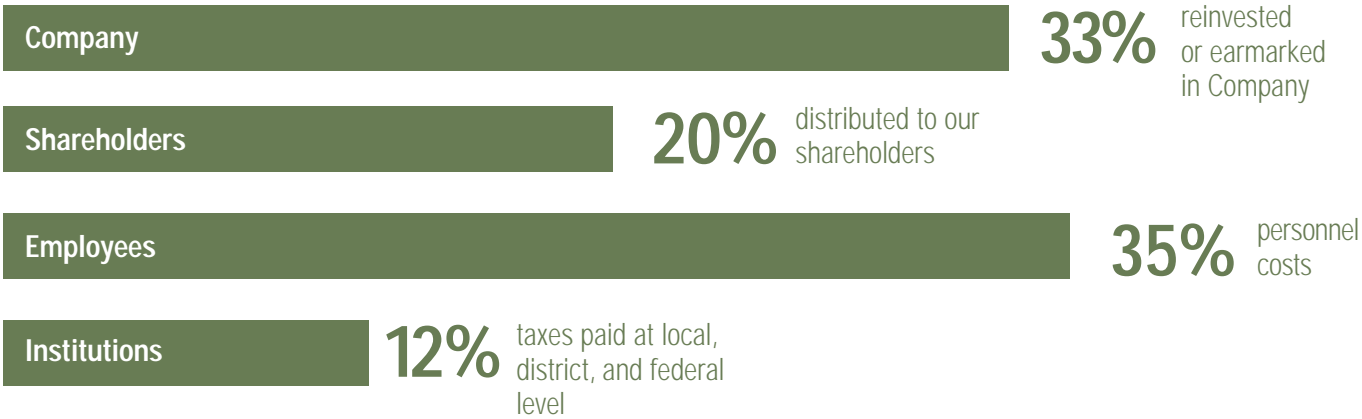
Our Company’s business has economic consequences for our employees, shareholders, customers, and suppliers, as well as for institutions and many other parties: measuring how the value we generate is distributed gives a complete picture of our role in society.

The largest share of the value we generate directly benefits our employees in the form of salary.

12 cents of each franc of value created is paid in the form of taxes. To this are added indirect benefits for our local area, generated by means of jobs and salaries.

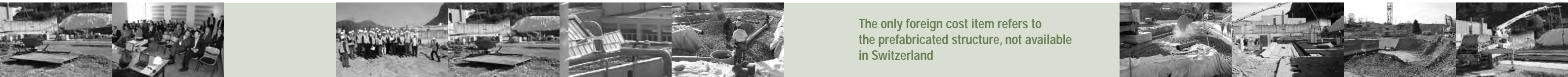
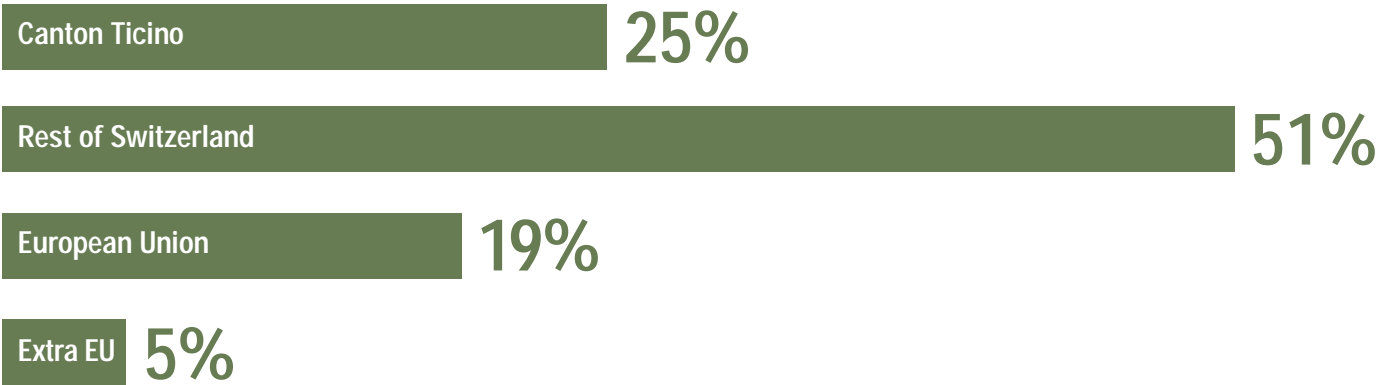


In 2011, our construction site generated 11 million CHF in value for the territory



Suppliers of services and accessory products

Distribution of suppliers by region



Quality, solidity, high standards of transparency and sustainability. When our potential suppliers have satisfied these requirements, we add another that is equally important: proximity.

7.6 francs out of 10 are spent at the 554 Swiss suppliers with which we have worked.

For 2011 alone, expansion of our headquarters involved over 11 million francs paid to suppliers, with almost 9 million spent in Ticino and 2.6 million to suppliers in the region of Mendrisio.

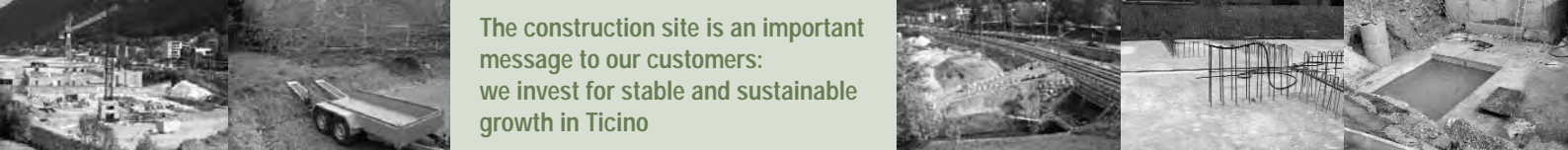
The only foreign cost item refers to the prefabricated structure, not available in Switzerland

Under our strategic supply policy, we select suppliers of chemicals, fuels, security services, consumables, disposal services, etc. not only on the basis of specific qualitative and economic criteria, but also by considering their location. Proximity is an important factor for at least two reasons: first, we want to promote growth in the local area,

because we believe that a dynamic and flourishing territory is fundamental for sustaining our growth; second, shorter routes for transporting goods and people means lower CO₂ emissions. These principles were translated into choices in 2011 as well: 25% of our total supplier expenditure regarded companies in Canton Ticino, and another 51% regarded Swiss companies.

