

## Aida Chemical Industries 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 Industries Co., Ltd has complied with the requirements of the LPPM Responsible Platinum/Palladium Guidance.

Table 1: Refiner's details

Refiner's name	Aida Chemical Industries Co., Ltd.
Location	15-13, 6-chome, Minami-cho, Fuchu-shi, Tokyo, Japan
Reporting year-end	31 March 2020
Date of Report	30 June 2020
Senior management responsible for this report	Tatsuo Sato, Au division general manager
Aida Chemical's evaluation	<u>Tatsuo Sato</u>

Table 2: Summary of activities undertaken to demonstrate compliance

---

### Step 1: Establish strong company management systems

---

Compliance Statement with Requirement:

We have fully 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:

During the reporting year, we revised our Responsible Materials Procurement Policy in order to accommodate requirements in 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.

---

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 organization, roles and responsibilities, internal audit, risk assessment procedures, transaction monitoring, communication 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.

---

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

Since January 2020, we have communicated our Responsible Materials Procurement Policy to our suppliers by asking them to explicitly acknowledge our policy via receipt slips or information request forms.

---

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.

For inquiries from outside the company, an external stakeholder can use the inquiry form on our website. We plan to improve the system so that this inquiry form can be sent anonymously.

---

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:

The process for identifying risks in the supply chain of platinum- and palladium-bearing raw materials are specified in the "Platinum and Palladium Due Diligence Manual" and the "Platinum and Palladium Due Diligence Implementation Rules". The procedures to identify Conflict-Affected and High-Risk Areas (CAHRAs) and the identified CAHRAs are specified in the Due Diligence Manual. Since January 2020, we have operated a mechanism that requires suppliers to declare that they are not involved in fraudulent or illegal acts or the smuggling of materials from conflict areas, using the receipt slips or information request forms. This process is now a formal requirement before entering any business relationship with a platinum/palladium supplying counterparty.

---

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

---

Comments and Demonstration of Compliance:

We assessed risks of suppliers and platinum and palladium raw materials purchased in fiscal 2019 against the high-risk criteria specified in the LPPM Responsible Platinum/Palladium Guidance. Most suppliers were assessed during fiscal 2019, but the remaining suppliers were assessed only in June 2020. None of the platinum- and palladium-bearing raw materials purchased in fiscal 2019 and those suppliers were judged to be high risk.

---

Aida Chemical reports risk assessment to the senior manager.

---

Comments and Demonstration of Compliance:

The results of risk assessment of suppliers and platinum and palladium raw materials purchased in fiscal 2019 were reported from the Compliance Officer to the Senior Management in June 2020. None of the supply chains were considered high risk for fiscal 2019 transactions.

---

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 devised a strategy for risk management of an identified risk. 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:

For transactions of platinum- and palladium-bearing materials during the reporting year, we did not identify any case for which risk mitigation was needed.

---

---

#### 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 reasonable 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 is available on our company website.

<https://www.aida-j.jp/wordpress/wp-content/uploads/compliancereport.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 2020.

---

---

**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).

---



## Independent Assurance Report

To the Management of Aida Chemical Industries Co., Ltd.

We were engaged by Aida Chemical Industries Co., Ltd. (the "Company") to undertake a reasonable assurance engagement of its Responsible Platinum and Palladium Compliance Report (the "Compliance Report") for the year ended 31 March 2020. The assurance scope consists of the Company's Compliance Report.

### The Company's responsibility

The management of the Company is responsible for the preparation and fair presentation of its Compliance Report in accordance with the requirements of the LPPM Responsible Platinum/Palladium Guidance (the "Guidance"). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Company's Compliance Report.

### Our responsibility

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and the guidance set out in the LPPM Responsible Sourcing Programme - Third Party Audit Guidance (the "Audit Guidance").

This report has been prepared for the Company for the purpose of assisting the management in determining whether the Company has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Company in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Company for our work, or for the conclusions we have reached in the assurance report.

### Inherent limitations

Non-financial information, such as that included in the Company's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the Guidance may differ. It is important to read the Company's platinum and palladium supply chain policy available on the Company's website: [www.aida-j.jp/english/policy/index.html](http://www.aida-j.jp/english/policy/index.html).

### Conclusion

In our opinion, the Company's Compliance Report for the year ended 31 March 2020, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is in accordance with the requirements of the Guidance.

### Independence, quality control and competency statement

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements; professional standards and applicable legal and regulatory requirements.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.  
Tokyo, Japan  
30 June 2020