

Aida Chemical Industry Co., Ltd. Responsible Platinum and Palladium Compliance Report

The LPPM Responsible Platinum/Palladium Guidance has been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and to combat terrorist financing practice.

This report summarizes how Aida Chemical Industry Co., Ltd. has complied with the requirements of the LPPM Responsible Platinum/Palladium Guidance.

Table 1: Refiner's details

Refiner's name	Aida Chemical Industry Co., Ltd.
Location	15-13, 6-chome, Minami-cho, Fuchu-shi, Tokyo, Japan
Reporting year-end	31 March 2022
Date of Report	28 June 2022
Senior management responsible for this report	Tatsuo Sato, Au division general manager
Aida Chemical's evaluation	<u>佐藤辰男</u>

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

We have partially complied with Step 1: Establish strong management systems.

Aida Chemical has adopted a company policy regarding due diligence for supply chains of platinum and palladium.

Comments and Demonstration of Compliance:

Since 2020, we have maintained our Responsible Materials Procurement Policy which meets the requirements of the LPPM Platinum / Palladium Guidance. This sets out our responsibility for conducting risk-based due diligence, education and training, monitoring and record keeping of transactions, and arrangement of third party audit with the aim of avoiding raw material procurement related to human rights violations, financing terrorists, money laundering, fraudulent transactions, and contributing to conflicts.

The corporate policy was revised on January 1, 2022.

Aida Chemical has set up an internal management structure to support supply chain due diligence.

Comments and Demonstration of Compliance:

An internal management system has been set up to define the Management structure, roles and responsibilities, risk assessment procedures, transaction monitoring, communication, internal audit and senior management review. The compliance officer has been assigned to manage the platinum and palladium supply chain due diligence processes, and has a direct line of reporting to the senior management. There was an instance in the reporting period where some issues identified in internal audit were not well communicated from the internal audit division to the compliance officer, who consequently failed to communicate the issues to the senior management.

We have formulated a corrective action plan for this deficiency.

We provide employees involved in supply chain due diligence of minerals with training on responsible minerals sourcing every year. The latest training was conducted in March 2022.

Aida Chemical has established a strong internal system of due diligence, controls and transparency over platinum and palladium supply chain, including traceability and identification of other supply chain actors.

Comments and Demonstration of Compliance:

We have a platinum- and palladium-bearing material receipts process.

A receipt slip is issued for every platinum- or palladium-bearing material when it is received from a supplier. Transaction details, including the supplier's name, the weight and assay, and the type of material received, are entered into our transaction database before the platinum- or palladium-bearing material is refined.

Aida Chemical has strengthened company engagement with platinum/palladium supplying counterparties, and where possible, assisted platinum and palladium supplying counterparties in building due diligence capabilities.

Comments and Demonstration of Compliance:

We send the revised policy to all of our suppliers at the time of the first transaction after the policy revision by using a receipt or a request form for providing information regarding conflict minerals (information request form). Suppliers sign a receipt or information request form, acknowledging that the transaction did not violate our policy. We currently pay in cash to some suppliers upon request, but we are taking measures to move away from cash payment towards payment conducted through official banking systems.

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

Comments and Demonstration of Compliance:

Aida Chemical has established a functional mail box allowing employees to anonymously voice concerns over the platinum and palladium supply chain.

Any external stakeholders can also anonymously raise concerns over our platinum and palladium supply chain from our website. During the reporting year, we did not receive any concerns over our platinum and palladium supply chain either from employees or external stakeholders.

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

We have fully complied with Step 2: Identify and assess risks in the supply chain.

Aida Chemical has a process to identify risks in the supply chain.

Comments and Demonstration of Compliance:

We have formalized a process to identify and assess risks in the supply chain in the "Platinum and Palladium Due Diligence Manual" and the "Platinum and Palladium Due Diligence implementation rules". Our Conflict and high-risk areas (CAHRAs) identification procedures are included in the Due Diligence Manual.