Our selection of local suppliers becomes even more apparent in the data regarding expansion of the Mendrisio headquarters, with 84% of expenditures allocated to companies in Canton Ticino. The proximity principle is also applied by the Group's other companies: where possible, our Italian and German affiliates give preference to local suppliers.

Our customers



The construction site is an important message to our customers: we invest for stable and sustainable growth in Ticino

In our sector, customers and suppliers of raw materials are often one and the same, given that customers generally retain ownership of precious metals throughout processing.

Know your customer.
To be a responsible company, we have to work hard to ensure that our customers are responsible as well. To do this, we widen our gaze to the entire chain. We want to know and evaluate our partners, their history, principles, and operations.

Constant, multiple checks, both internal and by external parties to limit any risk of working with irresponsible partners.

In our sector, we face a fundamental and demanding challenge: verifying that none of the precious metals we process come from companies that exploit labour, that do not employ adequate means to protect the environment, or use revenues to finance illegal ethically questionable agendas. Our commitment is based on three principles: strict due diligence of customers, constant monitoring, and application of standards shared by the entire industry.

preliminary acceptance evaluations, after which the “candidate” is evaluated by Management with respect to geographical risk and compatibility with company policy. Only at this point does the actual audit process begin at the compliance office, which, based on an evaluation of all of the parameters established by the know-your-customer policy, decides whether or not to begin working with the new customer.

Our contribution to shared rules
As a major international player, Argor-Heraeus understands the importance and responsibility of contributing to the formulation and implementation of rules and guidelines needed to make the precious metals industry more responsible from the economic, environmental, and social point of view. Therefore, Argor-Heraeus’s managers invest a great deal of their time working closely with, or are board members of, associations, organisations, and agencies that govern the sector. For example, Argor-Heraeus made an important contribution



A strict selection process
The process for deciding whether or not to work with a new partner begins with the officer who manages relations with that customer. He is responsible for gathering information about the potential partner, the people who work there, and the context in which it operates. Then, the Argor-Heraeus compliance office conducts a series of

Constant checks
If the result of the due diligence process is positive, a series of internal and external checks is begun to evaluate the respect and maintenance of certain aspects of responsibility. Periodic checks are conducted by both the credit office and the compliance office. To these are added an annual independent financial audit and the checks imposed by FINMA, the Swiss authority that supervises financial transactions, to ensure compliance with money-laundering laws. Monitoring is completed with various audits to confirm compliance with international guidelines imposed by the industry regulatory bodies of which Argor-Heraeus is a member.

to Responsible Gold Guidance defined by the LBMA (London Bullion Market Association), as well as to the Conflict-Free Gold standard defined by the World Gold Council. The Company also contributes actively to the RJC (Responsible Jewellery Council) and the OECD (Organisation for Economic Co-operation and Development).



**Interview with
Christoph Wild, CFO**

Insider's look

Economic responsibility

What does working at a responsible company mean for you?

It gives me great personal satisfaction, because I see that the values and ethical principles I try to abide by in my personal life are shared and applied here at work, where I spend a large part of my time. I could never work for a company that doesn't make me perceive this sense of sharing. In addition, I can't deny that I'm proud to be part of a company that has applied principles of economic, environmental, and social responsibility for many years, even when awareness of such principles was less widespread.



How do you apply your commitment to economic responsibility in your daily work?

I don't really do anything spectacular or sensational. I base my daily decisions on the principles of consistency, transparency, and reliability. In real terms, this means a commitment to creating long-term relationships based on trust with all stakeholders, both inside and outside the Company. It is important that our partners be responsible as well; therefore, we subject them to a



very strict selection and monitoring process. At the operative level, my commitment to economic responsibility is defined by numerous small actions that add up to create value. For example, I try to be very punctual when paying invoices to avoid creating cash flow problems for suppliers and, under conditions of equal quality, I give preference to local suppliers. To work responsibly, it is essential that all of my co-workers be responsible as well, so I try to transmit the importance of working in this manner. I am convinced that responsible conduct cannot be imposed from above: it is something that each person has to assimilate.

With respect to economic responsibility, what decisions has the company made regarding the construction site?

From the point of view of economic responsibility, the decisions with regard to the expansion were made on the basis of the principles mentioned above. The size of the project and the investment have not created any exception to these principles. For example, almost all of the suppliers involved in the work are from Canton Ticino and went through a complex selection process. We also paid a great deal of attention to transparency toward institutions and all stakeholders. Lastly, I think an investment of this size is in itself a sign of responsibility toward employees, customers, suppliers, and institutions. It means that our Company does not speculate, and that its vision is one of long-term growth shared and supported by our shareholders, who believe in a stable, lasting presence in Canton Ticino.

Water consumption



In 2011, total water consumption was 81,160 m³, higher than in the previous year.

7 out of 10 litres of water are used to cool metals and machines.

5 Olympic-size pools: the equivalent amount of water pre-treated (subjected to special purification processes before being sent to the purification plant) in 2011.

Total water consumption in m³

2009	51,269
2010	60,786
2011	81,160



1.5%: water consumption at the construction site compared to the quantity of water used by Argor-Heraeus in 2011

Water is an essential part of our production processes, and is used mainly to cool machines that would otherwise quickly overheat and malfunction. Water is also used with reagents in chemical and electrolytic refining processes for precious metals.

25%	7%	64%	4%
Chemical and electrolytic treatments	Cooling towers	Cooling water	Other



1,277 m³ of water used to produce cement, with no discharges or pollution

In 2011, total water consumption was 81,160 m³, approximately one third more than in the previous year. This increase was not linked exclusively to greater production volumes, but also to a series of additional factors, the most important of which was a change in the product mix. There was a significant increase in semi-finished products for the watch and

jewellery industry, which require greater quantities of cooling water. Beyond the volatility of annual consumption levels, the trend toward higher efficiency becomes clearer if the reference period is expanded: water consumption grew at an average annual rate of 6.6% over the last ten years, compared to a 9% average increase in production.

1,660 m³ of water were consumed by Argor-Heraeus Italia for the precious metal processes in which it is involved, equal to one-fiftieth of consumption by the parent company. On the other hand, the systems installed at Argor-Heraeus Deutschland are smaller than those at Argor-Heraeus Italia, and therefore it consumed slightly more than 1,000 m³.

Our commitment to sustainability

Closed circuits in the expanded headquarters

In reorganising our processes for the expanded headquarters, we paid a great deal of attention to reducing water consumption. To achieve this, closed cooling circuits will be installed, which will considerably reduce the almost 60,000 m³ used for this purpose in 2011.

Greater attention to pre-treated water

While the improved cooling systems will reduce the volumes of consumed water, our greatest commitment remains the treatment of water used in chemical and electrolytic reactions. The most part of this water is also subjected to preliminary treatments that eliminate any heavy metals before it is mixed with the other water used and sent (after analysis) to the Mendrisio Water Purification Cooperative.

In 2011, modernisation of the control system for the waste water pre-treatment plant was concluded. Various processes were automated, which improved the quality of the operators' work, increasing overall safety and further reducing the risk of errors with potential damage to the environment.

Chemical consumption



1,428. The kilometres of electrical wire that can be manufactured with the 313 tonnes of copper oxide sludge delivered to companies specialising in metal recycling.





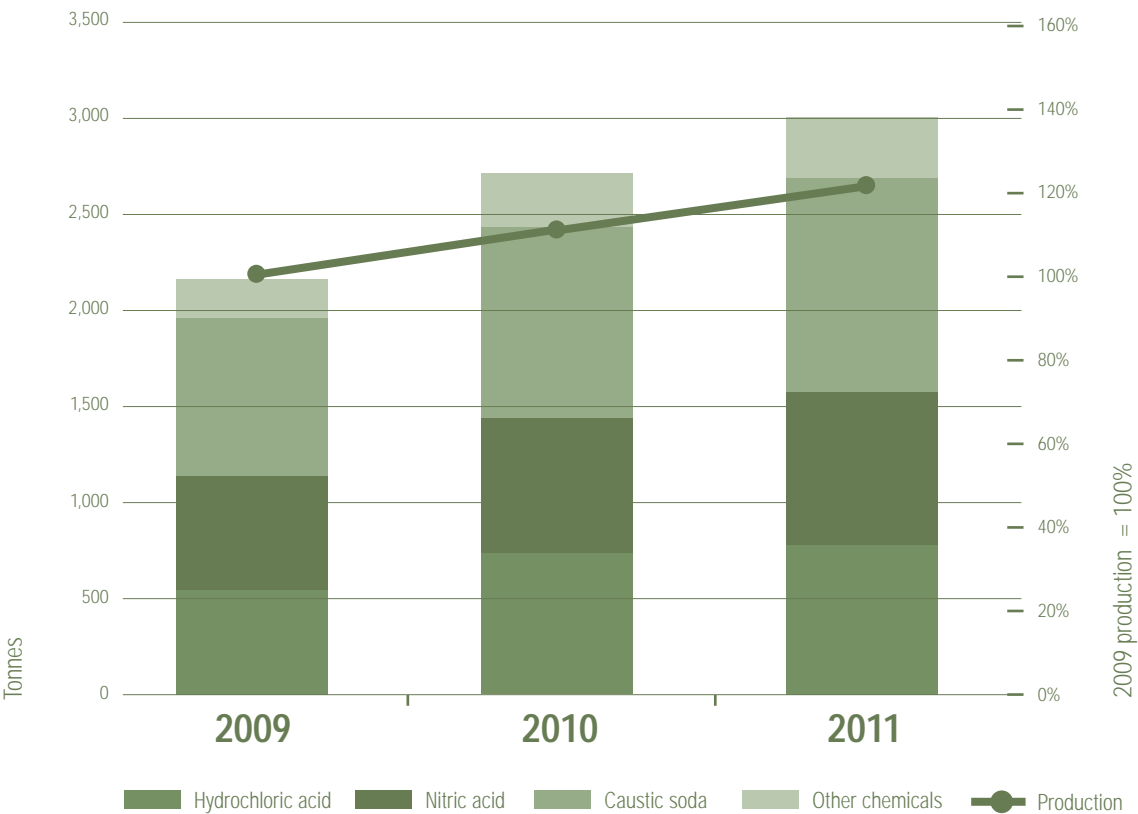




Hydrochloric acid (HCl), nitric acid (HNO3), and caustic soda (NaOH) represent 90% of the chemicals used by our Company.

+10%
Increase due to increased production and to reduced purity of materials received.

Chemical consumption and production



Gold and silver, the two precious metals that we process in the largest quantities, are refined with hydrochloric acid and nitric acid, respectively. The other substance needed to complete the reactions (i.e., to neutralise the acidic solutions) is caustic soda.

26%

Hydrochloric acid

27%

Nitric acid

37%

Caustic soda

10%

Other chemicals

In 2011, we consumed 3,005,423 kilos of chemicals, almost 300,000 more than in the previous year. This increase is explained only partially by the analogous increase in production

because in 2011 our commitment to greater efficiency was made more difficult by a tendency to receive materials with a low purity level, requiring the use of greater quantities of chemicals for refining processes.

For the Group's affiliates, chemical consumption is irrelevant, consisting of less than one thousandth of the parent's consumption. All processing activities are conducted at Mendrisio.

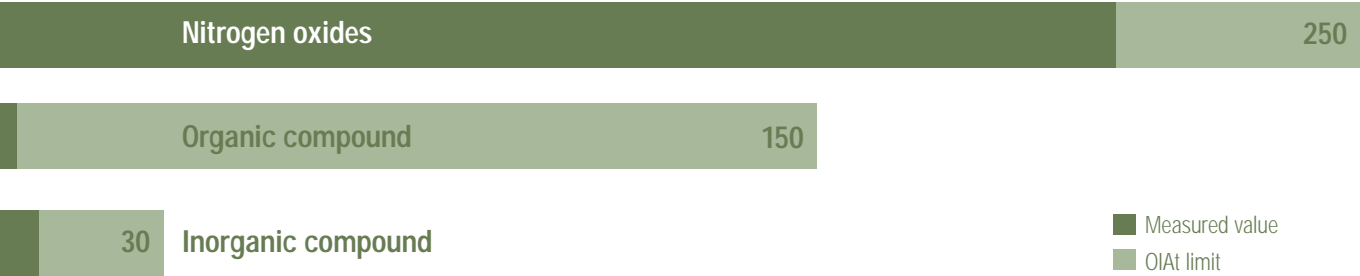
Our commitment to sustainability

Once used for production, chemicals can mix with residues or be emitted into the atmosphere. Not only does Argor-Heraeus pay maximum attention to respecting standards and legal limits when managing these substances, we make a daily commitment to respecting even stricter self-imposed limits in order to limit the impact of our operations on the surrounding environment.