Based on the following sources of information, we identify countries / regions at high risk of human rights violations, political corruption, liberation wars, rebellions, armed conflicts such as civil war, widespread violence or harm to people:

- (A) Countries stipulated by the Dodd-Frank Act of the United States (DFA 1502)
- (B) Countries where the strength of NATIONAL AND INTERNATIONAL LEVEL in Heidelberg Conflict Barometer (<http://www.I.hiik.de/?lang=en/>) corresponds to 5. WAR or 4. LIMITED WAR
- (C) Countries included in the EU indicative CAHRAs list (<https://www.cahraslist.net/cahras>) (EU2017 / 821)
- (D) Countries that fall under both 1. and 2. below
 1. Countries with Global Human Development Index (HDI) of 0.65 or less in UNITED NATIONS DEVELOPMENT PROGRAMME Human Development Reports (<http://hdr.undp.org/en/>).
 2. Countries with CORRUPTION PERCEPTIONS INDEX of 45 or less in Transparency International (<https://www.transparency.org/en/>).

We shall perform enhanced due diligence if the material originates from or has been transported through a CAHRA. The compliance officer determines whether the supplier is a high-risk supplier based on the results of the enhanced due diligence and

reports it to the senior management.

Aida Chemical has assessed risks in light of the standards of its due diligence system.

Comments and Demonstration of Compliance:

Risks were assessed against all of our business partners with transaction in fiscal 2021 against high-risk criteria in accordance with the LPPM guidance. All the results of the risk assessment evaluated in fiscal 2021 were reported by the compliance officer to the senior management.

As a result, one of the suppliers of platinum/palladium-bearing raw material, which was based in one the CAHRAs, was judged to be high risk in fiscal 2021.

Aida Chemical reports risk assessment to the senior manager.

Comments and Demonstration of Compliance:

The process and results of our risk assessment activities conducted in fiscal 2021 were reported from the compliance officer to the senior management for management review in March 2022.

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

Compliance Statement with Requirement:

We have fully complied with Step 3: Design and implement a management system to respond to identified risks.

Aida Chemical devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk.

Comments and Demonstration of Compliance:

Aida Chemical has a strategy for risk management of identified risks. If risk assessment of platinum- and palladium-bearing materials and suppliers reveals that they may be involved in human rights abuses, contributing to conflicts, or money laundering, risk mitigation shall be undertaken. If risk mitigation is not possible, transaction shall be immediately suspended.

Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.

Comments and Demonstration of Compliance:

In the reporting year, we encountered one supplier that was located in one of the CAHRAs, for which we conducted enhanced due diligence before determining whether to purchase platinum- and palladium-bearing raw material from it.

Due to the Covid-19 pandemic, enhanced due diligence was carried out by telephone, video call and e-mail. Based on the results of the enhanced due diligence conducted, the senior manager determined that we could procure platinum/palladium-bearing raw material from this supplier.

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

Compliance Statement with Requirement:

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

Comments and Demonstration of Compliance:

Aida Chemical engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent limited assurance report can be viewed on <https://www.aida-j.jp/wordpress/wp-content/uploads/compliancereport.pdf>

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 5: Report on supply chain due diligence

[Comments]

This compliance report and our policy are available on our company website <https://www.aida-j.jp/wordpress/wp-content/uploads/assurance-report.pdf>

Aida Chemical's overall conclusion

Table 3: Management conclusion

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

Yes

[Comments]

In conclusion, Aida Chemical implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Responsible Platinum/Palladium Guidance, as explained above in Table 2, for the reporting year ended 31 March 2022 except for Step 1: Establish strong company management systems.

Aida Chemical is committed to continuous improvement, and any corrective actions identified shall be monitored internally on a regular basis.

Table 4: Other report comments

[Comments]

If users of this report wish to provide any feedback to Aida Chemical with respect to this report, they can contact corporate relations on [\[conflictfree@aida-j.jp\]](mailto:conflictfree@aida-j.jp).