Control and recycling of residues

Our main waste product is sludge from metal residues (copper oxides). Compared to 2010, sludge increased by 22%, to 313 tonnes, deriving in part from the lower purity of materials received last year. All sludge is sent to specialised companies for processing and recycling in conformity to law. As described in the section on water consumption, residues of heavy metals and salts in waste water are carefully treated before being sent to the purification plant.

Maximum hourly gas emissions in mg/m³ and OIAt limits, 2009



Constant monitoring of emissions

With regard to emissions of nitrogen oxide generated by metal refining processes, our goal is to ensure constant monitoring that goes beyond legal requirements of periodic measurement (OIAt, *ordinanza contro l'inquinamento atmosferico*). Therefore, in May 2011 we activated a monitoring system that allows us to keep emissions under control at all times to guarantee an even higher safety level for our employees and the surrounding population.

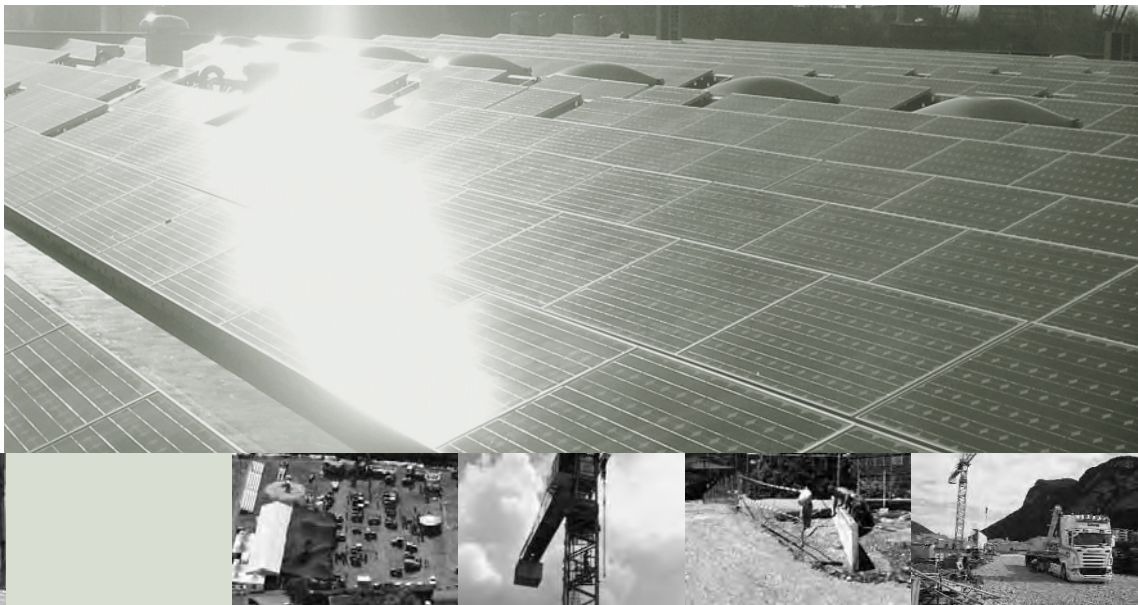
In addition, the Company has an alarm set to a value 20% below the legal limit for NO_x emissions and ready to trip if this threshold is ever exceeded. But our fight against emissions goes beyond control: in 2011, a number of changes in production processes reduced NO_x production by 15%.

Risk management

We firmly believe that risk management plays a primary role in protecting the territory against possible environmental threats, and therefore instruct our employees in order to prepare and coordinate them in case of unexpected events.

Theory and practice go hand in hand. Unfortunately, theory must sometimes be applied: the last incident occurred in late 2010, when a fire broke out at one of our furnaces. In just a few minutes, our employees, working together (and thanks to sophisticated safety systems), eliminated the problem without any consequences for people and the environment.

Energy consumption



5% 16% 74% 5%

Fuel oil Methane Electricity Propane

At the construction site, energy was used to run all of the machines, for indoor lighting and for security lighting

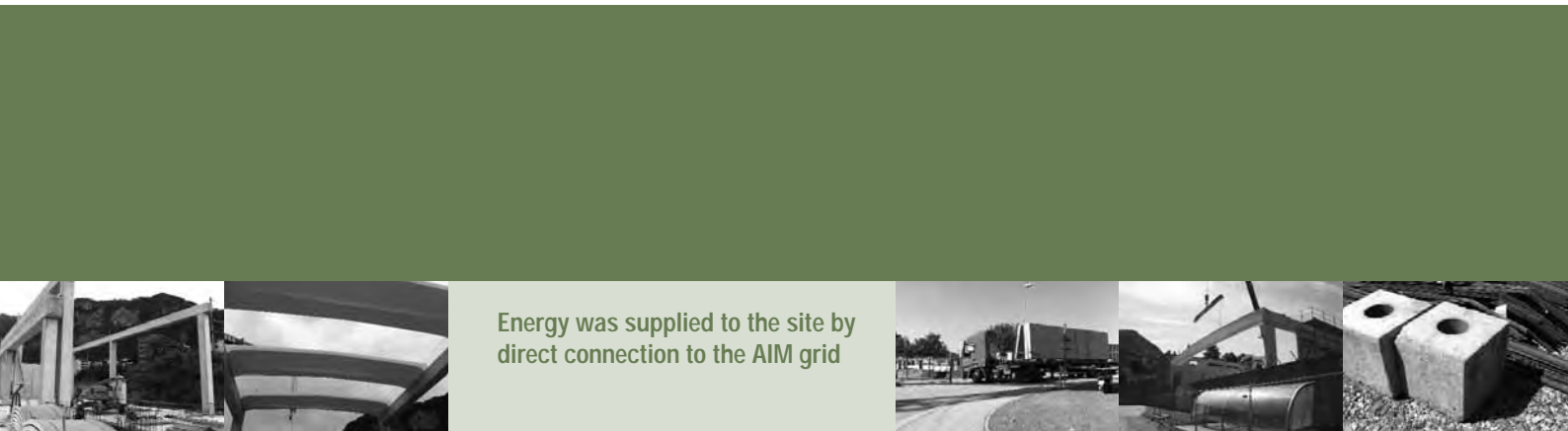
¾ of the energy used is electricity.

+10%
total energy consumption in 2011.

50 Swiss families could satisfy their annual energy needs thanks to Argor-Heraeus's savings in 2011.

Energy consumption and production





Energy was supplied to the site by direct connection to the AIM grid

35,248 MJ of electricity were consumed in 2011 to operate most of the machines used to process metals. The remaining 12,190 MJ were generated by methane and fuel oil to heat the rooms and for a few chemical processes, and by propane for metal smelting processes.

Higher energy consumption was matched by higher production. Higher energy consumption was also attributed to the lower grade of materials received. Propane consumption, while remaining at very low levels, increased by 36% due to higher quantities of melted products, the processing of which requires propane.

Electricity consumption at Argor-Heraeus Italia and Deutschland was 202 and 280 MJ, respectively. Given the small size of these companies, their combined consumption represents only 1% of that of Argor-Heraeus SA.

Our commitment to sustainability

Concrete actions, constant improvement

Although our energy consumption depends in large part on production, and its reduction (where possible) requires wide-scale intervention, Argor-Heraeus is convinced that even marginal steps, if constant, can make a difference. Therefore, in

2011 we implemented a series of concrete actions that saved an additional 644 MJ (+158% compared to 2010), equal to the annual consumption of fifty Swiss households. The largest such action regarded the optimisation of ventilation in our offices.



New headquarters, new sources

The strategic plan to expand our Mendrisio headquarters includes replacing the fuel oil boilers with boilers that run on methane, a much more ecological fuel, for greener heating of the new building. In addition, there will be a system to recover heat from plant cooling circuits.

Our commitment to renewable energy

Argor-Heraeus will also use renewable energy at its expanded headquarters. In cooperation with the Institute for Applied Sustainability to the Built Environment of SUPSI (University of Applied Sciences and Arts of Southern Switzerland), we conducted a feasibility study for the installation of a photovoltaic system on the roof of the new facility to provide an additional source of renewable and non-polluting energy.

Emissions

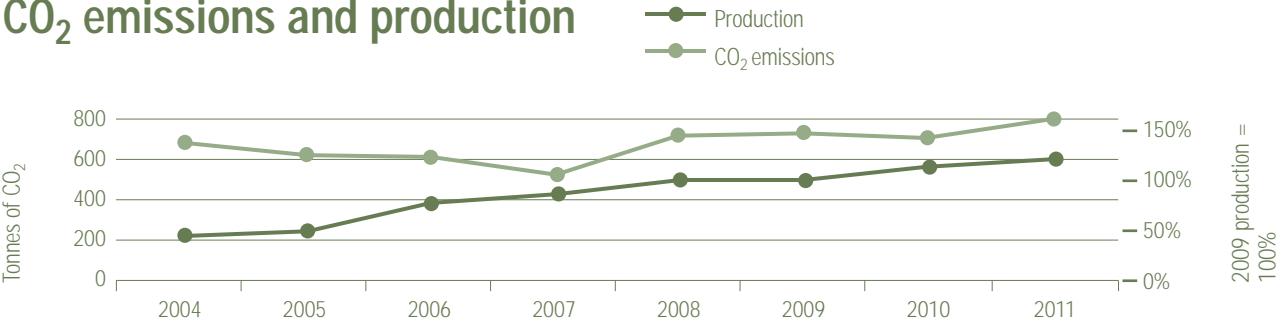


CO₂: the main consequence of the use of fossil fuels for production and heating.

An increase of 103 tonnes of CO₂ emitted in 2011, deriving from increased production and a change in the mix of energy resources.

Participation by our employees in the mobility plan developed in 2011 helped reduce traffic and CO₂ emissions in the atmosphere.

CO₂ emissions and production



2011 carbon dioxide emissions amounted to 801 tonnes. This increase compared to previous years derives from the larger volume of metals processed

last year as well as a greater need to heat the rooms with fuel oil. A long-term analysis shows a trend toward improved efficiency with regard to

emissions: compared to a 9% average annual increase in production, emissions increased an average of approximately 2% per year.



Company mobility policies were extended to outside personnel working at the site

Metal processing generates dust, primarily zinc oxide and lead oxide, that is emitted into the air. By law, emissions may not exceed the 20 mg/m³ limit

imposed by the Ordinance on Air Pollution (OIAt). The Environmental Protection Department of Canton Ticino conducts periodic measurements to check conformity to this limit.

The most recent measurement at Argor-Heraeus, conducted in 2009, revealed a maximum concentration of 0.8 mg/m³, only 4% of the legal limit.

Our commitment to sustainability

CO₂ reduction programme

We share the goals and commitments that Switzerland assumed with the CO₂ law. In 2011, we again played an active role in the AEnEc (Agency for energy for the economy) and participated in the *CO₂ Reduction* programme to reduce emissions.

With the expansion of our plant and reorganisation of production processes, we will take another step toward energy efficiency and sustainability.

Personnel mobility

Argor-Heraeus's impact in terms of emissions does not depend only on its industrial operations. We have over 200 employees whose daily commute to work generates an impact on the environment. Therefore, we are pursuing a multifaceted programme of sustainable mobility for our employees that will balance their right to mobility with the need to reduce pollution and negative effects such as emissions of greenhouse gases and CO₂, smog and traffic.

The programme, which made significant progress in 2011, is based on four points. The first is the "*Arcobaleno aziendale*" programme (in which 14 employees already participate), which gives a 50% discount on an annual pass for travelling to and from work thanks to the combined contribution of the Canton and the Company. The second is a series of car-pooling incentives, which has led to the formation of 35 employee car-pooling groups. The third is the promotion of slow travel (walking, bicycles) for employees who live near the Company, and fourth

10 car parks were allocated to car-pooling for site personnel

(complementary to the others), disincentivization of the use of private cars by introducing a parking tax for employees, revenues from which are used to subsidize incentives for mobility and activities of the sports/recreation group.

Waste materials, packaging materials, noise



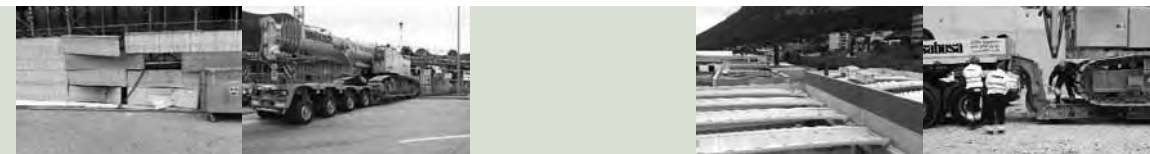
Noise has been reduced by 20-30 decibels thanks to the use of headsets: the noise from a lorry motor at a distance of one metre is perceived at the same level as sounds in the home.



Oils and solvents used during production are disposed of as special waste.

In 2011, with a large investment, we almost completely replaced PVC with PET in packing materials.

Rubble from excavations were reused for filling



Waste materials

Regulations provide very specific rules for handling different waste materials according to their type and possible impact on the environment. At Argor-Heraeus, packing materials such as paper, cardboard, wood, and plastic are disposed of by authorised disposal companies. Potentially more hazardous residues, such as solvents used in washing operations and lubricants, are treated as special waste in compliance with law.

Packaging materials

In 2011, we took an important step toward environmental sustainability with regard to the materials used to pack our products. Thanks to a new machine, we have replaced PVC with PET in most of the packages that require plastic. When the configuration and type of product allow, we also use wood or cardboard (ecologically more sustainable) for packaging.

Noise

In an industrial environment like ours, is it normal for some machines in certain departments, such as the foundry, to generate noise that could cause potential risks to our employees. Therefore, we constantly monitor the situation and, where possible, try to work directly on the machinery to mitigate this problem. In addition, for more complete protection of our employees, we instruct them to use protective ear wear where not required by law.

Insider's look

Environmental responsibility



**Interview with
Alessandro Ruffoni,
Environmental Manager**

What does working at a responsible company mean for you?

For me it means having a responsibility to be shared with co-workers and top management, a responsibility that I certainly don't leave on my desk at the end of the day. Since I began working at Argor-Heraeus in 1988, I have always felt the full support of Management, with which I have always had an open and constructive dialogue. I think this is an important sign that a responsible company gives to its employees. The stability of Management and the shareholders, and the long-term

growth policies that culminated in the large investment to expand the headquarters, have always made me feel sure that I could count on a consistent corporate policy based on continuity, one that makes it possible to carry out wide-ranging plans.



How do you apply your commitment to environmental responsibility in your daily work?

I work at a company that by definition has a potential impact on the environment. My commitment to this aspect is part of my profession, and my daily commitment is to increase every employee's awareness of the potential impact of his or her job. The respect of environmental laws and of internal rules are absolutes, and the Company's state-of-the-art safety systems immediately detect any fault or problem. Despite this, I believe that only full awareness lets you prevent problems before they arise. So, every day



I walk through the production departments to talk individually and informally with employees, trying to be available at all times. I remind them that the door to my office is always open.

I always try to promote dialogue and exchange of viewpoints with the Company's other stakeholders as well. For example, my relationship with environmental authorities has always been based on transparency and constructive interaction: a work method that is appreciated by both parties and that has often helped us to find concrete and efficient solutions to problems.

With respect to environmental responsibility, what decisions has the company made regarding the construction site?

Environmental protection was an essential aspect during the design and development phases of the site, and construction of the new building goes beyond the minimum criteria currently imposed with regard to efficient use of resources and energy.

At our new and expanded headquarters, we will be able to significantly reduce the amount of water used thanks to the installation of closed circuit cooling systems. In addition, about 300 kWh will be generated by photovoltaic panels mounted on the roof: a very tangible way to demonstrate that our environmental commitment is more than just words!

Composition of personnel



Pension, insurance coverage, accessibility, apprenticeships, training, moments of recreation and relaxation: guaranteeing all of these aspects is essential for having employees who are calm, satisfied, and ready to make their contribution.

9 new permanent jobs created this year at Mendrisio. We are proud of our constant growth.

The strength of the Swiss franc made us face difficult choices this year: we opted for increasing efficiency rather than eliminating jobs, cutting wages, or paying salaries in euros. Because sustainable growth in times of crisis means making choices that protect jobs.

Employees and temporary personnel



■ Employees
■ Temporary personnel (FTE)



30-40: workers at the site every day

In 2011, thanks to greater demand for the processing of precious metals, we were able to create 9 new permanent jobs, exceeding the threshold of 200 employees at Mendrisio for the first time in our Company's history. We also added an average of 56 temporary employees during the year, recruited

thanks to a long-standing relationship with two specialised agencies. The increased use of temporary work derives from the extreme volatility that marked the year: demand peaks with very short-term orders alternated with equally as sudden drops. Nevertheless, starting from 1 January 2012 we were able to permanently integrate about one quarter of the temporary employees on our staff.

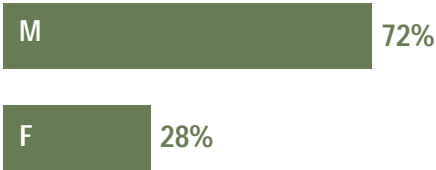
Compared to Mendrisio, the other Group companies have a total of only 34 employees (16 at Argor-Aljba and 9 each at Argor-Heraeus Italia and Argor-Heraeus Deutschland).

40% of our employees live in Canton Ticino: a significant percentage for a company near the border.

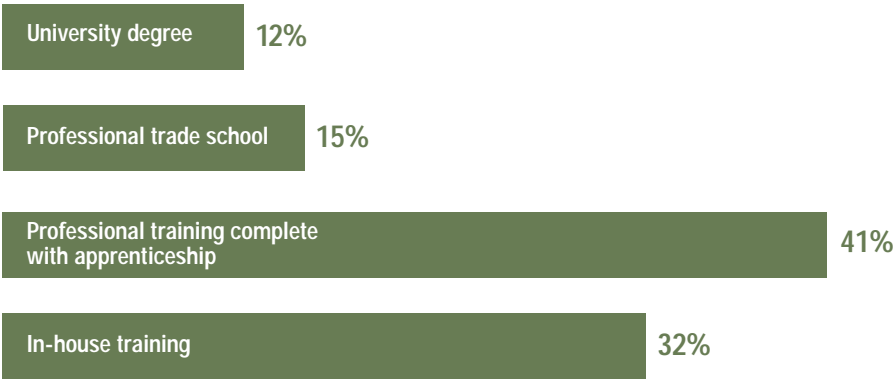
About 27% of our employees have a university degree or a diploma from a professional trade school: a technological company demands qualified personnel.

Low turnover rate and high average stay at the company: two results in 2011 that we intend to achieve year after year.

Distribution of employees by gender, 2011



Employee education level, 2011



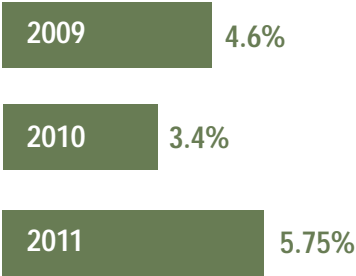
7 AM – 5 PM:
work hours at the site in conformity to law

Almost 3 employees out of 10 at Argor-Heraeus in Mendrisio are women. Our personnel policies promote the hiring of women. The turnover rate indicates the percent of employees who left the Company during the year. In 2011, this index remained very low (5.75%).

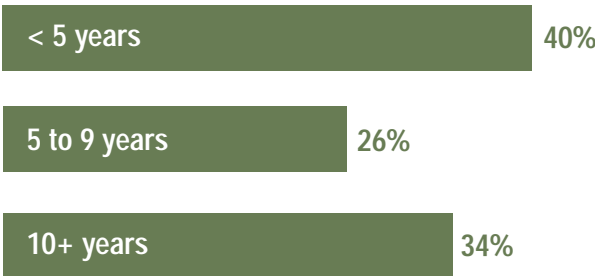
The slight fluctuations in the index from year to year are attributable to purely physiological factors, such as (for example) the number of employees who retire in a given year. A happy employee will stay in the Company for many years. Therefore, the data referring to average years of

employment at Argor-Heraeus, weighted with data on growth in the number of employees, is a source of pride. For example, 80% of the 128 employees with us 5 years ago are still at the Company.

Employee turnover rate



Average stay in Company



Health and safety at the workplace

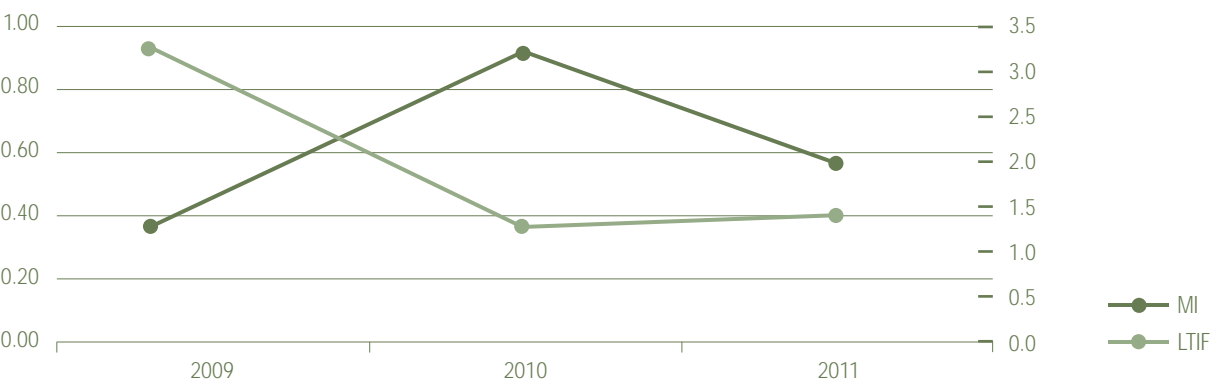


Training, exercises, state-of-the-art safety systems, clear rules and procedures, codes of conduct, signs: safety at the workplace is our unconditional priority.

Only slightly more than one accident for every 100,000 hours worked. -38% on the index of serious accidents. A satisfactory year, although our goal remains zero.

An expert engineer, constantly updated on safety matters, devotes 100% of his time to monitoring and instructing our personnel on the importance of a safe workplace.

Magnitude Index – LTIF



0 accidents at the site in 2011

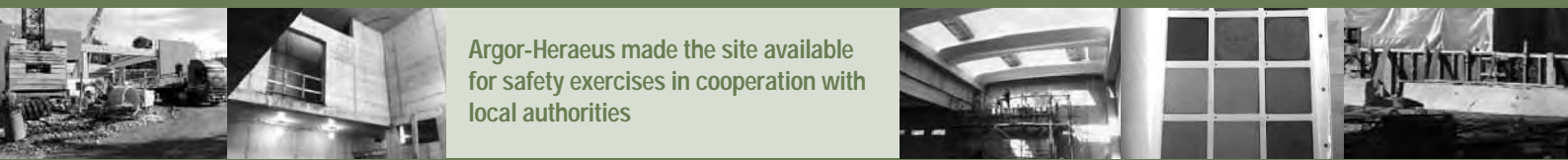
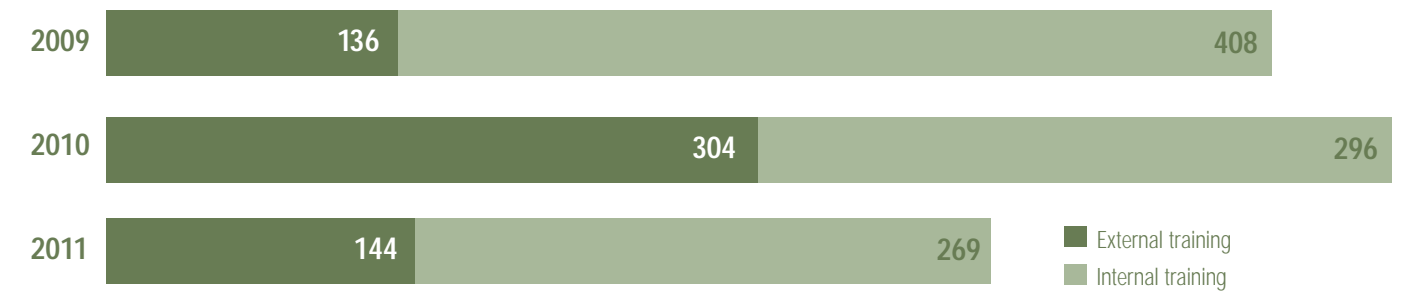
To keep safety aspects under control, we concentrate on two widely adopted parameters: the Lost Time Injury Frequency (LTIF) index and the Magnitude Index (MI).

The Lost Time Injury Frequency (LTIF) index expresses the number of accidents recorded for every 100,000 hours worked. The index rose slightly compared to 2010, but remained at a very low level in 2011 as well.

The Magnitude Index (MI) measures the number of days lost due to accidents at the workplace every 1000 days. This index fell considerably compared to 2010 (-38%) thanks to the absence of any accidents requiring long recovery times (as occurred in 2010).

Training

Hours of safety training



Argor-Heraeus made the site available for safety exercises in cooperation with local authorities

Over 400 hours of safety training, 1,500 of professional training, 600 on the code of conduct, 260 on quality: in 2011 as well, we concentrated on developing know-how.

ISO 9001: the achievement of international quality management certification was a very important step toward excellence that required everyone's contribution.

Involvement and participation were the passwords for instruction on the code of conduct for all Argor-Heraeus employees in 2011.

Professional training and safety
Our most important training activity regards safety. All of our employees – including apprentices and temporary personnel – devote their first day of work to safety training. Internal or external courses are held to teach employees how to prevent and manage emergencies or unexpected situations. In addition to safety, there are professional workshops, specific technical courses, and seminars for executives and managers, courses for the development of management and strategic skills, and language courses. There were more than 1,500 hours of these activities in 2011.

The quality culture and ISO 9001
ISO 9001 certification was obtained in 2011 thanks to the introduction of an integrated and tested process management system that allowed compliance of the reporting procedures and documents for the Company's activities. The real challenge was convincing our employees of the advantages and usefulness of changing long-standing operating routines. To do this, the Company launched a concentrated training and awareness programme with weekly meetings of project teams in the profit centres, as well as 260 hours of classroom time for our employees.

A clear, shared, applied Code of Conduct
For Argor-Heraeus's principles and ethical/behavioural values to be internalised by those who work in the Group's companies, each person must consider the consequences that non-conforming conduct may have for him/herself and for the Company. With this in mind, a large project on the Code of Conduct was launched in 2011. Fifteen teams were formed which, based on the bottom-up learning approach, dealt with the fundamental principles and ethical aspects of Argor-Heraeus's business, such as corruption, money laundering, unfair competition, stakeholder relations, responsibility in daily work, internal values, and social-environmental commitment. An enormous investment that will surely generate benefits in the future.





**Interview with
Carla Marcolli,
Workplace Safety
Manager**

Insider's look

Social responsibility

What does working at a responsible company mean for you?

Dialogue. I think that one of the most important aspects of being part of a responsible company is knowing that I can always talk to management and count on their support for any problem, question, or doubt. Especially when my role as workplace safety manager sometimes requires me to be a "pain in the neck" with employees, it is important to feel that my decisions are supported. I work hard to create an open dialogue with employees, giving

feedback and opinions, trying to develop a calm and cooperative climate. In addition, knowing that I'm part of a company with an excellent reputation for responsibility lets me sleep soundly: I know that we're doing everything possible to ensure safe working conditions for everyone, and that people come first.



How do you apply your commitment to social responsibility in your daily work?

My job isn't over when employees respect the safety rules. It is essential that everyone fully understand why certain measures and rules are so critical. When I see that messages are not correctly received, I find an alternate way to make those individuals aware. I give myself precise goals and use specifically developed indicators to check the effectiveness of my work. Working in a medium-size company lets

me know my colleagues, their stories, and their needs, so I can create a more effective dialogue. The other side of the coin is that this increases my involvement and sense of personal responsibility.

With respect to social responsibility, what decisions has the company made regarding the construction site?

The first step for having a safe site was choosing a high-quality partner known for very strict and scrupulous supervision of works. In cooperation with our internal contact for the site, we defined the most critical aspects from the very beginning, such as passes, basic rules for prevention, and emergency management. Although the risk of accident cannot be eliminated, I can say that cooperation with colleagues has achieved our common goal: excellent timing, quality work and, most important, a very good situation with regard to safety.



Being a responsible company also means being transparent, and for this reason we involved the authorities (starting with the Canton and the City of Mendrisio) right from the design phase so that every step in the project would be approved.

Activities with our stakeholders



The cornerstone for our new Mendrisio headquarters was laid on 31 March 2011. The Mayor of Mendrisio and the Director, after presenting the plan to local and regional authorities, officially confirmed the commencement of work.



In addition to its regular support of the Fondazione Provvida Madre in Balerna, the Istituto Torriani in Mendrisio, the Istituto Canisio of Riva San Vitale, and of cultural, ecological, and sports associations, in May we also contributed to the Fondazione Provvida Madre to organize "*giostrein-testa*", a non-stop concert with Davide Van De Sfroos, Vad Vuc, and many other singers who performed on the stage set up at Riva San Vitale to entertain the public and to support the Foundation's work with disabled minors and adults.



In the spring, some students from the Lugano Secondary School, as part of the activities organised for the International Chemistry Year, visited Argor-Heraeus for a hands-on look at what they study at school, discovering the secrets of gold and silver refining reactions and of the chemists who work at the Company.



15 teams composed of our employees participated in training days devoted to learning and sharing the Company's values and principles.



With the aim of providing a positive and stimulating work environment, the Company's sports/recreation group organises sports activities, gatherings, and entertainment during the year for all employees and their families, such as our successful football tournament (held for charity), winter ski trips, and summer picnics.



The second open day with students of the Innovative Technologies Department of SUPSI was held in 2011, with a guided tour of our production facilities, discussions with Argor-Heraeus engineers, and the presentation of a 3,000 franc award for the best diploma earned in school year 2010/2011. The day is part of our policy to support and stimulate technical training in Ticino.

In December, approximately 12 months from the start of works to expand our headquarters, the structure of the facility was finished. A toast and a party were organised to celebrate with everyone who devoted their energy and commitment to the site.

At our traditional Christmas dinner, we spent a pleasant evening with our employees outside the work environment to reinforce team spirit and celebrate the holidays.



